



## **Northland Preparatory Academy**

### **Annual Report**

**July 1, 2010- June 30, 2011**

In June 2011, NPA concluded one of its more significant years. We wrote in last year's annual report that a number of factors were leading us to consider a strategic goal of expansion. We have done this by acquiring five acres of adjacent land and beginning construction on a 14-classroom building capable of handling over 200 new students including a sixth grade. The building is anticipated to be complete by the end of August 2011, and NPA will begin its 2011-2012 year with a 100-student sixth grade and additional students in each of the other grades, for a total of 550 students. Vacant space will remain on the new parcel of land, which brings NPA's total holdings to eight acres, to enable further expansion if the administration and future Boards choose to do so.

The school also enjoyed an excellent year academically and athletically.

Total revenues were approximately 17% over budget. This was partially due to a higher than budgeted student population as well as the receipt of over \$36,000 in Forest fees which we had been told would no longer be received. Auxiliary operations and miscellaneous income lines were significantly higher than budgeted, balanced by significantly higher expenses in the extracurricular area. Tax credit income came in over budget, related mostly to the China and Music trips. On a more somber note, unrestricted donations were down significantly from previous years, totaling only \$13,870. Administration did an excellent job of expense management. Expenses in the final profit and loss statement are 102% of budget, with the overrun stemming entirely from expenses incurred during the year for expanding extracurricular programs.

The Finance Committee and the Board have developed and approved a budget for the 2010-2011 school year that reflects a negative cash flow, including principal payments on debt, of \$173,000. This is the result of a reduction in one major income line. The State of Arizona informed us late in the year that they would not be funding the July per-student income for this fiscal year and would make an additional payment in June 2011, the last month of our (and the State's) fiscal year. Given our State's current budget issues, the Board was not comfortable depending on the receipt of an additional payment at year-end and felt that there was some likelihood that we could be required to operate on 11 payments per year on an ongoing basis. As a result, we amended our budget to reflect only 11 monthly payments from the State, resulting in a reduction in income of over \$200,000. Should we receive the additional payment in June, our cash flow for the year would be positive by approximately \$25,000. The 11-

payment assumption reflects a broader philosophy toward budgeting that it is better to be pleasantly surprised than to be caught short-handed.

As the financials show, we can absorb a budget assuming only 11 state payments with our cash reserves this year and for a short while in the future. But it is not an acceptable long term state of affairs, and we are considering a number of avenues to deal with it.

A tactical goal is to ensure revenue streams that support activities and programs remain healthy, so we do not have to cover activities from operating funds. We must maintain our tax credit and other donations at their historic levels. There are significant opportunities for families to provide donations to our improved physical plant. The Fundraising Committee will be exploring ways to maintain and boost these revenues. A complementary goal is to ensure the school operates as close to breakeven as possible within the current funding climate and with its current enrollment, staff, and physical plant. Income beyond this can then be rolled into bolstering assets and enriching NPA's offerings.

This then suggests a strategic goal of expansion. On the surface, there is the utilitarian end of increasing cash flow by adding students. But expansion addresses a number of deeper needs. Parents around Flagstaff are frustrated and sometimes angry at the long waiting list and the repeated disappointment of failure in the lottery. Despite addition of the portables, the school is bursting at the seams and student cars are spilling down adjacent streets, creating tensions with our neighbors. A larger NPA that retains its culture, maintains its philosophy of academic rigor, and provides a greater critical mass within its thriving student community is a win for all.

Over the upcoming year, the Board will be closely examining the equation that combines sustainability with a vision of expansion. Since our physical plant is already at capacity, growth will necessitate a bootstrap that we believe could play out reasonably quickly if we approach it intelligently. Imagine an NPA with a greatly expanded charter, serving a substantial portion of Flagstaff's youth in a hub of academic, artistic, and athletic excellence here on the corner of Fourth and Sparrow. We think it can happen and we appreciate your interest and support of our school.

Sincerely,

Jeffrey Hall  
NPA Treasurer

**Northland Preparatory Academy  
End of Year Financials  
July 1, 2009- June 30, 2010**

**Income:**

State Aid	\$	2,600,958	
Student Fees	\$	91,409	
Student Activities	\$	87,291	
Tax Credit	\$	67,075	
Special Ed State Aid	\$	47,360	
Other Revenue	\$	58,258	Incl. forest fees
<b>Total Operating Income:</b>	<b>\$</b>	<b>2,952,351</b>	
Donations	\$	13,870	
Interest	\$	1,863	
<b>Total Income:</b>	<b>\$</b>	<b>2,968,084</b>	

**Expenses:**

Salaries	\$	1,404,271
Textbooks/Instructional Supplies	\$	51,114
Student Services	\$	10,571
Special Education	\$	53,625
Admin Supplies/Services	\$	95,798
Legal/Audit/Accounting	\$	46,037
Maintenance/Operations	\$	240,185
Interest Expense	\$	181,406
Transportation	\$	4,613
Extracurricular	\$	145,226
Payroll Taxes/Benefits	\$	379,294
<b>Total Expenses:</b>	<b>\$</b>	<b>2,612,140</b>

**Net Operating Income:** \$ **355,944**

Principal Payments on Debt:	\$	106,353
Vehicles Purchased	\$	42,693
Building Improvements/Furniture	\$	229,657
Prepaid expenses/Receivables		(\$30,080)
<b>Net Cash Increase/(Decrease):</b>		<b>(\$52,839)</b>

**Northland Preparatory Academy  
Approved Budget  
July 1, 2010- June 30, 2011**

**Income:**

State Aid	\$	2,188,000
Student Fees	\$	90,000
Student Activities	\$	70,000
Tax Credit	\$	60,000
Special Ed State Aid	\$	50,000
Other Revenue	\$	5,000

No forest fees

**Total Operating Income: \$ 2,463,000**

Donations	\$	10,000
Interest	\$	1,500

**Total Income: \$ 2,474,500**

**Expenses:**

Salaries	\$	1,398,582
Textbooks/Instructional Supplies	\$	47,000
Student Services	\$	12,500
Special Education	\$	55,000
Admin Supplies/Services	\$	101,350
Legal/Audit/Accounting	\$	42,500
Maintenance/Operations	\$	210,500
Interest Expense	\$	190,000
Transportation	\$	17,250
Extracurricular	\$	85,000
Payroll Taxes/Benefits	\$	388,447

**Total Expenses: \$ 2,548,129**

**Net Operating Income: \$ (73,629)**

Principal Payments on Debt: \$ 100,000

**Net Cash Increase/(Decrease): (\$173,629)**