

Advanced Learning Charter School, Inc.

5855 NW 171 Street • Miami Gardens, FL 33015
305-231-4888 • 305-231-4881 (Fax)

October 1, 2010

Mr. Julio C. Miranda, CPA, CFE, Assistant Chief Auditor
1450 N.E. 2nd Avenue, Room 415
Miami, FL 33132

**RE: Financial Emergency Corrective Action Plan for Advanced Learning
Charter School pursuant to Section 1002.345, Florida Statutes**

We are in receipt of a letter from Miami-Dade County Public Schools, dated September 20, 2010, requesting that the governing body of Advanced Learning Charter School provide a Financial Emergency Corrective Action Plan, pursuant to Section 1002.345, Florida Statutes, to your attention. Please accept the following in response to that request.

The audited financial statements of Advanced Learning Charter School (the "School") report a total net assets deficit of \$363,273 as of June 30, 2010. The reported net asset deficit is related primarily to first year start-up expenses, net food service expenses and under enrollment compared to facility capacity.

Start-up expenses in excess of net proceeds received from the School's CSP Grant were approximately \$150,000. These expenses consist primarily of leasehold improvements, professional fees and temporary rents.

Over 65% of the School's first year enrollment qualified for free and reduced lunch in accordance with the National School Lunch Program (NSLP). A policy decision was made at the board level to not charge students who qualified for free or reduced lunch, although the School was not an approved sponsor of the NSLP. Net food service costs for the school year ended June 30, 2010 were approximately \$60,000.

The 2009-2010 enrollment for the School was 159 UFTE, comprised of 132 UFTE confirmed in the October FTE count and 172 UFTE confirmed in the February FTE. The School's opening day enrollment was 110 UFTE and the ending enrollment was 188 UFTE. The capacity of School's facility is 452 students, however based on class size reduction capacity the effective maximum enrollment is approximately 420 students. Based on such, the School's facility utilization for the 2009-2010 school year was less than 40%.

In response to the net assets deficit described above, the School is in the process of developing a corrective action plan to achieve a positive net asset position. The plan will focus primarily on enrollment, stabilization of start-up capital expenditures and the reduction of food service costs. Additionally, the plan will concentrate on effectively utilizing the School's facility, staffing levels, operating expenses and before and after care services.

Enrollment: Initial enrollment for the current school year was 359 students, which was less than projected enrollment of 400 students. The projected enrollment was based on applications received by the School's registrar and wait listed students for sections that were at capacity. A review of the shortfall determined that the majority of students who chose not to enroll at the School returned to their local public school. In response, a direct mail campaign has been implemented, which is starting to produce potential enrollment traffic. As of the date of this letter, the current enrollment is 362 UFTE and there are four students in various stages of completing the enrollment process. Our target enrollment for the October FTE count is 370 UFTE. The School will also launch another marketing campaign in the fall for the February FTE count and during the summer for the 2011-2012 school year.

Capital Expenditures: During the second year of operations, the School will incur additional capital expenditures for furniture, fixtures and equipment (FF&E); textbooks; technology; and leasehold improvements. The estimated start-up capital expenditures in excess of the School's CSP Grant are approximately \$110,000, of which approximately \$20,000 is related to replacing Math textbooks necessary to meet the new Sunshine State Standards. These additional expenditures will complete the School's capital expenditures necessary to accommodate an enrollment of 420 students. Going forward, the School's expenditures related to FF&E, technology and leasehold improvements will be limited to repairs and maintenance and textbook expenditures will be limited to consumables and replacement.

Food Service Costs: On May 20, 2010, Advanced Learning Charter School, Inc. was approved as a Sponsor of the NSLP and the current year renewal application was approved on August 30, 2010. The School has also retained the services of an approved NSLP vendor with over 13 years experience in the program. The result of these new developments should reduce the School's net food service cost to less than \$30,000, while accommodating twice the prior year enrollment.

In addition to the action points described above, the School's effective utilization of the facility at the current enrollment level is over 85%, which is more than double the facility utilization obtained during the prior school year. Our goal is reach 95% facility utilization by the end of the current school. This goal will be achieved by continued marketing efforts and providing a high level of service to the students enrolled at the School.

All of the classroom, specials, ESE and PE teachers are certified teachers with an average teacher base salary of approximately \$36,000. Most of the teachers at the School have less than five years classroom teaching experience. Professional development for the School's staff is provided by retired M-DCPS senior personnel with over 60 years combined experience.

School operating expense reduction initiatives include a new janitorial supply company, application for inclusion in the federally funded E-rate program and closely monitoring classroom and office supply expenses by providing more hands-on activities for students while limiting the majority of copied handouts to take home assignments.

The School's after-care program was run by the YMCA during the 2009-2010 school year. This year we have hired experienced after care personnel to run program in-house, while increasing the homework and after-school tutoring component of the program. The School has applied for after-care subsidy funding for eligible students with the Early Learning Coalition. After-care subsidy revenue is not included in the budget below.

The following is a copy of the 2010-2011 school year detailed monthly operating budget:

**Advanced Learning Charter School
 Monthly Operating Budget
 2010-11 School Year**

	FTE Enrollment 282		359		362								FY11
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	TOTAL
Revenue													
CSP Grant							75,000						75,000
FEFP	166,771	150,087	201,651	201,651	204,088	204,088	204,088	204,088	204,088	204,088	204,088	204,088	2,352,865
Title 1				39,000									78,000
NSLP Reimbursement	3,586	6,828	19,508	20,483	16,582	12,680	18,533	17,557	17,557	18,533	20,483	6,828	179,158
Lunch Fees		817	3,083	2,680	2,169	1,659	2,424	2,297	2,297	2,424	2,680	893	23,423
Bef/Aft Care Fees		2,451	12,332	6,000	6,000	4,000	6,000	6,000	6,000	6,000	6,000	2,000	62,784
Gross Revenue	170,357	160,183	236,674	269,814	228,839	222,427	306,045	268,942	229,942	231,045	233,251	213,809	2,771,230
Indirect Costs	(7,573)	(7,573)	(10,153)	(10,153)	(10,204)	(10,204)	(12,704)	(10,204)	(10,204)	(10,204)	(10,204)	(10,204)	(119,587)
Net Revenue	162,784	152,610	226,421	259,661	218,635	212,223	293,341	258,738	219,738	220,841	223,047	203,605	2,651,642
Expenses													
Salaries & Benefits													
Instruction Salaries	42,668	76,662	78,000	78,000	78,000	76,000	78,000	78,000	78,000	78,000	78,000	75,000	894,330
Instruction Pysl Taxes	3,356	5,545	6,000	6,000	6,000	5,800	6,000	6,000	6,000	6,000	6,000	5,800	68,501
Admin Salaries	11,846	13,854	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	165,700
Admin Pysl Taxes	898	1,052	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	12,950
Janitorial Salaries	3,480	5,042	5,000	5,000	5,000	4,700	5,000	5,000	5,000	5,000	5,000	4,000	57,222
Janitorial Pysl Taxes	266	386	400	400	400	385	400	400	400	400	400	300	4,537
Group Benefits	1,284	7,922	12,289	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	93,495
Sub-total Salaries & Benefits	63,799	110,461	116,789	112,500	112,500	109,985	112,500	112,500	112,500	112,500	112,500	108,200	1,296,734
Instructional Expenses													
Classroom Expenses	556	4,196	6,000	500	500	500	5,000	1,500	500	500	500	300	20,552
Textbooks	844	66,439		7,500			3,000						77,783
Classroom FF&E		2,728					85,000						87,726
Instructional Support (Prof Dev)	-	11,050	3,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	55,050
Sub-total Instructional Exps	1,400	84,410	9,500	12,500	5,000	5,000	97,500	6,000	5,000	5,000	5,000	4,800	241,110
Operating Expenses													
Admin G&A	251	404	150	150	150	150	150	150	150	150	150	150	2,155
Office Supplies	-	4,442	500	500	500	500	1,500	500	500	500	500	500	10,442
Office Equipment	-	-	-	10,000	250	250	250	250	250	250	250	250	12,000
Communications	961	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	12,057
Monitoring Services	160	160	160	160	160	160	160	160	160	160	160	160	1,920
Utilities	2,143	4,600	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	26,743
Janitorial Supplies	-	2,288	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	500	11,788
Maintenance	2,536	600	300	500	500	500	500	500	500	500	500	500	7,936
Sub-total Operating Exps	6,051	13,502	5,119	15,319	5,569	5,569	6,569	5,569	5,569	5,569	5,569	5,069	85,041
Board Admin Expenses													
Professional Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Audit Fees				11,000									11,000
Legal Fees					500		500		500		500		2,000
Advertising			5,000	2,000	2,500	2,500					1,500	2,500	16,000
Miscellaneous (travel, etc)			250	250	250	250	250	250	250	250	250	250	2,500
Insurance - GL	3,377	1,640	1,640	1,640	1,640	1,640	1,640	1,640	1,640	1,640	1,640	1,640	21,422
Interest Expense	3,656	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	46,710
Bank Fees	36	10	50	50	50	50	50	50	50	50	50	50	496
Sub-total Board Admin Exps	12,069	10,554	15,814	23,854	13,854	13,354	11,354	10,854	11,354	10,854	12,854	13,354	160,128
Food Service													
Salaries & Benefits		1,292	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	1,500	25,292
Catering Cost		7,976	22,789	23,928	19,371	14,813	21,650	20,510	20,510	21,650	23,928	7,976	205,101
Total Food Service Cost	-	9,268	25,289	26,428	21,871	17,313	24,150	23,010	23,010	24,150	26,428	9,476	230,393
Before/After Care Expenses													
Salaries & Benefits	-	2,285	3,000	3,000	3,000	2,500	3,000	3,000	2,800	3,000	3,000	1,500	30,085
Materials & Supplies			500	100	100	100	100	100	100	100	100	100	1,300
Total Before & After Care Exps	-	2,285	3,000	3,500	3,100	2,600	3,100	3,100	2,900	3,100	3,100	1,600	31,385
Facility Expenses													
Building Improvements	4,600	7,080		8,000									19,680
Facility Rent (Cash Payments)	34,373	34,373	38,125	35,625	35,625	35,625	35,625	35,625	35,625	35,625	35,625	35,625	427,497
Total Facility Expenses	38,973	41,453	38,125	43,625	35,625	35,625	35,625	35,625	35,625	35,625	35,625	35,625	447,177
Total Expenses	122,293	271,934	213,636	237,727	197,519	189,446	290,798	196,658	195,958	196,798	201,077	178,124	2,491,967
Net Surplus (Deficit)	40,491	(119,324)	12,785	21,934	21,116	22,777	2,543	62,079	23,779	24,043	21,970	25,480	159,875

Underlying Revenue assumptions contained in the budget above are as follows:

- FEFP revenue is based on current enrollment and the Sept-2010 rate per FTE.
- Title 1 revenue is based current year determination letter and is used to hire reading coach and implement supplemental reading programs.
- NSLP reimbursement revenue is based on current rates and participation.
- Before and After Care revenue is based on current rates and participation.

As noted in the budget above, the anticipated net surplus for the 2010-2011 school year is approximately \$160,000. This would leave a net assets deficit of approximately \$200,000 at June 30, 2011. The remaining net asset deficit is anticipated to be eliminated by the end of the 2011-2012 school year. The 2011-2012 School budget is as follows:

**Advanced Learning Charter School
 Monthly Operating Budget
 2011-12 School Year**

	FTE Enrollment 395												FY12 TOTAL
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	
Revenue													
FEFP	203,000	203,000	203,000	203,000	203,000	203,000	203,000	203,000	203,000	203,000	203,000	203,000	2,435,996
Title 1				40,000				40,000					80,000
NSLP Reimbursement	4,000	7,000	20,000	21,000	17,000	13,000	19,000	18,000	18,000	19,000	21,000	7,000	184,000
Lunch Fees		1,000	3,500	3,000	2,500	2,000	2,500	2,500	2,500	2,500	3,000	1,000	26,000
Be/Aft Care Fees		2,500	8,000	6,500	6,500	4,500	6,500	6,500	6,500	6,500	6,500	2,500	63,000
Gross Revenue	207,000	213,500	234,500	273,500	229,000	222,500	231,000	270,000	230,000	231,000	233,500	213,500	2,788,996
Indirect Costs	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(10,150)	(121,800)
Net Revenue	196,850	203,350	224,350	263,350	218,850	212,350	220,850	259,850	219,850	220,850	223,350	203,350	2,667,196
Expenses													
Salaries & Benefits	100,000	110,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	110,000	1,355,000
Instructional Expenses													
Classroom Expenses	500	5,000	5,000	500	500	500	5,000	1,500	500	500	500	300	20,300
Textbooks		15,000	15,000				5,000						35,000
Classroom FF&E		5,000											5,000
Instructional Support (Prof Dev)	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Sub-total Instructional Exps	5,000	29,500	24,500	5,000	5,000	5,000	14,500	6,000	5,000	5,000	5,000	4,800	114,300
Operating Expenses													
Admin G&A	250	400	150	150	150	150	150	150	150	150	150	150	2,150
Office Supplies	-	4,000	500	500	500	500	1,500	500	500	500	500	500	10,000
Office Equipment	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Communications	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Monitoring Services	160	160	160	160	160	160	160	160	160	160	160	160	1,920
Utilities	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	25,200
Janitorial Supplies	500	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	500	12,000
Maintenance	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Sub-total Operating Exps	4,360	9,110	5,360	5,360	5,360	5,360	6,360	5,360	5,360	5,360	5,360	4,760	67,470
Board Admin Expenses													
Professional Fees	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Audit Fees				11,000									11,000
Legal Fees					500		500		500		500		2,000
Advertising	5,000	5,000								1,500	2,500		14,000
Miscellaneous (travel, etc)	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Insurance - GL	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800
Interest Expense	2,850	2,850	2,850	2,200	2,200	2,200	1,600	1,600	1,600	1,200	1,200	1,200	23,550
Bank Fees	36	10	50	50	50	50	50	50	50	50	50	50	496
Sub-total Board Admin Exps	15,036	15,000	10,010	20,400	9,900	9,400	9,300	8,800	9,300	8,400	10,400	10,900	136,846
Food Service													
Salaries & Benefits		1,500	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	1,500	27,750
Catering Cost		8,000	23,000	24,000	20,000	15,000	22,000	21,000	21,000	22,000	24,000	8,000	208,000
Total Food Service Cost	-	9,500	25,750	26,750	22,750	17,750	24,750	23,750	23,750	24,750	26,750	9,500	235,750
Before/After Care Expenses													
Salaries & Benefits	-	2,285	3,000	3,000	3,000	2,500	3,000	3,000	2,800	3,000	3,000	1,500	30,085
Materials & Supplies				500	150	150	150	150	150	150	150	150	1,700
Total Before & After Care Exps	-	2,285	3,000	3,500	3,150	2,650	3,150	3,150	2,950	3,150	3,150	1,650	31,785
Facility Expenses													
Building Improvements	2,000	2,000				1,000							5,000
Facility Rent (Cash Payments)	37,050	37,050	37,050	37,050	37,050	37,050	37,050	37,050	37,050	37,050	37,050	37,050	444,600
Total Facility Expenses	39,050	39,050	37,050	37,050	37,050	38,050	37,050	37,050	37,050	37,050	37,050	37,050	449,600
Total Expenses	163,446	214,445	220,670	213,060	198,210	193,210	210,110	199,110	198,410	198,710	202,710	178,660	2,390,751
Net Surplus (Deficit)	33,404	(11,095)	3,680	50,290	20,640	19,140	10,740	60,740	21,440	22,140	20,640	24,690	276,445

The 2011-2012 school year budget is based on the corrective action plan detailed above and many of the same assumptions used to create the 2010-2011 budget. Pertinent 2011-2012 budget assumptions are as follows:

- Enrollment – 395 students – 94% utilization
- FEFP rate – same as 2010-2011 school year – excludes stimulus money
- Salaries increase by 4.5% – add one classroom teacher for increased enrollment
- Capital expenditures limited to consumable replacement and maintenance
- Operating expense reductions related to reduced office equipment purchases and reduced communications expenses
- Board Administration expense reduction related to decreased interest expense based on loan re-payment funded with prior year surplus
- Base rent expense escalation per terms of the School's facility lease

Based on the School's estimated 2011-2012 operating budget, the School should report a net assets balance of approximately \$70,000 as of June 30, 2012.

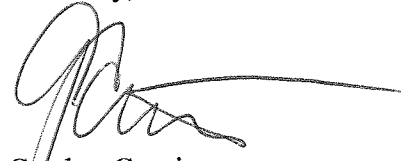
We look forward to working with you and your department to jointly develop a corrective action plan to file with the Commissioner of Education by the time period prescribed in Section 1002.345, Florida Statutes. If you have any questions or would like to schedule a time meet, please call Gordon Crozier at 954-593-1710 or via e-mail at gcrozier@solqii.com.

Sincerely,



Peter Dedesma
Governing Board Member

Sincerely,



Gordon Crozier
Finance Director