

Exhibit 7

KINSTON CHARTER ACADEMY
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January 21, 2013

TO: Alexis Schauss
Division of School of Business

From: Ozie Lee Hall, Jr. 
CEO/Principal

SUBJECT: Response to Financial Non-compliance Notification

Please find attached our Financial Plan and related documents in response to your letter of January 8, 2013. As you noted in your letter the school has made improvements. You cite a (\$66,604) negative unrestricted net asset balance at year end June 30, 2012 which was reduced from (\$288,254) in the prior year. The School Food Service Fund net assets decrease of \$55,804 is due to a bookkeeping misclassification identifying a transfer as a loan.

In the past the school has been able to receive advances on its current state funds allotment and typically did no in October and January each year. Since the Division changed its policy this fiscal year the school has not been able to gain access to its state funds allotment. The school paid off its line of credit at Wachovia Bank (now Wells Fargo) and is currently reviewing obtaining a new line of credit to meet its current cash flow needs, in the absence of its ability to access its state funds allotment.

The school has cut personnel and is currently reviewing other ways to reduce expenses.

The school also currently operates a 1,202.5 hour calendar or the equivalent of about 30 days in excess of the required 185 calendar. The school has the capacity to insert intermittent no school days in the remainder of the calendar and realize saving of approximately \$125,000 in payroll.

The school has already paid the November retirement and health insurance payments and anticipates bringing all payments current before February 15, 2013.

We anticipate the school will be able to make it through the year and end the year without a deficit and improve its asset balances.

If you have any questions or would like to further discuss our plans please contact me via email or at (252)520-3397.

KINSTON CHARTER ACADEMY
Financial Plan for January 1, 2013 to June 30, 2013

REVENUE	Budget	Year-to-date	January	February	March	April	May	June
Cash	\$ 43,000.00	\$ 112,700.00	\$ (61,566.00)	\$ 81,284.34	\$ 467,001.68	\$ 346,236.02	\$ 225,470.36	\$ 104,704.70
State	\$ 1,635,169.00	\$ 1,128,686.00	\$ -	\$ 506,483.00	\$ -	\$ -	\$ -	\$ -
Local	\$ 375,492.00	\$ 186,222.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00
Child Nutrition (Fund 6)	\$ 185,000.00	\$ 75,642.00	\$ 19,421.00	\$ 19,421.00	\$ 19,421.00	\$ 19,421.00	\$ 19,421.00	\$ 19,421.00
Federal	\$ 235,039.00	\$ 157,248.00	\$ 77,791.00	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Total Income	\$ 2,493,700.00	\$ 1,560,498.00	\$ 269,645.00	\$ 641,188.34	\$ 570,422.68	\$ 399,857.02	\$ 278,891.36	\$ 149,204.70

EXPENSES

Total Salaries and Bonuses	\$ 1,245,700.00	\$ 818,206.00	\$ 102,000.00	\$ 93,811.00	\$ 93,811.00	\$ 93,811.00	\$ 93,811.00	\$ 61,000.00
Total Benefits	\$ 419,216.00	\$ 332,896.00	\$ 28,500.00	\$ 22,514.00	\$ 22,514.00	\$ 22,514.00	\$ 22,514.00	\$ 22,514.00
Total Books & Supplies	\$ 25,000.00	\$ 19,659.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ -
Total Technology	\$ 10,000.00	\$ 91.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ -
Total Non-Cap Equipment & Leases	\$ 24,000.00	\$ 24,018.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00
Total Contracted Student Services	\$ 20,000.00	\$ 85,577.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Total Staff Development	\$ 12,000.00	\$ 1,448.00	\$ 1,172.44	\$ 1,172.44	\$ 1,172.44	\$ 1,172.44	\$ 1,172.44	\$ 1,172.44
Total Administrative Services	\$ 40,000.00	\$ 85,251.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Total Insurance	\$ 46,000.00	\$ 27,675.00	\$ 3,335.00	\$ 3,335.00	\$ 3,335.00	\$ 3,335.00	\$ 3,335.00	\$ 3,335.00
Total Rent and Debt Service	\$ 300,000.00	\$ 134,456.00	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00
Total Facilities	\$ 15,000.00	\$ 45,450.00	\$ 1,164.22	\$ 1,164.22	\$ 1,164.22	\$ 1,164.22	\$ 1,164.22	\$ 1,164.22
Total Utilities	\$ 92,000.00	\$ 45,878.00	\$ 7,890.00	\$ 7,890.00	\$ 7,890.00	\$ 7,890.00	\$ 7,890.00	\$ 7,890.00
Total Nutrition & Food	\$ 75,000.00	\$ 38,892.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
Total Transportation & Travel	\$ 50,000.00	\$ 56,567.00	\$ 5,500.00	\$ 5,500.00	\$ 5,500.00	\$ 5,500.00	\$ 5,500.00	\$ 5,500.00
Total Capital Purchase	\$ 30,000.00	\$ 6,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expense	\$ 2,493,916.00	\$ 1,722,064.00	\$ 188,361.66	\$ 174,188.66	\$ 174,188.66	\$ 174,188.66	\$ 174,188.66	\$ 131,475.66

GROSS SURPLUS (DEFICIT)

	\$ 269,784.00	\$ (61,566.00)	\$ 81,284.34	\$ 467,001.68	\$ 345,236.02	\$ 225,470.36	\$ 104,704.70	\$ 16,729.04
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Personnel Schedule

<u>Admin.</u>	<u>Monthly</u>
CEO/Principal	\$ 6,250.00
Admin Asst	\$ 4,417.00
Academic Officer	\$ 3,417.00
Dir of Transportation	\$ 917.00
Dir. Child Nutrition	\$ 2,917.00
Receptionist	\$ 1,834.00
Sub-Total	<u>\$ 19,752.00</u>

<u>Teachers</u>	
K-Teacher	\$ 3,300.00
1st Grade	\$ 3,080.00
2nd Grade	\$ 3,080.00
3rd Grade	\$ 3,080.00
4th Grade	\$ 3,080.00
5th Grade	\$ 3,080.00
Math (6-8)	\$ 4,223.00
Math (6-8)	\$ 3,080.00
ELA (6-8)	\$ 3,050.00
ELA (6-8)	\$ 1,000.00
Science (6-8)	\$ 2,300.00
Science/Social Studies (6-8)	\$ 3,500.00
Exceptional Children	\$ 4,079.00
Exceptional Children	\$ 3,777.00
Reading	\$ 3,200.00
Sub-Total	<u>\$ 46,909.00</u>

<u>Teacher Asst.</u>	
Grade K-2	\$ 2,400.00
Grade 3-5	\$ 2,500.00
Resource	\$ 2,700.00
Sub-Total	<u>\$ 7,600.00</u>

<u>Custodial & Maintenance</u>	
Custodian I	\$ 2,250.00
Custodian II	\$ 1,750.00
Custodian II	\$ 1,750.00
Sub-Total	<u>\$ 5,750.00</u>

<u>Hourly</u>	
Cafeteria Workers	\$ 9,000.00
Bus Drivers	\$ 9,000.00
Substitutes	\$ 3,400.00
Sub-Total	<u>\$ 21,400.00</u>
TOTAL	<u>\$ 93,811.00</u>

Debt

Term

Monthly Payment

USDA

20 Years

\$

5,000.00

Self Help Credit Union

20 Years

\$

14,600.00

KINSTON CHARTER ACADEMY
Preliminary Budget Plan
FY 2013-2014

REVENUE

310 ADM

State	\$	1,646,679.00
Local	\$	350,000.00
Child Nutrition (Fund 5)	\$	182,000.00
Federal	\$	300,000.00
Total Income	\$	<u>2,478,679.00</u>

EXPENSES

Total Salaries and Bonuses	\$	1,245,700.00
Total Benefits	\$	419,216.00
Total Books & Supplies	\$	25,000.00
Total Technology	\$	10,000.00
Total Non-Cap Equipment & Leases	\$	24,000.00
Total Contracted Student Services	\$	20,000.00
Total Staff Development	\$	12,000.00
Total Administrative Services	\$	40,000.00
Total Insurances	\$	46,000.00
Total Rents and Debt Service	\$	300,000.00
Total Facilities	\$	15,000.00
Total Utilities	\$	92,000.00
Total Nutrition & Food	\$	75,000.00
Total Transportation & Travel	\$	50,000.00
Total Capital Purchase	\$	30,000.00
Total Expenses	\$	<u>2,403,916.00</u>

GROSS SURPLUS (DEFICIT) **\$** **74,763.00**