

December 3, 2009

To: The Board of Directors of
Lighthouse Academies of Arkansas Inc (LAA)

From: Bob Stearns
Vice President of Finance
Lighthouse Academies, Inc (LHA)

Enclosed are the financial statements for Jacksonville Lighthouse Charter School for the four months ended October 31, 2009. Also enclosed is the proposed budget amendment #3 for FY10.

Please note the following highlights

FINANCIAL RESULTS FOR OCTOBER

Statement of Financial Position

1. Cash was high at 570K due to timing of loan and grant receipts and the matching payment of disbursements under those obligations.
 - a. \$89K of the cash balance at Oct 31st paid an accounts payable invoice to Jim Green in November.
 - b. \$150K represented grant proceeds received under the PCSP grant which paid an accounts payable invoice to Frank Cooney for furniture in November.
 - c. \$50K of the cash represented amounts borrowed under the First Bank of Arkansas line of credit which was repaid in November.
 - d. Cash was also high as LHA open invoices have not been paid for the first quarter. These include reimbursable costs and fees.
 - e. The actual working capital of the school at Oct 31st is the total of current assets of Cash and Accounts Receivable of \$582K less current liabilities of Accounts Payable and Line of Credit \$499K. The school had a positive working capital of \$83K.
2. The total year to date facility loans borrowed from Southern Financial Partners, LISC, and LHA total \$2.3M. There is approximately \$800K remaining to be drawn on the \$3.1M lending credit. Interest paid or accrued has been capitalized as part of the building costs as construction period interest.

Statement of Activities and Budget vs. Actual

1. During October the school received the following funding
 - a. Per pupil allocation from the state of \$169K, (slightly above budget)
 - b. Enhanced educational funding \$1K, (slightly below budget)
 - c. State professional development funds \$1K (new to budget)
 - d. Title II(a) \$1572 year to date –this is on track to the budget
 - e. September meal claims (on track to the budget)

- i. October meal claims received in November and are reflected in accounts receivable at Oct 31st
 - f. Local collections
 - i. Meals to date collected from students \$8K (on budget)
 - ii. Fundraising Activity to date \$2700 offset by cost of fundraising and the actual activity \$2700
 - iii. Additional donations to date \$2100
 - iv. After School Day Care collections \$6703 to date; approx. \$2600 per month. The cost is approx. \$4600 per month resulting in a loss on the program of approximately \$2K per month. The program's collection efforts will become the responsibility of the care provider starting in December.
 - v. Sale of uniforms -- \$18K has been collected to date. The school has paid \$26K towards the cost of the uniforms. The balance should be inventory at the school for future sales. The school is reminded to collect the sales tax on the sales and remit them to the state. The school would not pay sales tax on the purchases as it would be considered purchases for resale.
 - g. Funds not yet received
 - i. NSLA – this is a state source of revenue based on free and reduced lunch counts. These funds were expected to be received in November, but have yet to be received.
 - ii. Title I – the school has an obligation to hire the teacher assistants and then it can start to draw the funds.
- 2. PCSP- Federal grant – Public Charter Schools Program. This grant can be used to implement the charter school's programs. The school has received \$300K so far and has used it to buy textbooks and furniture. The school has learned in November it may apply and receive an additional \$150K from the grant after it submits the latest final expenditure reports for the second 150K grant. The school intends to use the third round of funding of \$150K to buy out furniture and equipment that had acquired by LHA with the intent to lease back. This reduction in leasing costs will save the school approximately \$73K in lease costs for FY10.
- 3. Payroll costs are on track to the budget or in many instances better than budget.
- 4. Staff Development- the two largest expenditures to date for staff development include a \$14K payment for Responsive Classroom training that occurred over the summer for the new teachers and \$11K for the LHA national training in Chicago. Additional costs for staff development include training and travel costs to various activities including new leader training, office manager training, Powerschool training, and meals training.
- 5. LHA fees of \$5K per month starting in September are included in accounts payable as open invoices to LHA.
- 6. Reimbursable expenses to LHA are within terms of the contract and represent startup and operational costs to date. These are unpaid until board approval and included in accounts payable.
- 7. Food program costs are under budget for the year to date.
- 8. The contractual after care program is with Kid to Kid and includes invoices approved for payment. As the collections for the first three months have been less than the cost of the program by approx. \$2K per month, starting in December, the vendor will assume responsibility for collections. The proposed budget amendment includes actual and estimated costs through November.

9. Classroom supplies include the start of the year purchase of supplies that should last most of the year. As it has exceeded the original budget estimate by \$2K, a proposed budget amendment is included to increase the line by \$10K.
10. The textbooks to date have been purchased mostly with the PCSP grant.
11. The line "Purchases of FFE" represent furniture and has been paid for mostly with PCSP funds.
12. The FFE Lease Payments line is zero because the lease was not approved by the state until the end of November. Approximately \$120K of technology costs will be added to the lease.
13. The temporary office space rent includes the payments to the church since the facility was not ready for the August opening. Included in the 32K is \$20K of painting and clean up after the school left in October.
14. Utilities include payments to the church. The school has not received its November utility bills for the new site.
15. The payments on the loans have been moved to the bottom of the statement in a section called Debt Service on Facility loans. The proposed budget includes reductions in the estimated monthly costs on the financing. It is estimated the loans will convert to permanent long term debt from construction period debt in December and starting in January the monthly payments of principal and interest will start to be repaid. Currently through Oct 31st, interest payments to SFP and LISC have been capitalized as construction period interest and are expected to be part of the final financed costs.

AMENDED BUDGET #3

1. The shaded column on the Statement of Activities is the working budget amendment to account for the following changes in activities:
 - a. Income
 - i. Per pupil has been adjusted to current payment streams. The revenue may change if paid enrollment differs from the submitted enrollment over the course of the year. An increase of \$17K
 - ii. PCSP grant – we have added the expected use of the available 3rd round of this grant. We recommend using it to lower debt by acquiring property previously acquired by LHA with the intention of leasing it to the school. This will decrease the amount of financing needed under the lease by \$150K and lower lease costs by \$60K
 - iii. The lease financing source of income is expected to drop \$210K due to the use of the \$150K PCSP grant and lower than expected costs for FFE and textbooks by \$60K.
 - iv. Uniform sales – increase from original budget of \$10K to \$26K. This is based on collections to date of \$18K and future sales of inventory. Increase in the line by \$16K.
 - v. After School Program Revenue – increase the revenue based on current collections to date and estimated collections through November. Total expected revenue is 10K, an increase of \$5K. Starting in December the revenue and expenses will be outsourced.
 - b. Expenses
 - i. Professional Development Costs and Staff recruitment – overall increase in costs by \$14K, mainly due to higher costs in the first quarter for various travel if candidates and the responsive classroom training of 14K.
 - ii. Contractual Reimbursable Costs – LHA - these include start up period costs and first quarter operational travel. The startup period costs of

\$57K were previously noted and intended to be financed long term under the LHA startup loan. Dr. Brown from the Arkansas Department of Education did not believe the startup period costs could be financed long term. The costs, as reported in previous financial reports are included for repayment in the fy10 proposed amended budget under local and beginning fund balances. The budgeted line for FFE lease that was reduced because of the PCSP grant is mainly going toward the funding of this budget line.

- iii. AS noted, classroom expenses at startup exceeded the annual budget by \$2K. The budget has been increased by \$10K.
- iv. Uniforms has increased for the cost of the uniforms purchased to date which is expected to be all that is needed for the rest of the year. The expense is offset by collections from students.
- v. FFE lease has decreased resulting in a budget savings of \$93K. This is a result of property acquired by purchase under new grant funds and lower costs of FFE than first estimated.
- vi. The FFE purchased equipment line has been amended to current projections of furniture of \$300K and technology \$120K. The technology is expected to be leased. The furniture is expected to be paid for with the PCSP grant.
- vii. I have decreased the Debt Service amounts needed for the loans due to the pushing out of the conversion of the construction period loans to long term debt. The current forecast of debt service payments is to start Jan 1st.

OTHER

- Enclosed is the Schedule of Bills (Cash Disbursements) for the month of November. It reflects the payments of approved invoices and payroll for the month.
- The school is implementing payroll direct deposit and adding Dr Anderson and Robert Stearns as online approvers to transfer the funds need for the direct deposit to the bank.
- Open invoices from Lighthouse Academies Inc. for board approval.

Please do not hesitate to contact me if you have any questions.

Sincerely

Bob Stearns
Vice President of Finance
Lighthouse Academies, Inc

Jacksonville Lighthouse Charter School
Statement of Financial Position

	comments	10/31/09
Assets		
Cash	ok to bank rec	\$ 570,672
Accounts Receivable	8K claims; 2K supply refund	10,654
Fixed Assets	ok to detailed sched	2,535,879
Total Assets		<u>\$ 3,117,205</u>
Current Liabilities		
Accounts Payable		\$ 444,081
Line of Credit-FBAT	to be paid off in Nov	55,000
Deferred Revenue		-
Total Current Liabilities		<u>499,081</u>
Long Term Liabilities		
Loan Payable-LHA	ok to loan sched at 10/31	400,000
Loan Payable-SFP	ok to loan sched at 10/31	1,181,830
Loan Payable-LISC	ok to loan sched at 10/31	698,893
Total Long Term Liabilities		<u>2,280,723</u>
Total Liabilities		<u>2,779,804</u>
Net Assets		
Temporarily Restricted Net Assets	donation for staff bonuses	25,000
Unrestricted Net Assets		312,401
Total Net Assets		<u>337,401</u>
Total Liabilities and Net Assets		<u>\$ 3,117,205</u>

	A	I	J	K	L	M	N	P	Q	R
1	Jacksonville Lighthouse Charter School									
2	Statement of Activities									
3										
4		Four Months Ended 10/31/09								
5										
6		Actual	Budget	Variance		amendment #2	remaining	in progress	Difference	comments
7										
8										
9										
10	Revenue									
11	Per Pupil	\$ 677,108	\$ 671,220	\$ 5,888	\$	2,013,660	\$ (1,336,552)	\$ 2,031,324	\$ 17,664	169,277 * 12
12	Special Education	-	16,667	(16,667)	\$	50,000	(50,000)	50,000	-	
13	Enhanced Educational Funding	4,012	4,520	(508)		13,560	(9,548)	12,036	(1,524)	1003*12
14	Title I	-	27,297	(27,297)		81,891	(81,891)	81,891	-	
15	Title II(a)	1,572	1,572	0		4,715	(3,143)	4,715	-	
16	Title IV	-	188	(188)		563	(563)	563	-	
17	PCSP	300,000	300,000	-		300,000	-	450,000	150,000	will apply for 3rd round 150K
18	State Prof Dev Funds	4,740	-	4,740		-	4,740	14,220	14,220	1185 * 12
19	NSLA	-	-	-		68,250	(68,250)	68,250	-	
20	Proceeds for Leased Capital Equipment	-	-	-		330,000	(330,000)	120,000	(210,000)	use grant to acquire furn, total tech and furn less than original estimates
21	Food Program-Claims	11,532	10,323	1,209		51,613	(40,081)	51,613	-	
22	Food Program-Student Collections	8,151	8,000	151		40,000	(31,849)	40,000	-	
23	Student Activity Fees	3,310	3,333	(23)		10,000	(6,690)	10,000	-	Field Trips \$3310
24	Sale of Uniforms	17,903	3,333	14,569		10,000	7,903	26,000	16,000	see expense account increase
25	Fundraising Activities	2,700	-	2,700		-	2,700	5,000	5,000	
26	Private Contributions	2,100	8,333	(6,233)		25,000	(22,900)	25,000	-	
27	After school Program Fees	6,703	1,667	5,036		5,000	1,703	9,703	4,703	After Care- outsourced starting Dec
28	Total Revenue	1,039,831	1,056,452	(16,621)		3,004,252	(1,964,421)	3,000,315	(3,937)	
29										
30										
31	Operating Expenses									
32										
33	Payroll-Administrative									
34	Principal	27,522	27,750	228		90,000	62,478	90,000	-	
35	Director of Instruction	17,500	20,042	2,542		65,000	47,500	65,000	-	
36	Dean of Students	-	9,250	9,250		30,000	30,000	30,000	-	
37	Business Manager	13,644	13,875	231		45,000	31,356	45,000	-	
38	Admin Assistant	6,755	8,633	1,878		28,000	21,245	28,000	-	
39	Total Payroll-Administrative	65,422	79,550	14,128		258,000	192,578	258,000	-	
40										
41	Basic Education									
42	Classroom Teacher Salaries	120,190	126,225	6,035		459,000	338,810	459,000	-	
43	Classroom Teacher Perf. Bonuses	-	-	-		25,000	25,000	25,000	-	use contribution received 25K
44	Teacher Leader Fellow Stipend	-	-	-		10,000	10,000	10,000	-	
45	Teacher Assistants	-	7,150	7,150		26,000	26,000	26,000	-	
46	Substitutes	6,298	3,850	(2,448)		14,000	7,702	14,000	-	
47	Total Teaching Salaries	126,488	137,225	10,737		534,000	407,512	534,000	-	
48										
49	Specialists									
50	Total Specialists	19,369	19,800	431		72,000	52,631	72,000	-	
51	Total Specialists	19,369	19,800	431		72,000	52,631	72,000	-	
52										
53	Title I									
54	Title I Teacher Assistants	-	-	-		50,000	50,000	50,000	-	3 TA's between Oct - June paid out of T-1 plus benefits below,
55	Total Teaching Salaries	-	-	-		50,000	50,000	50,000	-	
56										
57	Special Education									
58	Special Education Teachers	9,692	8,800	(892)		32,000	22,308	32,000	-	
59	Special Education Teacher Assts	-	-	-		-	-	-	-	
60	Total Teaching Salaries	9,692	8,800	(892)		32,000	22,308	32,000	-	
61										
62	Service Providers-Other Staff									
63	After school Care	-	-	-		-	-	-	-	
64	Nurse	1,972	4,400	2,428		16,000	14,028	16,000	-	

	A	I	J	K	L	M	N	P	Q	R
4		Four Months Ended 10/31/09								
6		Actual	Budget	Variance		amendment #2	remaining	in progress	Difference	comments
65	Food Service	-	-	-		-	-	-	-	
66	Custodians	-	-	-		-	-	-	-	
67	Total Service Providers-Other Staff	1,972	4,400	2,428		16,000	14,028	16,000	-	
68		222,943	249,775	26,832		962,000	739,057	962,000	-	
69										
70	Taxes & Benefits									
71	Taxes and Benefits	66,446	86,075	19,629		313,000	246,554	313,000	-	
72	Total Taxes & Benefits	66,446	86,075	19,629		313,000	246,554	313,000	-	
73						33%		33%		
74										
75	Staff Development & Recruitment									
76	Staff Development-Summit	11,008	18,000	6,992		18,000	6,992	11,000	(7,000)	
77	Title I District Prof Dev set aside					20,000	20,000	20,000	-	
78	Staff Development-Discretionary	19,952	4,667	(15,285)		14,000	(5,952)	25,000	11,000	reclassify 14K responsive classroom training fr textbooks
79	Contingency for NSLA - don't spend until awarded in Nov					-	-	-	-	assume that the DOI will be chargeable to NSLA once that is granted in Nov/Dec
80	Consultants-Visiting Artists		1,000	1,000		3,000	3,000	3,000	-	
81	Staff Recruitment	9,621	800	(8,821)		2,400	(7,221)	12,000	9,600	includes PAL Relocation and DOI search
82	Total Staff Development & Recruitment	40,581	24,467	(16,114)		57,400	16,819	71,000	13,600	
83										
84	Professional Fees									
85	Academic Services-LHA	10,000	10,000	-		50,000	40,000	50,000	-	
86	Contractual Reimbursable Costs - LHA	67,802	5,000	(62,802)		15,000	(52,802)	100,000	85,000	increase for development and travel
87	Accounting & Auditing	2,573	4,000	1,427		12,000	9,427	12,000	-	
88	Legal	5,425	4,000	(1,425)		12,000	6,575	12,000	-	
89	Computer Support and Expenses	1,838	2,667	829		8,000	6,162	8,000	-	
90	HRIS	-	4,000	4,000		12,000	12,000	-	(12,000)	not needed - internally done
91	Food-Vended Meals Contract	31,869	38,633	6,764		115,900	84,031	115,900	-	
92	OT/PT/ST/Psych Services	-	8,000	8,000		24,000	24,000	24,000	-	
93	Contracted Day Care	11,855	-	(11,855)		-	(11,855)	16,455	16,455	Estimated 4600 per month Kid to Kid. Offset by revenue. Outsourced completely starting Dec
94	Marketing	650	-	(650)		-	(650)	1,000	1,000	
95	Assessment and Data Service	10,421	5,158	(5,262)		15,475	5,054	15,475	-	
96	Total Professional Fees	142,431	81,458	(60,973)		264,375	121,944	354,830	90,455	
97										
98	Supplies									
99	Classroom Supplies	27,531	19,069	(8,462)		25,425	(2,106)	36,000	10,575	
100	SPED Supplies	417	-	(417)		-	(417)	2,000	2,000	
101	Textbooks	161,481	170,000	8,519		170,000	8,519	170,000	-	offset by revenue collected and assumed
102	Uniforms	25,630	5,085	(20,545)		5,085	(20,545)	26,000	20,915	inventory
103	Nurse Supplies	-	2,825	2,825		8,475	8,475	8,475	-	
104	Office Supplies	3,700	4,520	820		13,560	9,860	13,560	-	
105	Janitorial Supplies	-	5,650	5,650		16,950	16,950	16,950	-	
106	Total Supplies	218,758	207,149	(11,609)		239,495	20,737	272,985	33,490	
107										
108	FFE									
109	FFE Lease Payments	-	35,778	35,778		143,110	143,110	50,000	(93,110)	nothing added to lease yet. Agreement approved by state in Nov.
110	Purchases of FFE	151,643	150,000	(1,643)		460,000	308,357	420,000	(40,000)	300K Furn; 120K tech
111	Total FFE	151,643	185,778	34,134		603,110	451,467	470,000	(133,110)	
112										
113	Occupancy									
114	Rent - temp site	32,804	1,667	(31,138)		5,000	(27,804)	33,000	28,000	increase for church, incl 20K cleanup
115	Utilities	7,969	12,000	4,031		36,000	28,031	36,000	-	8K to church
116	Facility Management Contract	8,782	5,000	(3,782)		15,000	6,218	20,000	5,000	increase for travel costs
117	Landscape and Snow Plow	-	1,667	1,667		5,000	5,000	5,000	-	
118	Cleaning Contract	8,269	13,333	5,065		40,000	31,731	40,000	-	
119	Repairs and maintenance	785	1,667	882		5,000	4,215	5,000	-	
120	Waste Removal	-	1,600	1,600		4,800	4,800	4,800	-	
121	Telecommunications	2,166	3,333	1,167		10,000	7,834	15,000	5,000	increase for work in Nov

	A	I	J	K	L	M	N	P	Q	R
4		Four Months Ended 10/31/09								
6		Actual	Budget	Variance		amendment #2	remaining	in progress	Difference	comments
122	Building Contingency	-	-	-		20,000	20,000	20,000	-	
123	Total Occupancy	60,774	40,267	(20,508)		140,800	80,026	178,800	38,000	
124										
125	Other Expenses									
126	Miscellaneous	226	167	(59)		500	274	500	-	
127	Bank Charges	168	167	(1)		500	332	500	-	
128	Dues & Subscriptions	2,500	1,467	(1,033)		4,400	1,900	4,400	-	
129	Field Trips	4,933	6,667	1,734		20,000	15,067	20,000	-	
130	Fundraising / Other Student Activities	2,700	-	(2,700)			(2,700)	5,000	5,000	
131	Insurance	7,285	16,000	8,715		16,000	8,715	16,000	-	
132	Travel	57	800	743		2,400	2,343	2,400	-	
133	Copying & Printing	1,515	3,333	1,818		10,000	8,485	10,000	-	
134	Postage & Shipping	1,712	2,667	955		8,000	6,288	8,000	-	
135	Interest Expense	721	800	79		2,400	1,679	2,400	-	line of credit. Paid off in Nov
136	Total Other Expenses	21,816	32,067	10,251		64,200	42,384	69,200	5,000	
137										
138	Total Expenses	925,393	907,035	(18,359)		2,644,380	1,718,987	2,691,815	47,435	
139										
140	Operating Income (Revenue)	114,438	149,418	(34,980)		359,872	(245,434)	308,500	(51,372)	
141										
142										
143	Debt Service on Facility Loans									
144	Facility Loans - LISC and SFP	-	22,500	22,500		225,000	225,000	135,000	(90,000)	construction loan still in progress. Assume 6 months of payments
145	Lighthouse Academies Inc	-	30,008	30,008		90,024	90,024	45,012	(45,012)	assume defer amortization until Jan
146	Total Debt Service-Facility Loans	-	30,008	30,008		315,024	315,024	180,012	(135,012)	
147										
148										
149	Net Income (Loss)	114,438	119,410	(4,972)		44,848	69,590	128,488	83,640	
150										
151										
152	Beginning Balance	(4,730)	(44,367)	39,637		(44,367)	39,637	(4,730)	39,637	
153										
154	Ending Balance	109,707	\$ 75,043	\$ 34,665		\$ 481	\$ 109,227	123,758	123,277	
155										
156	convert to GAAP					0				
157	Add back fixed assets beginning, net of loans	202,694								
158										
159	GAAP - Net Assets Unrestricted	\$ 312,401								