Phoenix School of Academic Excellence
Charter Holder's Financial Sustainability
Part B- Financial Sustainability Narrative

Phoenix School of Academic Excellence continues to implement a plan which will ensure the financial sustainability of the charter school. In 2011-12, the school will meet several key objectives of this plan.

Retire Debt

As of July 1, 2011, the school had notes payable totaling $83,630 (1). The school will by June 30, 2012 payoff all of these notes with the exception of approximately $1,814 which represents the final three payments of an installment loan which will be paid in full in September 2012. The elimination of this debt and associated interest expense will free up approximately $92,000 of cash which can be used to advance the educational objectives of the school and payoff current accounts payable liabilities. The school is committed going forward to live within a conservative budget without the need of borrowing to meet operational expenses.

Reduce Operating Expenses

Beginning in September 2011, the school began taking steps to reduce current operating expenses, primarily in the non-instructional areas. The administration of the school in consultation with a financial consultant began identifying areas that may be eliminated or reduced in order to allow the school to accomplish the elimination of debt. In October of 2011 the current charter holders reached an agreement with the former charter holder to eliminate their employment contract effective April 2012. This move will reduce salary and benefit costs approximately $16,000 in FY12 and $90,000 beginning in FY13. The former charter holder acted as CFO and therefore there was no reduction in instructional service. Beginning in January 2012, the charter school also made the final payment of amortized tenant improvement assessment and will see a reduction in rent expense of $1,246 per month or $14,946 annually. In FY12, the school also contracted with a new financial service provider generating savings of $6,000 annually. Naturally, FY12 proved to be a very tight year financially as short term pain should lead to a much healthier FY13 where the school can begin to eliminate the negative Net Asset position of $57,591 as of June 30, 2011.

Student Retention and Growth

The school currently has an adjusted average daily membership of 114 students. The school has established a goal of increasing student enrollment to 125 in FY12 and 135 in FY13. The school continues to actively canvass the neighborhood around the school. The school is currently negotiating a new and improved website which will provide a more robust marketing component that will resonate with teenagers. The school has also made inroads with local churches in developing a rapport with church leadership to begin a dialoge to that will hopefully lead to additional student enrollment.

Summary

The execution of this plan not only eliminates the fear of financial unsustainability, but also begins to create a positive net asset balance going forward. Through a disciplined and conservative approach to budgeting, the school will have accumulated the cash down payment required to purchase their own school site at the conclusion of their current lease.

Supporting Documents:
(1) See paid promissory notes and Tenant Improvement Payment Schedule
(2) September 29, 2011 and October 11, 2011 Governing Board Meeting Minutes

Phoenix School of Academic Excellence
Charter Holder's Financial Sustainability
Part B- Financial Sustainability Narrative- Exhibits

Paid Promissory Notes

BANK OF ARIZONA
P.O. Box 22117
Tulsa, OK 74135

JANUARY 10, 2012

009 09446

PHOENIX SCHOOL OF ACADEMIC EXCELLE
5312 N 12TH ST 302
PHOENIX, AZ 85014-0000

RE: Loan Number 00000003500795

This letter is confirmation the above referenced loan account is fully satisfied and closed. It has been our pleasure to serve your financial needs.

The release documents have been forwarded for the above referenced loan to the appropriate government agency for recording. If you would like a copy of the release, please contact the appropriate agency or county recorder's office 8-12 weeks after payoff.

Please retain this notice for your records. This letter is adequate evidence of the loan paid in full, therefore the original note will not be returned.

We look forward to providing financial services to your future financial needs. If you need assistance or have questions, please contact your Relationship Manager.

Sincerely,

Credit Services
Collateral Services

Phoenix School of Academic Excellence
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September 29, 2011 Governing Board Minutes

The Phoenix School of Academic Excellence District
The Learning Institute Governing Board Meeting Agenda
September 29, 2011at 5:30pm.
The Learning Institute,
5312 North 12th Street, Suite, 302 Phoenix, Az

I. Call to Order

II. Roll Call

III. Call to the public- Pursuant to ARS 38-431.01.G, the board may allow from the public to address the board. Comments shall be limited to 5 minutes. The Board shall not discuss or take legal action on matters raised during an open call to the public unless the matter appears on this agenda for discussion and legal action.

President's Report

1. EdVantagePartners/ Business Office- Curt Porter
2. CenturyLink-Matthew Dedek
3. Estimated Counts- 121 Students
4. Audit FY11
5. Proposed Interim Board Meetings, October 21, 2011 and October 28, 2011.
6. Next Board Meeting; January 26, 2011at 5:30pm.

IV. Report from Julie Palma

1. AIMS- Jackie Zander
2. Math Program- Timm Dixon
3. Recruitment/Retention
4. Field Trips
5. Senior Update

V . Approval of Action Items

1. Approval of the Interim Board Meeting Minutes for August 12, 2011.
2. Approval of the PSAE Procedures for Mileage reimbursement.
3. Approval for Nate Palma and EdVantagePartners to renegotiate the Non-Revolving Line of Credit with the Bank of Arizona.

VI. Executive Session pursuant to ARS 38-431.03.A.2, A.3 & A.4. #121672

VII. Other

VIII. Adjournment

The Phoenix School of Academic Excellence District
The Learning Institute
Governing Board Meeting Minutes

Date: September 29, 2011

Location: The Learning Institute
Business Office at 5312 North 12th Street, Suite 302
Phoenix, AZ 85014

Roll Call: Nate Palma: President, member, Elvira DeLaCruz: member, Mike Sanchez: member, Abril Ruiz-Ortega: member, Bethany Priebe: member.

Matthew Dedek: Century Link Representative, Curt Porter: EdVantage Partners, Adele Ferrini: staff member, Julie Palma: staff member, Jackie Zander: staff member.

President's Report

Call to the public- Pursuant to ARS 38 -431. 01. G, the Board may allow from the public to address the Board. Comments shall be limited to 5 minutes. The Board shall not discuss or take legal action on matters raised during an open call to the public unless the matter appears on this agenda for discussion and legal action. Please remember not to cross talk with the audience when subject matters are being discussed.

EdVantage Partners/Curt Porter- Curt Porter presented the Board with financial spreadsheets to show the members a revenue analysis for the 2011-2012 school year. Curt Porter pointed out the change in student enrollment as of September 2011, he explained that the projected enrollment count was 135 students and currently there are 121 students. Curt Porter also mentioned the impact to the budget will be related to reduced revenue relating to Prop 301 Funds, FY 12 state budget; charter schools had their Additional Assistance Funding allocation reduced, and Title I funding will be reduced.

Curt Porter also provided a spreadsheet to highlight payroll and related expenses. Curt Porter explained to the Board that payroll should be at 50% of State Equalization, The Learning Institute is within that percentage , and leases should be within the 13% range, currently the school is close to 23%. Curt expressed to the Board that the current debt is recommended to be within 10-15%, as of September 2011, The Learning Institute is close to 26.30%. Mike Sanchez asked for clarification in the areas of payroll and the current lease percentages.

Nate Palma and Curt Porter shared with the Board that a plan will be executed to significantly reduce the debt by December 31, 2011. Nate Palma and Curt Porter will meet with the Board on October 21, 2011 to solidify the plan.

Century Link/ Matthew Dedek- Matthew Dedek offered a brief presentation to the Board about his background with Century Link, which was formerly known as Qwest. Matthew explained to the Board that the school is considering a switch over from the current phone/internet provider, Integra. With a three year agreement, the school will save money and receive faster internet service.

Nate Palma and Matthew Dedek commented that a transfer of phone/internet service will be scheduled for November 2011.

Estimated Counts/121 Students- Nate Palma and Curt Porter touched on this topic during Curt Porter's presentation.

Audit FY11- Nate Palma shared with the Board about the current status of the audit. Nate Palma explained to the Board that PSAE business manager; Michele Diamond and the lead auditors are clarifying the Prop 301 funding, specifically, Classroom Site Fund 1011. Nate Palma will provide the summary of comments to the Board at the next Board meeting.

Proposed Interim Board Meeting- October 21, 2011

Next Board Meeting; January 26, 2012

Report from Julie Palma

AIMS- Jackie Zander reminded the Board that the AIMS test for Reading, Writing and Math will be held in October. Jackie Zander shared with the Board how students are preparing for the upcoming test, Jackie Zander explained how diagnostic tests, and AIMS sample test are being performed to provide students opportunities for the test.

Julie Palma and Timm Dixon offered the Board an overview of the Study Island curriculum which is used on the computer by students. Study Island is web based offering the students a home based study plan.

Math Program- Timm Dixon shared his vision for the Math program during the AIMS portion of the school report.

Recruitment/Retention- Julie Palma shared the current retention plan with the Board. Julie Palma and Jackie Zander reminded the Board that Open House was held in August, during Open House parents were invited to meet the teachers, review curriculum and meet the administration. Open House was available to parents all day. Title I coordinator, Jackie Zander discussed the Title I plan/ vision during Open House.

Field Trips- Jackie Zander and Julie Palma commented on the field trips students are taking during the 1st semester, Julie Palma believes that taking students on field trip will help with exposing students to the community and keep them interested in school.

Senior Update- Julie Palma reminded the Board that senior outreach is a priority in the school. Currently, Enrique Chavez is coordinating the program.

Action Items:

1. Approval of the Interim Board Meeting Minutes for August 12, 2011.
   Mike Sanchez motioned to approve the Interim Board Meeting Minutes for August 12, 2011.
   Abril Ruiz-Ortega seconded.
   The motion carried unanimously.

2. Approval of the PSAE Procedures for Mileage reimbursements to include additions/revisions.
   Bethany Priebe motioned to approve the approval of the PSAE procedures for Mileage reimbursements.
   Elvira DeLaCruz seconded.
   The motion carried unanimously.

3. Approval for Nate Palma and EdVantage Partners to renegotiate the Non Revolving Line of Credit with the Bank of Arizona.
   Abril Ruiz-Ortega motioned to approve Nate Palma and Curt Porter renegotiating the Line of Credit with the Bank of Arizona.
   Elvira DeLaCruz seconded.
   The motion carried unanimously.

Executive Session: Mike Sanchez motioned to enter into an Executive Session.
Bethany Preibe motioned to return to General Session.

Other: Nate Palma offered the Board an opportunity to share their thoughts on two vacancy seats on the Governing Board.
Potential candidates included; Enrique Chavez, Lisa Thompson, Timm Dixon, Burke Montoya and Jackie Zander. After discussion, Jackie Zander and Burke Montoya will join the governing board. Nate Palma will begin the steps to prepare Jackie Zander and Burke Montoya for the January meeting.

Nate Palma will submit the ALEAT Curriculum Declarations, Principal Declarations to ADE. Bethany Priebe will sign the forms.

Adjournment: Elvira DeLaCruz motioned to adjourn at 7:27pm.
Abril Ruiz-Ortega seconded.
The motion carried unanimously.

Submitted by _____ Date: 10102011

Phoenix School of Academic Excellence
Charter Holder's Financial Sustainability
Part B- Financial Sustainability Narrative- Exhibits

October 11, 2011 Governing Board Minutes

The Phoenix School of Academic Excellence District
The Learning Institute
Interim
Governing Board Meeting Minutes

Date: October 11, 2011
9:00am

Location: The Learning Institute
Business Office at 5312 North 12th Street, Suite 302
Phoenix, AZ 85014

Roll Call: Nate Palma: President, member, Mike Sanchez: member, Bethany Priebe: member, Elvira DeLaCruz: member,

Teleconference: Abril Ruiz-Ortega: member.

President's Report

Call to the public- Pursuant to ARS 38 -431. 01. G, the Board may allow from the public to address the Board. Comments shall be limited to 5 minutes. The Board shall not discuss or take legal action on matters raised during an open call to the public unless the matter appears on this agenda for discussion and legal action. Please remember not to cross talk with the audience when subject matters are being discussed.

Annual Financial Report- Joseph Perez provided the members of the board with a brief overview of the Annual Financial Report.

Nate Palma mentioned to everyone that there were no significant changes to the AFR and that the October 15, 2011 deadline will be met.

Next Board Meeting, January 26, 2012.

Adele Ferrini- Adele Ferrini reminded the Board of her purpose for ending her contract agreement for the 2011-2012 school year on April 30, 2012. Adele Ferrini believes this approach will help this current budget, freeing up her May and June salary to help the PSAE operating budget for the end of the fiscal year. Nate Palma reiterated this plan with his comments to have PSAE continue with the full coverage of Health, Dental and Vision for Adele Ferrini through June 30, 2012.

Nate Palma and Curt Porter will build the plan into the financial spreadsheets for 2011-2012 budget projections.

The Board agrees with the plan as presented and will move forward with it for the remainder of the 2011-2012 fiscal year.

Adele Ferrini also asked the Board to make it a priority to not breach the promissory note to Larry Nagaki. Nate Palma agrees with this and will continue with the plan to pay the debt before December 31, 2011.

Action Items:

1. Approval of the 2010-2011 Annual Financial Report.
Bethany Priebe motioned to approve the 2010-2011 Annual Financial Report.
Elvira DeLaCruz seconded.
The motion carried unanimously.

Executive Session: None

Other:

Adjournment: Mike Sanchez motioned to adjourn at 9:42am.
Abril Ruiz-Ortega seconded.
The motion carried unanimously.

Submitted by _____ Date: 10112011

The Phoenix School of Academic Excellence District
The Learning Institute
Interim Board Meeting
Agenda
October 11, 2011
The Learning Institute,
5312 North 12th Street, Phoenix, Az

I. Call to Order

II. Roll Call

III. Call to the public- Pursuant to ARS 38-431.01.G, the board may allow from the public to address the board. Comments shall be limited to 5 minutes. The Board shall not discuss or take legal action on matters raised during an open call to the public unless the matter appears on this agenda for discussion and legal action.

IV. President's Report

1. AFR.

V. Adele Ferrini

VI. Approval of Action Items

1. Approval of the PSAE 2010-2011 Annual Financial Report.

VII. Executive Session pursuant to ARS 38-431.03.A.2,A.3 & A.4.

VIII. Other

IX. Adjournment