MONTESSORI CHARTER SCHOOL OF FLAGSTAFF, INC.

an Arizona Subchapter S Corporation

Sustainability - Organization's Fiscal Viability

Part 1: The budget template is included in this submission. MCSF has never operated at a loss and has never borrowed funds. Our auditors have never found reason to raise any questions about the fiscal viability of MCSF.

In this period of economic downturn, even the outcome of this fiscal year is fairly uncertain. Actual numbers are used where available. The assumptions used to forecast future years are below. They are based on information already known.

Per child funding will remain unchanged
Program funding will remain unchanged
    If not, funding absence will be offset by reduced staff/supplies
A slight economic upturn (now occurring) will continue
    Sales tax income and Classroom Site Fund will increase slightly
Cost of annual maintenance will gradually decrease
    All buildings will have been painted FY 2008-2011
    All carpeting will have been replaced FY 2007-2010
Cost of trade name (Instructional-Other) will end after FY 2010
Re-chartering will enable long-term lower cost building leases
Landlord plans FY 2011 ceiling insulation in HQ building and new dual pane windows in another building which will cut heating cost substantially - Estimated utility savings of $8 – 10K per winter

Part 2: Operating as a single school, MCSF is carefully managed in such a way that expenses never exceed revenue. All funds are managed by the business manager who maintains all check stock, signs all checks, and works with a CPA firm to insure both short term and long term fiscal viability of the school. In no year since inception have auditors found reason to question the financial stability of the school.

Accounting procedures – The school was exempted from USFRCS by Amendment 10 and from the School District Procurement Rules by Amendment 11, both on January 12, 1998. The school engaged the services of a CPA firm upon receiving its charter to insure (1) that all of its accounting procedures were professionally conducted according to Generally Accepted Accounting Principles (GAAP); (2) that all financial reporting requirements were adhered to; and (3) that all crosswalks between USFRCS and GAAP were installed to insure the proper format of all reports.

Process of Fiscal Decision Making – MCSF is a for-profit entity operated as an Arizona subchapter S corporation. The business manager, and majority stockholder, of the school is tasked with managing the finances of the school. He is overseen and assisted by the CPA firm engaged by the school. The external auditors have never found reason to question the school's fiscal decision making process.

Site-level personnel with fiscal responsibility – MCSF is a single school financially managed from a central location by one financial (business) manager. No expenditures are made by anyone but the business manager and no funds are managed by any other individual. Although the various levels of the school (kindergarten, elementary, and middle school) are located in different parts of town and are referred to as sites, these "sites" remain under the fiscal control of the school business manager.

Fiscal viability related to fundraising – **MCSF engages in very little fundraising and does not rely on fundraising to maintain fiscal viability.** From time to time parents of children in the school conduct percentage-of-sales fundraising activities for the school at their places of business (usually various restaurants). Funds raised by activities like these are deposited into a non-MCSF business account and are from there used to pay for specific school or classroom projects/activities. MCSF also participates in the Proposition 301 Tax Credit program and collects funds for extracurricular programs. These funds are kept in a separate bank account and reported separately.

Philanthropic support from the community - As with fundraising, **MCSF does not rely on philanthropy to maintain fiscal viability**. Because of MCSF's for-profit status, donations are not tax deductible. For this reason the school does not receive or solicit charitable contributions from the community of Flagstaff at large.