

# Lighthouse Academy

## Business Plan



**LIGHTHOUSE**  
ACADEMY



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## Executive Summary

Widespread concern about the quality of US education has generated calls for educational reform. In response to these calls the founders have developed the idea for Lighthouse Academy.

The purpose of this business plan is to raise and examine the allocation of \$1,000,000 in investment funds for the development of a Kindergarten through 12<sup>th</sup> grade school that incorporates Christian religious teachings into the everyday curriculum. Lighthouse Academy, LLC (“the Company”) is a Virginia based limited liability company that will operate an educational academy in Christiansburg, Virginia.

### The Founders

The Management Team is led by Mr. Phillip Watson and Mr. Jason Watson and their administrative staff. The Founders are committed to furthering educational methods that incorporate Christian teachings into the curriculum.

Mr. Jason Watson has three earned master’s degrees, two of which are in the field of education. He has three years of Christian school teaching experience, eight and a half years of administrative leadership experience in a Christian non-profit ministry (including five and a half years as a CEO), and has most recently served as Headmaster of a small Christian school.



Mr. Phillip Watson has earned a degree in accounting, and was the owner, operator and business administrator of a Christian preschool that he started from scratch for more than five years. He is also a real estate agent and has worked as a general contractor.

Between them, the founders have the necessary business and leadership experience, combined with high standards of personal and business excellence that will result in a successful, one-of-a-kind Christian school in southwestern Virginia.

### The Services and Goals

The Lighthouse Academy provides students (kindergarten through twelfth grade) with a specialized form of education that incorporates traditional studies with the teachings of the Christian faith. Unlike traditional teaching methods, this style provides students with an interactive approach to religious/general learning.

Lighthouse Academy also incorporates traditional teachings of Christianity within its educational facility. Parents’ of students within Christiansburg greatly value this benefits associated with the school’s curriculum.



The services provided by Lighthouse Academy will include:

- Traditional General Studies
- Religious Instruction
- Music Programs
- Field Trips
- Introduction to physical education

### The Offer

The Company is seeking \$1,000,000 from an investor. The funds are required for the following segments of the Company:

- Financing of initial school operating expenses
- Acquisition of FF&E and facility
- Classroom development

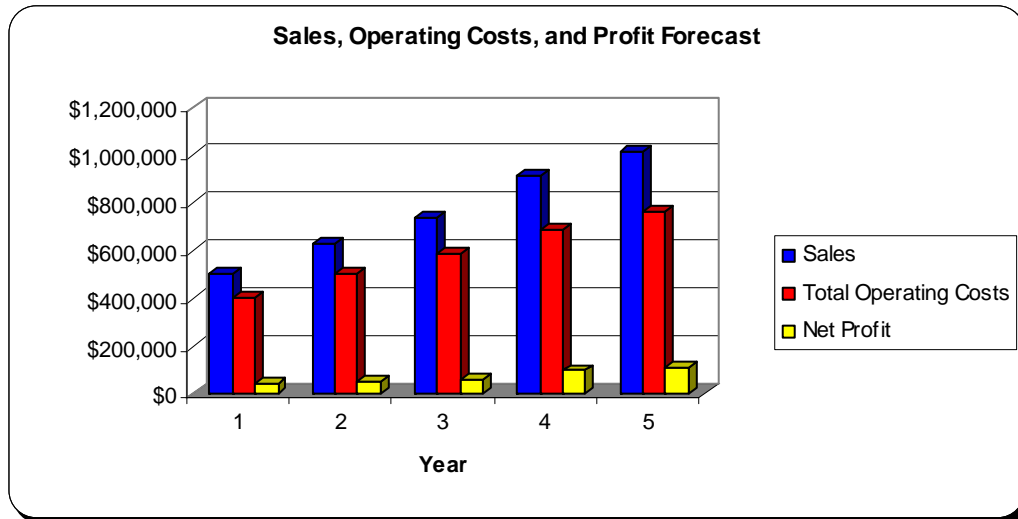
The breakdown of the use of funds are as followed:

Projected Startup Costs	
Facility Development	\$400,000
FF&E	\$160,000
Professional Fees and Licensure	\$15,000
Real Estate	\$400,000
Working Capital	\$25,000
<b>Total Startup Costs</b>	<b>\$1,000,000</b>



### Revenue Forecast

The Lighthouse Academy anticipates a strong rate of growth at the onset of operations. Below is a chart forecasting the next five years of financial operations. A complete proforma financial plan is located in Chapter 9 and Appendix D of this business plan.



### The Future

As time progresses, Management intends to continually increase enrollment to maximum capacity within its Christiansburg facility. Additionally, the organization will make sure that all available federal and state programs are enrolled in, in order to benefit the school.





## The Financing

### 2.1 Funds Required

The business will require a cash inflow of \$1,000,000 to develop the operations of Lighthouse Academy. The breakdown of these funds is as follows:

Projected Startup Costs	
Facility Development	\$400,000
FF&E	\$160,000
Professional Fees and Licensure	\$15,000
Real Estate	\$400,000
Working Capital	\$25,000
<b>Total Startup Costs</b>	<b>\$1,000,000</b>

### 2.2 Investor Equity

Lighthouse Academy is currently in a pre-organization phase. It is anticipated that the founders will maintain a majority ownership of the company with the breakdown of equity positions as follows:

Name	Ownership Interest
Jason Watson	40%
Phillip Watson	20%
Available for Offering	40%

### 2.3 Advisory Board Composition

Lighthouse academy will organize an advisory board, to assist in curriculum development and administration. The advisory board will consist of area pastors, educators, counselors, and parents.

### 2.4 Exit Strategies

The Management has discussed and planned for a possible exit strategy. The strategy would be to sell the Company to a larger entity at a significant premium. Since, the private secondary school industry maintains a moderate risk profile once operations established; Management feels that Lighthouse Academy could be sold for three to five times earnings plus the value of the business's equipment and real estate by the fifth year of operations.



### **Lighthouse Academy Services**

Lighthouse Academy is in the business of providing a comprehensive classical Christian based education to children grades kindergarten through 12<sup>th</sup> grade (starting with K-6). The Company will provide these services affordably to students in the Christiansburg area. Below is a description of the teaching and after school services that the Company provides.

The school will use a curriculum of its own design, with the best-possible texts and resource materials. Technology will be integrated throughout the school. Fine arts and athletics will be offered, with students encouraged to develop their minds, bodies and spirits. By offering the finest pre-school program in the area, the school will build its future enrollment “from the ground up.”

The school will be located on a 1.3 acre commercial property on Central Avenue in Christiansburg. This site has an existing 13,000 square foot building which is used as a gymnastics training gym. There are 5,500 finished square feet, which will accommodate the school’s administrative offices, teacher workroom and four classrooms. Additional classrooms will be built out on the first floor throughout the first year of occupancy. The school will begin by offering classes in grades K through 6, with an additional grade added each year.



There are a number of benefits to this location. First, valuable and ideally located commercial property will greatly enhance the school’s visibility and success. Second,



there is space that has already been finished out, meaning that minimal build out work will be necessary before occupation. Third, two lots immediately adjacent to the property are vacant and available for purchase, allowing for expansion as the Christian school grows. These lots will be ideal for playground and other outdoor recreational facilities as well as for the construction of a gymnasium.

### Teaching Services

The school's teaching programs will include:

- Traditional General Studies
- Religious Instruction
- Music Programs
- Field Trips
- Introduction to physical education

Furthermore, the business will maintain compliance with all regulations regarding the employment of teaching staff and administrators. Each employee/teacher retained by Lighthouse Academy will undergo an extensive background check coupled with a drug test.

The company has made a commitment to insure that all staff hires are qualified for the position applied for and in the competent handling of student needs. The company will only hire individuals that have no prior criminal record. Each staff member will undergo an annual criminal background review to insure that the staff member maintains eligibility for employment with Lighthouse.





## Overview of the Organization

### 4.1 Registered Name

Lighthouse Academy, LLC is in a pre-organization phase, which means that it has not, as of yet, reserved the company's name or organized under the laws of any state. The business will be registered as a limited liability in the State of Virginia. The name the company will known by and will be registered with the State of Virginia is "Lighthouse Academy, LLC"

### 4.2 Commencement of Operations

Management intends to launch operations by March of 2011.

### 4.4 Mission Statement

It is Lighthouse Academy's mission to provide students with a quality Christian based education that will last a lifetime. The school is committed to providing educational services that are in line with the educational methods and requirements set forth by the State of Virginia.

### 4.5 Vision Statement

Management envisions an organization that continually provides a classically focused Christian based education for children enrolled in its kindergarten through twelfth grade programs Furthermore, Management expects that the organization will generate nearly \$1 million dollars of revenue by 2016, and will operate profitability and financial stability for the life of the institution.

### 4.6 Organizational Objectives

- Continue to maintain strong relationships with government agencies, and other educational institutions.
- To continually increase donations through increased marketing efforts.
- To maintain profitability so that Lighthouse Academy can act as a wealth and income creating vehicle for the Company's founders and investors.
- To provide fiscally sound management practices regarding Lighthouse Academy's ongoing expenses.
- To remain compliant with all regulations regarding educational services in the State of Virginia.

### 4.7 Organizational Values

- Complete disclosure and transparency regarding all financial transactions.
- To maintain the mission and teachings of Christianity in all facets of the schools educational operations.



## 4.8 Founders and Management Team

### Jason Watson

Jason has three earned master's degrees, two of which are in the field of education. He has three years of Christian school teaching experience, eight and a half years of administrative leadership experience in a Christian non-profit ministry (including five and a half as CEO), and has most recently served as Headmaster of a small Christian school. Jason's leadership experience in the non-profit field includes leading a staff of 50, operating in six different locations in five counties and one principal city in Virginia, with an annual budget in excess of \$3 million and an endowment of more than \$20 million. As Headmaster he oversaw day to day operations of a K3-12 Christian school.



### Phillip Watson

Phillip has earned a degree in accounting and was the owner and business administrator of Springview Christian Preschool, LLC, which he started from scratch. Phillip started the school with his wife and turned it into a highly profitable entity. After five years Phillip decided to sell the property and pursue other interests. In addition, he is a real estate agent and has worked as a general contractor.





## Strategic and Market Analysis

### 5.1 External Environment Analysis

This section of the business plan will detail the strategic issues and market analysis associated with the operation of a Christian based school. This chapter will also detail the private school industry, the Christiansburg, Virginia market, and the competition that the business will face as it progresses through its business operations.

Although the United States economy has been sluggish, it continues to gain momentum, with private consumption staging a strong rebound and contributing 2.6% to annualized GDP growth of 3.2% in the 1<sup>st</sup> Quarter of 2010. The strength of private consumption in early 2010 looks surprising in view of the weakness of the labor market (despite the return to job creation in the economy as shown by non-farm payrolls data, unemployment still hovers at just under 10%), lackluster income growth and a still subdued housing market.

Consumers are still rebuilding their balance sheets, and a sharp improvement in the labor market looks unlikely, with companies set to continue to meet higher demand by squeezing higher productivity out of existing staff rather than taking on new hires. There have been some signs that residential investment has stabilized following the sustained collapse since 2007, but a strong recovery is still a long way off. Weak domestic and foreign demand, lingering uncertainty and tight credit conditions led to a collapse in private non-residential investment in 2009.<sup>i</sup>

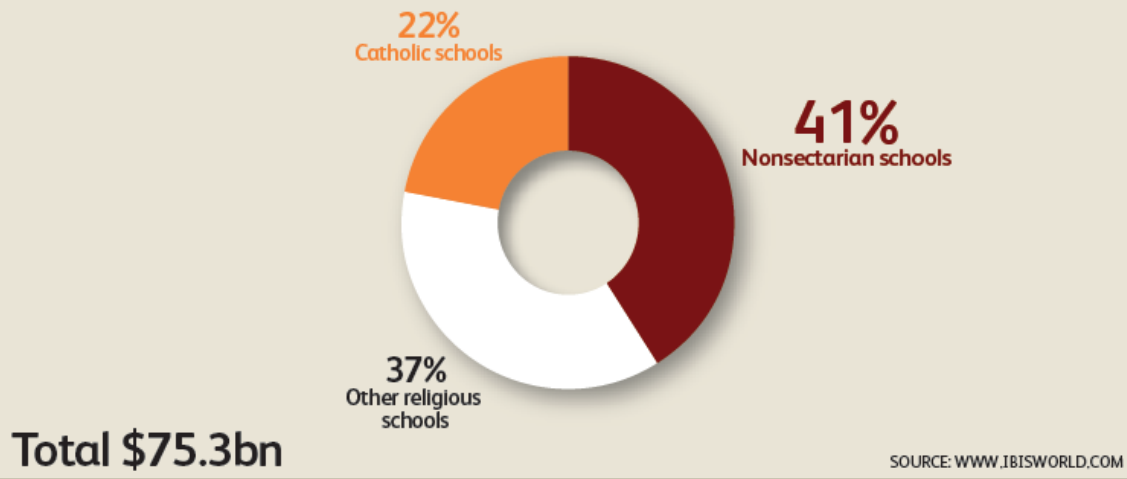
Kiplinger economic outlook report suggests business spending will increase by 10% in 2011, while housing sales will remain anemic during the same period. It is anticipated that unemployment will dip below 9% and retail sales will continue to modestly grow in 2011.<sup>ii</sup>

The Virginia economy has fared better than that of the nation overall. The 3<sup>rd</sup> Quarter of 2010 showed an increase in job growth of .9% with an average unemployment rate of only 6.5%. Personal income rose 2.2% to \$356 billion as of the 2<sup>nd</sup> Quarter of 2010. As with many states Virginia is dealing with a budget shortfall of \$3.6 billion for FY 2010, which represents 22.5% of the state's general fund budget, fortunately tax revenue rose in the 2<sup>nd</sup> Quarter of 2010 by 1.6% over the previous year.<sup>iii</sup>

### 5.2 Industry Analysis

In the United States, there are 33,509 private schools, as of November 2010, that operate within the country with total annual revenue of \$75.3 billion and profits of approximately \$3 billion per year. Of that \$75.3 billion earned each year 59% is earned by religious oriented educational institutions. A vast majority of these programs are operated as not-for-profit entities.

## Products and services segmentation (2010)



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The \$75.3 billion Private Schools industry has seen better days. During the five years to 2010, revenue was expected to decline at an average annualized rate of 0.8%. During the same period, enrollment numbers have been consistently falling. These trends are not attributable to quality, closing schools or lack of government support; rather, decreasing revenue and enrollment numbers have occurred because of rising costs and competition from charter schools. Private schools often outperform public schools in achievement tests and also provide safety and relatively plush facilities. Moreover, the number of industry operators has been on the rise, along with the average annual tuition. During the five years to 2010, nearly 4,515 new private schools opened, representing an average annualized growth rate of 2.9% and bringing the number of schools to 33,509. Finally, school-choice initiatives in various states have boosted financial aid to parents who want to send their children to private schools. Nevertheless, enrollment has been waning during the past five years.

Not all of the developments within the past five years have been positive for the school-choice movement. In spite of numerous states' efforts, the number of students enrolled at private primary and secondary schools has been declining during the five years to 2010 by 0.9% on average annually. Based on data from the National Center for Education Statistics (NCES), IBISWorld estimates that the number of students who are enrolled in industry schools will be about 5.8 million by the end of 2010, marking a 0.9% average annual decline since the beginning of 2006. The voucher system is somewhat ineffective in raising enrollment because of the relatively high cost of private schools, even after funding. According to NCES, the average voucher is between \$1,250 and \$1,500, and the average tuition in the industry is about \$8,549.

The downturn in the economic environment has been a small factor in declining private-school enrollment rates. Many schools are still receiving record numbers of applications, and those that are experiencing declines contend that the amount is no different than other annual fluctuations. However, more students are requesting financial aid, and as private schools have been increasingly meeting these appeals, industry profit margins are

suffering. In 2010, the industry's profit margin is expected to make up about 4.0% of revenue, versus 4.3% in 2006.

The Private Schools industry will continue to face headwinds during the five years to 2015. After growing by 1.1% in 2010, revenue is not forecast to grow by more than 1.0% during any of the next five years. In fact, growth is projected to decelerate to 0.3% in 2011. IBISWorld forecasts that revenue will increase at an average annualized rate of 0.7% to \$78.0 billion over the five years to 2015. Revenue growth will be sustained by tuition hikes and public funding, but enrollment is projected to continue waning.



During the five years to 2015, the number of enrolled students is expected to fall by an average annualized rate of 0.1% to about 5.8 million individuals. Districts that lose students to charter schools may end up with underused buildings, which will further pressure profitability. Similar to trends in the past five years, this factor will be caused by mounting tuition fees that will be fueled by higher operating costs and growing competition from charter schools.

Wages for private school teachers are forecast to rise as they trend toward less religious staff continues. Religious employees in the industry have historically kept wages down, since they often perform the work voluntarily; however, the number of religious staff is expected to decline as the government gets more involved in private schools and less emphasis is placed on religion. At the same time, more and more private schools are facing pressure to increase salaries of faculty, which lag behind those of their public-school counterparts. Lease rates are also expected to rise as property in cities becomes increasingly scarce. In order to maintain profitability, private schools will increase tuition rates, thereby making public schools more appealing.

The Private Schools industry is mature, with the amount that the industry adds to the economy declining by 1.1% on average during the ten years to 2015. In comparison, the US Gross Domestic Product (GDP) is forecast to grow by 1.8% per year on average over the same period. Demand is mostly affected by the number of students in kindergarten through 12th grade. Since US families are having fewer children, demand is not expected to grow appreciably. Profits are expected to remain relatively low, as the majority of



operators will remain religiously based or aim to provide a charitable service to the community.

Dissatisfaction with public school education has boosted demand for private schools during the five years to 2010; however, demand weakened in 2008 and 2009 as household income levels were affected by the economic downturn. Industry growth has been supported by continued increases in tuition fees and other sources of revenue. Over the past five years, all types of private schools have increased tuition fees faster than inflation growth. Fundraising efforts have also increased over the last five years.<sup>v</sup>

### 5.3 Customer Profile

#### 5.3.1 Key External Drivers

##### Households in highest income quintile

Growth in the number of households in the highest income group can lead to a rise in demand for private schooling because people from this group can better afford the tuition costs of private education. This driver is expected to increase over the next year.

##### State and local funding of public primary and secondary education

More than 90.0% of public elementary and secondary school funding is from state or local governments. The quality of public school education is heavily dependent on funding. Any increase in state or local government funding will likely boost the quality of public education, thereby decreasing demand for private schooling. This driver is expected to increase over the next year.

##### Church attendance

About 67.0% of private schools are parochial and offer educational services that are distinctly in line with some individuals' morals and points of view. Public schools are not religiously oriented. Therefore, as more people attend church, demand for private school education increases. This driver is expected to decrease slowly over the next year, posing a potential threat for the industry.





### 5.3.2 Demand Determinants

#### Population

The major demand determinant for both private and public school services is the growth in the population of kindergarten through 12th grade individuals. Based on data from the National Center for Education Statistics, between 2000 to 2010, total private school enrollment changed by 2.5% or less annually. Furthermore, since enrollment rates (i.e. the percentage of school aged children that attend school) has remained relatively steady between during the past ten years, increases in private elementary and secondary school enrollment have been driven primarily by increases in the number of children in these age groups.

#### Cost

The price of the private school education is also a significant demand determinant. A rise in the cost of tuition for a private school, without a relative increase in income, may result in reduced demand for the services provided by a private school. In connection with this point, the level of household incomes affects the demand for private schools. An increase in household income may enable more families to afford to send their children to private schools.

Related to cost, government policies can also affect demand. Some states have incorporated parental choice (i.e. support for non government schools as an alternative to the public system) into their education policies. This has, in some instances, increased demand for private schools from families supported by government funding. The level of government funding affects the quality of public schools. A decline in government funding may encourage more families to send their children to private schools.

#### Quality

The quality and price of private school education compared to public school education plays a considerable role in demand levels. If the quality of private schools relative to public schools rises, demand for industry services will also get a boost. In valuing an education, parents can use metrics such as academic reputation and college preparation, school and class size, safety reputation, special programs, religious and moral instruction, and ideology. Private schools usually have a more rigorous academic reputation. But within the public school system, charter and magnet schools both blur the distinction between public and private schools.<sup>vii</sup>

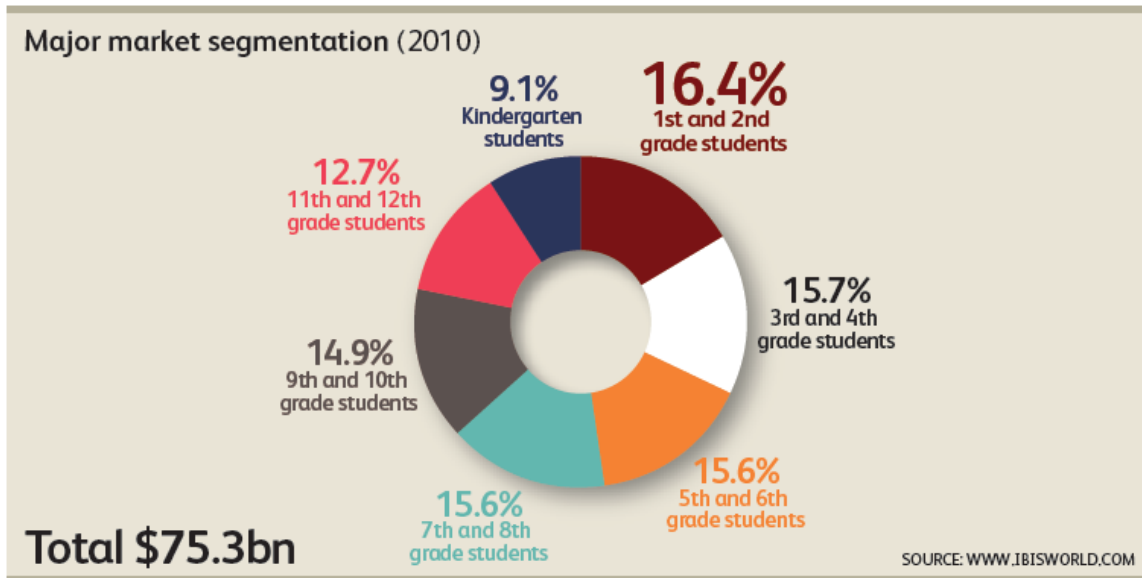
### 5.3.3 Major Markets

#### Markets by age

The largest proportion of students that attend private schools are in the kindergarten age group. The proportion then slowly declines as students move through the education system. This trend differs slightly to that of public schools. Public schools often

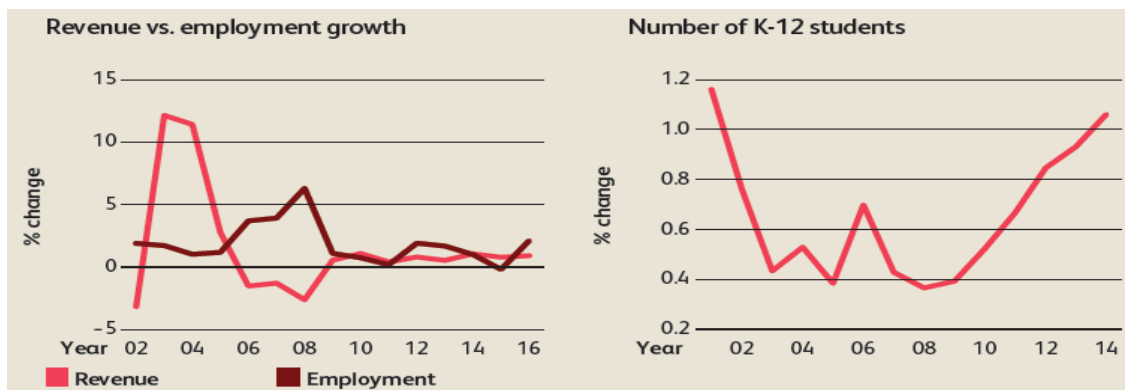


experience a rise in the proportion of students attending the ninth grade. This is because many students repeat this level of education as it is most often the first year of secondary school. In both public and private systems of education, enrollment falls from the 10th grade onwards due to the non-compulsory nature of these levels of education. However, in the last five years, the proportion of students enrolled in these levels has increased, to give a more even distribution across all grades. This indicates that fewer students are dropping out of secondary school.



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The three different types of private schools have different enrollment trends. Enrollment in religious schools other than Catholic programs declines gradually from kindergarten to the eighth grade, and then drops sharply by up to 18.0% in the ninth grade. Enrollment in Catholic schools also trends downward from the eighth grade but more gradually, at a rate of 3.0% to 5.0% each year. Prior to the eighth grade, enrollment numbers are steady. Nonsectarian schools by comparison continue to gain enrollments up to the 10th grade. This suggests that students in religious schools either drop out earlier or switch to nonsectarian schools from the fifth grade onwards.



**Ethnicity**

Private school students can also be grouped by ethnic background. The ethnic composition of private schools varies by type of program emphasis. For example, the percentage of Black students enrolled in schools with special education and alternative program emphases exceeds the percentage of Black students enrolled in the remaining program types. For Asian and Pacific Islander students, enrollment in Montessori schools and special program emphasis schools is generally greater than Asian and Pacific Islander enrollment in all other program types.<sup>ix</sup>

**Private school students by ethnic background compared with the overall population**

<b>Ethnicity</b>	<b>Students (%)</b>	<b>US population (%)</b>
White	75.4	73.7
Black, non-Hispanic	9.5	11.7
Hispanic	9.2	13.2
American Indian/ Alaska Native	0.7	0.9
Asian/Pacific Islander	5.1	0.5

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS

Overall, approximately 75.0% of private school students are Caucasian, which is slightly higher than the proportion in the US population at large. Asian and Pacific Islanders are the only other group that is over represented in the private school population. This may be partly attributable to the group’s higher participation in Montessori education. The Hispanic minority is well represented in Catholic schools, where they make up nearly 13.0% of the student population. This aspect reflects the dominant Catholic faith among Hispanic individuals.<sup>x</sup>

**5.3.4 Customer Profile**

Lighthouse Academy provides kindergarten through 12<sup>th</sup> grade education for students living within Christiansburg and Montgomery County. The organization has a very specific goal in mind by combining the teaching methods and philosophies of the Christian faith with classical schooling. Below are the demographics of parents and families that enroll their students with Lighthouse Academy:

- Average annual family income of \$40,000 per year
- Has two children
- Wants to provide their children with a traditional education with teachings of Christianity.
- Lives within a ten mile radius of the Company’s facility.



## Target Market Analysis

Private schools usually enroll small numbers of students and operate on a regional basis. This operational structure contributes to a low industry concentration. It is estimated that the largest five private school institutions account for less than 4.0% of industry revenue. Industry concentration is not expected to change in the near future as additional schools open. Further, the small class sizes of private schools are often considered a basis of competition against public schools. Lower student to teacher ratios are perceived to provide students with better learning environments and more personal attention.

Christiansburg is a moderate sized city located within Montgomery County. Within this area, there are approximately 19,632 people. Annual household income is \$41,000 while median family income is \$47,000. Montgomery County has a total population of 91,023. 17% of the total population (within both Christiansburg and Montgomery County) is under the age of 18.<sup>xixii</sup>

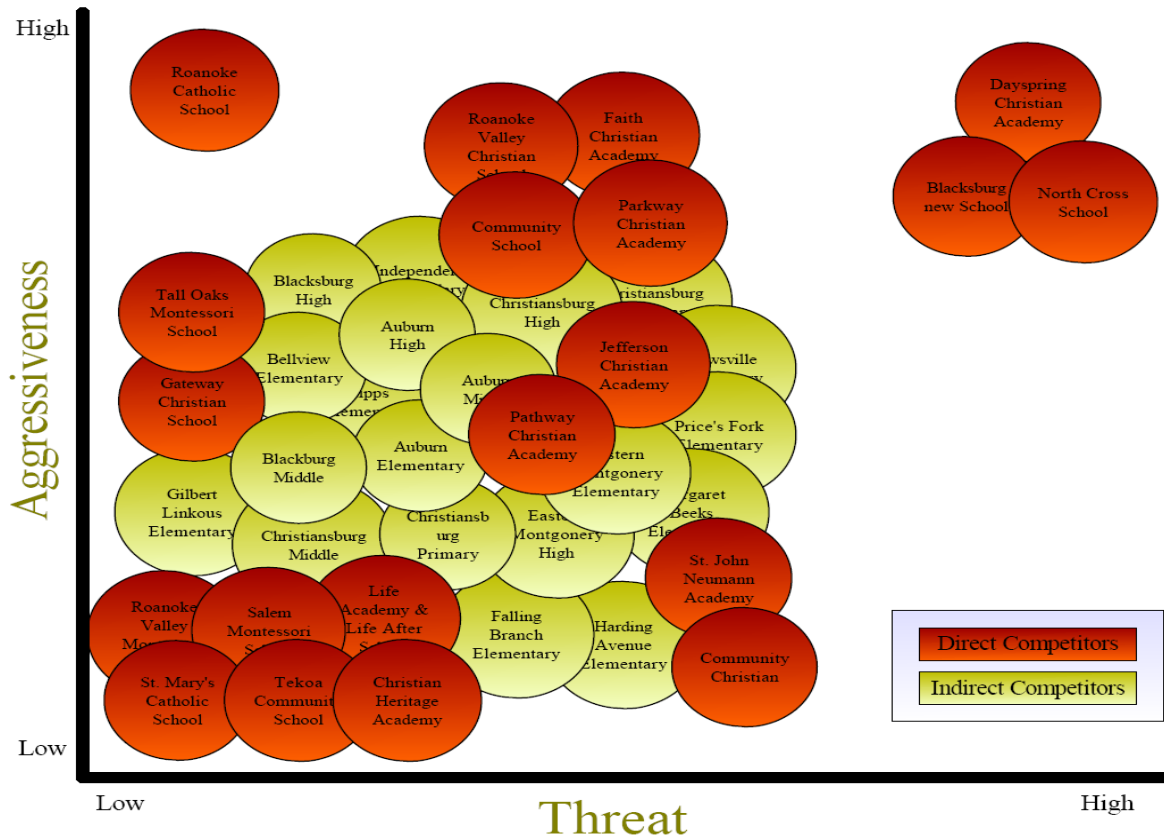
Montgomery County, Virginia, and the Christiansburg area in particular, is ripe for a strong, effective Christian school. The median age is below that of Virginia as a whole, meaning that there are more young families in the area. Sixty-four percent of workers in the county work for a private company, and 32% work for the government. From 1999 to 2008 the median income in the county increased by 29%, significantly outpacing inflation. Seventy-seven percent of the county residents live and work in the county, and the mean travel time is only 19.2 minutes, meaning that families do not have a high tolerance for considerably travel times to work (or to take their children to school). Furthermore, the county has a significant population of adherents to conservative Christian denominations—the very individuals who will be most interested in the offerings of this school. Within the county there are:

- 24 United Methodist congregations with 6,105 adherents
- 14 Southern Baptist congregations with 5,186 adherents
- 6 Presbyterian churches with 1,822 adherents
- 5 Evangelical Lutheran Church in American congregations with 1,173 adherents<sup>xiii</sup>



### 5.4 Competition

Within 20 miles of Christiansburg, there are approximately 20 private schools that operate throughout Montgomery County. Many of these schools are also geared towards providing a religious slant within their curriculums. The competitive advantage that Lighthouse Academy will maintain is the unique curriculum offered by the school.





Direct Competitors	Market Share	Grade Levels	Marketing Aggressiveness (High, Medium, Low)	Threat Level (High, Medium, Low)	Direct Competitors	Market Share	Grade Levels	Marketing Aggressiveness (High, Medium, Low)	Threat Level (High, Medium, Low)
St. John Neumann Academy	Less than 1%	K-8	Low	Medium	Tall Oaks Montessori School	Less than 1%	K-6	Medium	Low
Pathway Christian Academy	Less than 1%	K-12	Low/Medium	Medium	Gateway Christian School	Less than 1%	K-12	Medium	Low
Dayspring Christian Academy	Less than 1%	K-12	High	High	St. Mary's Catholic School	Less than 1%	K-4	Low	Low
Blacksburg New School	Less than 1%	K-8	High	High	Tekoa Community School	Less than 1%	K-12	Low	Low
North Cross School	Less than 1%	K-12	High	High	Roanoke Catholic School	Less than 1%	K-12	High	Low



Direct Competitors	Market Share	Grade Levels	Marketing Aggressiveness (High, Medium, Low)	Threat Level (High, Medium, Low)	Direct Competitors	Market Share	Grade Levels	Marketing Aggressiveness (High, Medium, Low)	Threat Level (High, Medium, Low)
Jefferson Christian Academy	Less than 1%	K-6	Medium	Medium	Roanoke Valley Christian School	Less than 1%	K-12	High	Medium
Faith Christian School	Less than 1%	K-12	High	Medium	Community School	Less than 1%	K-8	High	Medium
Salem Montessori School	Less than 1%	Pre-K- 5	Low	Low	Parkway Christian Academy	Less than 1%	K-12	High	Medium
Roanoke Valley Montessori School	Less than 1%	Pre-K- 4	Low	Low	Christian Heritage Academy	Less than 1%	K-12	Low	Low
Life Academy & Life After School	Less than 1%	K-11	Low	Low					



## Key Strategic Issues

### 6.1 Sustainable Competitive Advantage

The organization will be able to continue to maintain successful operations because of the following:

- Offering of an educational service that is known and demanded by parents seeking a classical Christian private school education for their children.
- A moderate operating cost structure that creates a moderately positive cash flow.
- A management team and teaching staff that is committed to providing a Christian method of teaching coupled with a desire to be able to have the organization operate in perpetuity.
- High gross margins from continued tuition payments.

### 6.2 Basis for Growth

Lighthouse Academy, Inc. will grow through three avenues:

- Expansion of the organization's facilities through the acquisition of a larger building in Christiansburg.
- Yearly increases in the cost of tuition.
- Continued expansion of the Company's marketing efforts.



## Marketing Plan

### 7.1 Marketing Objectives

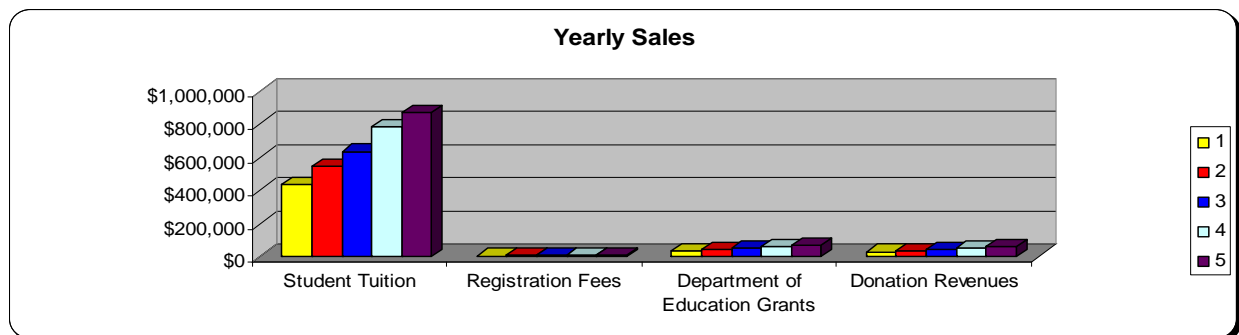
- Develop and then continue to maintain a strong relationship with the Christiansburg, Virginia community.
- Develop new marketing strategies for generating additional enrollment in the school and programs offered by Lighthouse Academy.
- Continually enroll in state and federal programs to provide educational grants to private educational institutions on a monthly/yearly basis.

### 7.2 Tuition and Revenue Forecasts

Yearly Sales Forecast					
Year	1	2	3	4	5
Growth (%)	0.0%	25.0%	17.0%	23.0%	11.0%
Student Tuition	\$435,103	\$543,879	\$636,338	\$782,696	\$868,793
Registration Fees	\$5,698	\$7,122	\$8,333	\$10,250	\$11,377
Department of Education Grants	\$34,532	\$43,165	\$50,503	\$62,119	\$68,952
Donation Revenues	\$31,079	\$38,849	\$45,453	\$55,907	\$62,057
<b>Totals</b>	<b>\$506,412</b>	<b>\$633,015</b>	<b>\$740,627</b>	<b>\$910,971</b>	<b>\$1,011,178</b>

Cost of Sales Forecast					
Year	1	2	3	4	5
Growth (%)	0.0%	25.0%	17.0%	23.0%	11.0%
Student Tuition	\$34,532	\$43,165	\$50,503	\$62,119	\$68,952
Registration Fees	\$518	\$647	\$758	\$932	\$1,034
Department of Education Grants	\$345	\$432	\$505	\$621	\$690
Donation Revenues	\$311	\$388	\$455	\$559	\$621
<b>Totals</b>	<b>\$35,706</b>	<b>\$44,633</b>	<b>\$52,220</b>	<b>\$64,231</b>	<b>\$71,296</b>

Gross Profit					
Year	1	2	3	4	5
<b>Total</b>	<b>\$470,706</b>	<b>\$588,382</b>	<b>\$688,407</b>	<b>\$846,741</b>	<b>\$939,882</b>





### 7.3 Tuition and Revenue Assumptions

#### Year 1

- Lighthouse will acquire its facility in Christiansburg, Virginia.
- The school tuition, after school programs, and grants will provide \$506,000 dollars of gross revenue.

#### Year 2

- Management anticipates that it will expand its marketing and advertising campaign to draw new students to Lighthouse Academy as it adds additional grades.
- Sales will increase by 25% as the school reaches greater enrollment while concurrently increasing its tuition.
- Expected gross revenues will reach \$633,000.

#### Years 3-5

- The Company anticipates that it will increase its revenue to approximately \$1 million in the fifth year of operations.
- At this time, Lighthouse Academy will operate at 100% capacity.

### 7.4 Marketing Strategies

Lighthouse Academy will maintain a moderate print advertisement campaign in Montgomery County area publications and newspapers to generate visibility for parents seeking to enroll their students in a Christian education program. In addition the Company will advertise regularly on the radio and will use strategic targeted direct mail campaigns in order to direct useful traffic to the school.

Over time, the Company will establish a reputation for excellent religious educational services throughout the Christiansburg and Montgomery County region. As such, a significant amount of the organization's new students were introduced to the school by word-of-mouth.

As stated earlier, the unique classic religious style of education and teaching is a prominent alternative to a traditional public or private school education. Parents that are specifically seeking this type of service will actively search for Christian private schools in their area. As such, the organization primarily markets itself as a Christian school and provides prospective parents of students with an abundance of literature regarding Lighthouse Academy's commitment to this style of teaching.

The business will also maintain a sizable internet presence. Once operations commence, Management intends to develop a website that showcases the educational services offered by the Lighthouse Academy, as well as relevant information for contact and enrollment.



This website is linked to many other websites and web-portals that are classically and religiously education related.

Timely coverage of the Lighthouse Academy will be further directed through ongoing press relations, news releases and feature stories targeted at Montgomery County newspapers and publications. This coverage will help increase awareness of the school and will ensure that the Company can continually maintain a 100% occupancy level.

### **7.5 Service Marketing**

Many parents that are aware of the benefits that a private religious education provides. The Company, using the aforementioned marketing strategies, will promote the expansive and effective nature of both the Lighthouse Academy's religious and general studies instruction.

#### **7.5.1 Price**

Anticipated revenues per student will be \$650 per month. Annual tuition will be \$5,400 per student, which will cover 36 weeks of classroom instruction and allow for two additional weeks of special activities.

#### **Payment Options**

Families will receive a modest discount on second and subsequent children enrolled from the same family. Tuition assistance (scholarships) may be available for families with demonstrated financial need. Payment options will include paying annual tuition in full (with a 5% discount), bi-annual payments (3% discount), quarterly payments (1.5% discount) or monthly automatic withdrawals. Families choosing to make monthly payments and pay by check will incur a \$125 fee.

#### **7.5.2 Distribution**

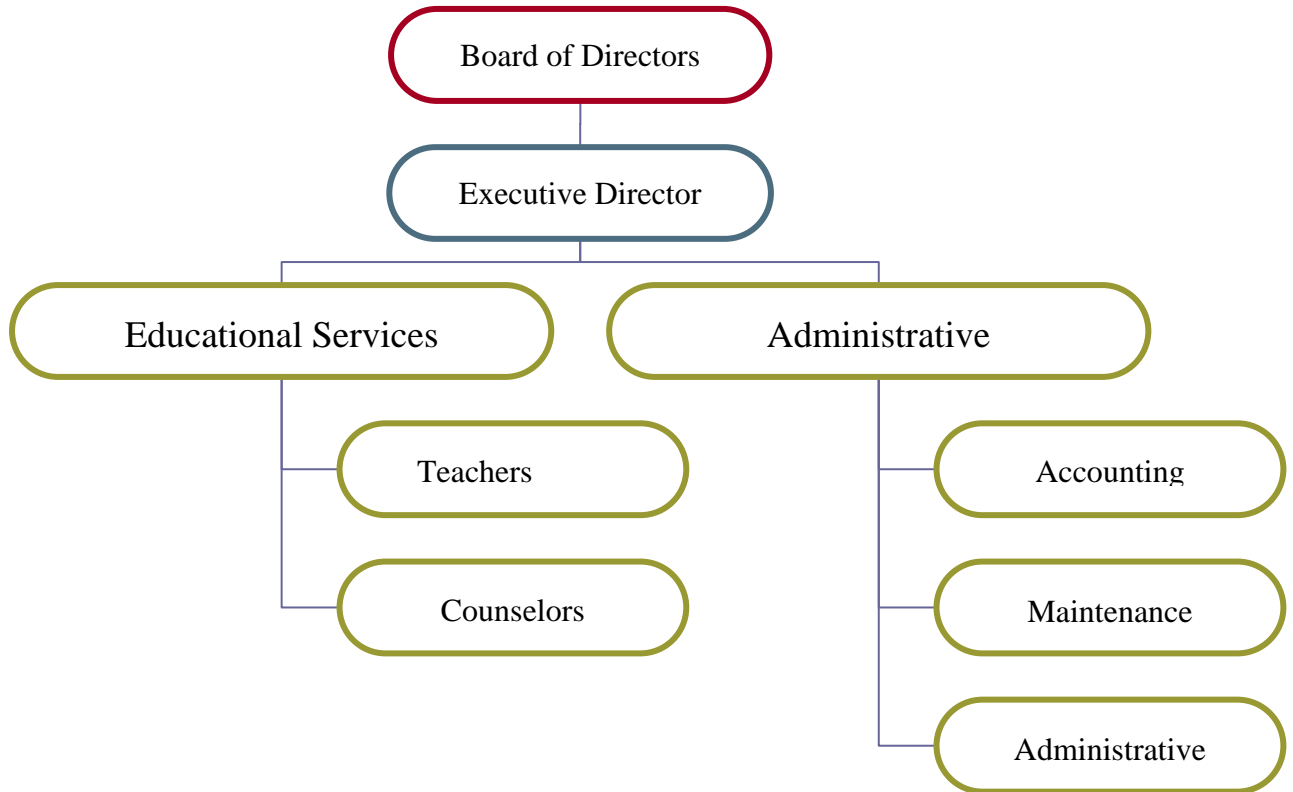
All educational services are rendered through the Company's location in Christiansburg, Virginia.



## Organizational Plan

### 8.1 Corporate Organization

The Foundation will be organized as follows:



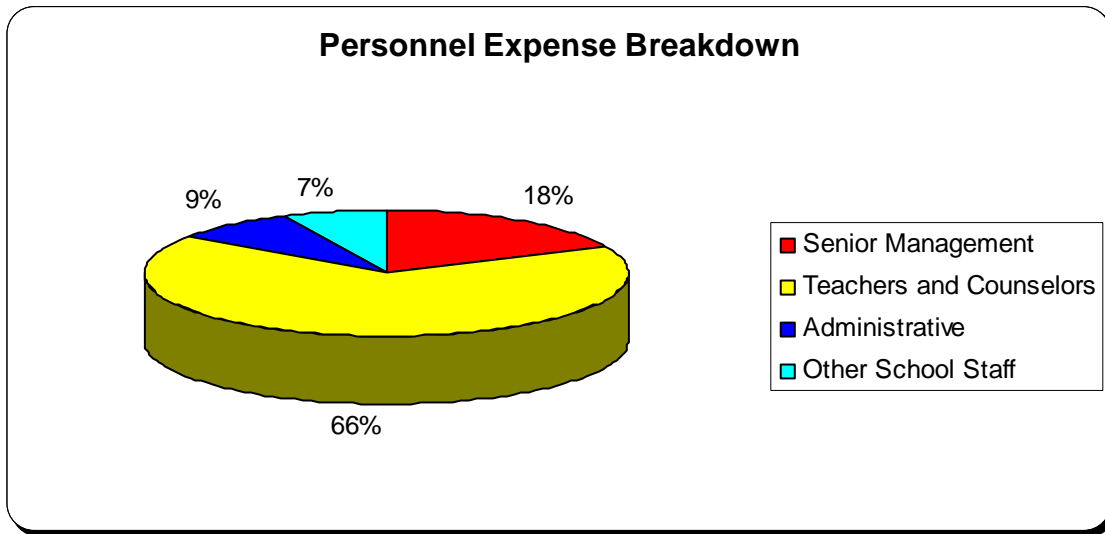
### 8.2 Organizational Budget

Personnel Plan - Yearly					
Year	1	2	3	4	5
Senior Management	\$52,500	\$70,000	\$72,100	\$74,263	\$76,491
Teachers and Counselors	\$195,000	\$234,325	\$275,834	\$319,623	\$365,790
Administrative	\$25,000	\$25,750	\$26,523	\$54,636	\$56,275
Maintenance/Janitor	\$0	\$0	\$26,523	\$27,318	\$28,138
Other School Staff	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
<b>Total</b>	<b>\$292,500</b>	<b>\$350,675</b>	<b>\$422,197</b>	<b>\$497,695</b>	<b>\$549,205</b>

Numbers of Personnel					
Year	1	2	3	4	5
Senior Management	1.5	2	2	2	2
Teachers and Counselors	6	7	8	9	10
Administrative	1	1	1	2	2
Maintenance/Janitor	0	0	1	1	1
Other School Staff	1	1	1	1	1
<b>Totals</b>	<b>9.5</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>16</b>



8.2 Organizational Budget (Cont.)



Please note that the above graph represents the first year of personnel.



## Financial Plan

### 9.1 Underlying Assumptions

The Company has based its proforma financial statements on the following:

- Management anticipates that its growth rate will be 19% per year, which includes small yearly increases in the Company’s tuition.
- The Company shall settle all most term payables at the end of each month.
- Lighthouse Academy will be capitalized with \$1,000,000.

### 9.2 Financial Highlights

- Positive cash flow starting in the first year of operation.
- Recurring streams of income on a monthly basis from the ongoing payment of tuition.

### 9.3 Sensitivity Analysis

The Company’s revenues are sensitive to the overall condition of the financial markets. Private school educations are a luxury, and as such, during times of economic recession, Lighthouse Academy may experience a decrease in its enrollment. However, many of the parents that send their children to the school are committed to providing their children with an educational and religious environment and Management does not anticipate decreases in tuition revenue despite economic drawbacks.

### 9.4 Source of Funds

Financing	
<b>Equity Financiers</b>	
Investor(s)	\$1,000,000.00
<b>Total Equity Financing</b>	\$1,000,000.00
<b>Banks and Lenders</b>	
<b>Total Debt Financing</b>	\$0.00
<b>Total Financing</b>	<b>\$1,000,000.00</b>

9.5 Financial Proformas

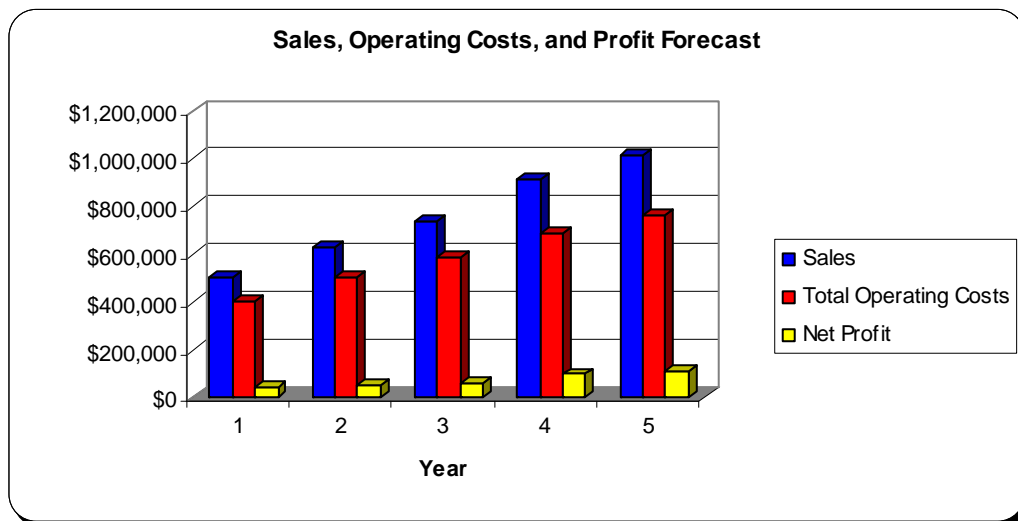
A) Profit and Loss Statements

Proforma Profit and Loss (Yearly)					
Year	1	2	3	4	5
<b>Sales</b>	\$506,412	\$633,015	\$740,627	\$910,971	\$1,011,178
Cost of Goods Sold	\$35,706	\$44,633	\$52,220	\$64,231	\$71,296
Gross Margin	92.95%	92.95%	92.95%	92.95%	92.95%
<b>Operating Income</b>	\$470,706	\$588,382	\$688,407	\$846,741	\$939,882

Expenses					
Payroll	\$292,500	\$350,675	\$422,197	\$497,695	\$549,205
General and Administrative	\$13,200	\$13,860	\$14,553	\$15,281	\$16,045
Marketing Expenses	\$17,000	\$17,680	\$18,387	\$19,123	\$19,888
Professional Fees and Licensure	\$2,000	\$2,080	\$2,163	\$2,250	\$2,340
Insurance Costs	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
School Supplies and Expenses	\$14,900	\$30,545	\$32,072	\$33,676	\$35,360
Office Expenses and Office Equipment Costs	\$12,900	\$26,445	\$27,767	\$29,156	\$30,613
Miscellaneous Costs	\$1,200	\$2,448	\$4,994	\$10,188	\$20,783
Payroll Taxes	\$43,875	\$52,601	\$63,330	\$74,654	\$82,381
<b>Total Operating Costs</b>	<b>\$402,575</b>	<b>\$501,534</b>	<b>\$590,871</b>	<b>\$687,645</b>	<b>\$762,462</b>

<b>EBITA</b>	<b>\$68,131</b>	<b>\$86,848</b>	<b>\$97,536</b>	<b>\$159,095</b>	<b>\$177,420</b>
Federal Income Tax	\$22,483	\$28,660	\$32,187	\$52,501	\$58,549
State Income Tax	\$3,407	\$4,342	\$4,877	\$7,955	\$8,871
Interest Expense	\$0	\$0	\$0	\$0	\$0

<b>Net Profit</b>	<b>\$42,241</b>	<b>\$53,846</b>	<b>\$60,472</b>	<b>\$98,639</b>	<b>\$110,000</b>
<b>Profit Margin</b>	<b>8.34%</b>	<b>8.51%</b>	<b>8.16%</b>	<b>10.83%</b>	<b>10.88%</b>





**B) Common Size Income Statement**

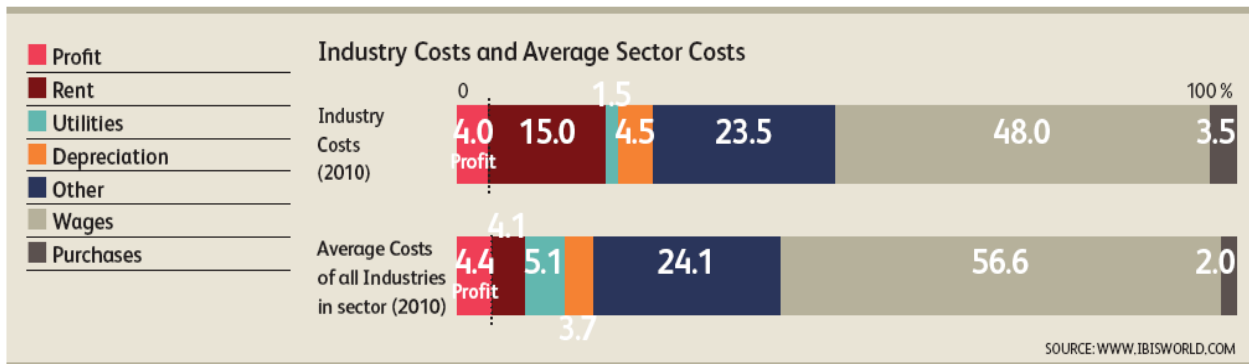
Proforma Profit and Loss (Common Size)					
Year	1	2	3	4	5
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	7.05%	7.05%	7.05%	7.05%	7.05%

<b>Operating Income</b>	92.95%	92.95%	92.95%	92.95%	92.95%
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Expenses					
Payroll	57.76%	55.40%	57.01%	54.63%	54.31%
General and Administrative	2.61%	2.19%	1.96%	1.68%	1.59%
Marketing Expenses	3.36%	2.79%	2.48%	2.10%	1.97%
Professional Fees and Licensure	0.39%	0.33%	0.29%	0.25%	0.23%
Insurance Costs	0.99%	0.82%	0.73%	0.62%	0.58%
School Supplies and Expenses	2.94%	4.83%	4.33%	3.70%	3.50%
Office Expenses and Office Equipment Costs	2.55%	4.18%	3.75%	3.20%	3.03%
Miscellaneous Costs	0.24%	0.39%	0.67%	1.12%	2.06%
Payroll Taxes	8.66%	8.31%	8.55%	8.20%	8.15%
<b>Total Operating Costs</b>	<b>79.50%</b>	<b>79.23%</b>	<b>79.78%</b>	<b>75.48%</b>	<b>75.40%</b>

<b>EBITA</b>	13.45%	13.72%	13.17%	17.46%	17.55%
Federal Income Tax	4.44%	4.53%	4.35%	5.76%	5.79%
State Income Tax	0.67%	0.69%	0.66%	0.87%	0.88%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%

<b>Net Profit</b>	8.34%	8.51%	8.16%	10.83%	10.88%
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**C) Cash Flow Analysis**

Proforma Cash Flow Analysis - Yearly					
Year	1	2	3	4	5
Cash From Operations	\$42,241	\$53,846	\$60,472	\$98,639	\$110,000
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$42,241</b>	<b>\$53,846</b>	<b>\$60,472</b>	<b>\$98,639</b>	<b>\$110,000</b>

**Other Cash Inflows**

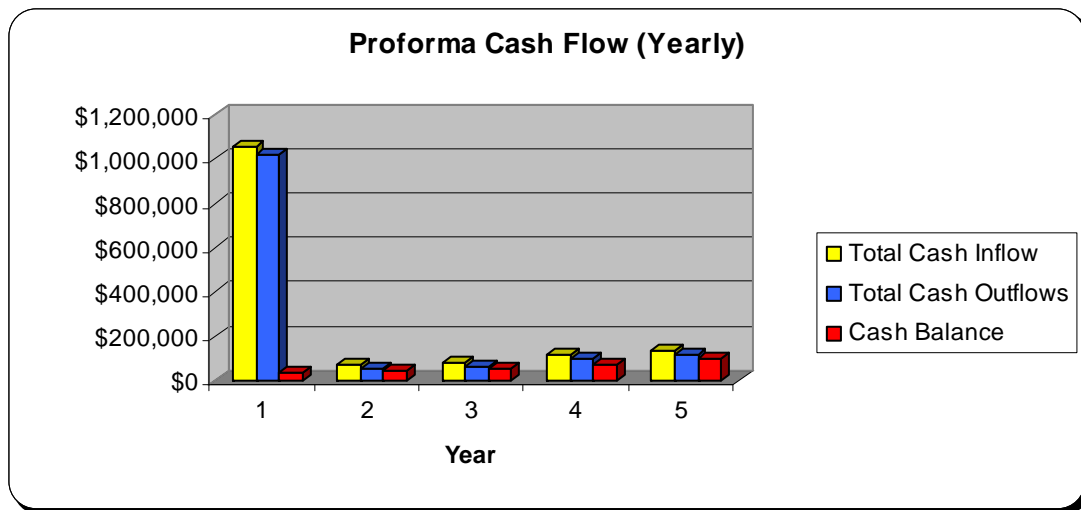
Equity Investment	\$1,000,000	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$14,784	\$17,002	\$19,552	\$22,485	\$25,857
<b>Total Other Cash Inflows</b>	<b>\$1,014,784</b>	<b>\$17,002</b>	<b>\$19,552</b>	<b>\$22,485</b>	<b>\$25,857</b>

<b>Total Cash Inflow</b>	<b>\$1,057,025</b>	<b>\$70,847</b>	<b>\$80,024</b>	<b>\$121,124</b>	<b>\$135,857</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$11,043	\$13,252	\$15,902	\$19,082	\$22,899
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$975,000	\$0	\$0	\$0	\$0
Dividends	\$35,905	\$45,769	\$51,401	\$83,843	\$93,500
<b>Total Cash Outflows</b>	<b>\$1,021,948</b>	<b>\$59,020</b>	<b>\$67,303</b>	<b>\$102,926</b>	<b>\$116,399</b>

<b>Net Cash Flow</b>	<b>\$35,077</b>	<b>\$11,827</b>	<b>\$12,721</b>	<b>\$18,198</b>	<b>\$19,459</b>
<b>Cash Balance</b>	<b>\$35,077</b>	<b>\$46,904</b>	<b>\$59,625</b>	<b>\$77,823</b>	<b>\$97,282</b>



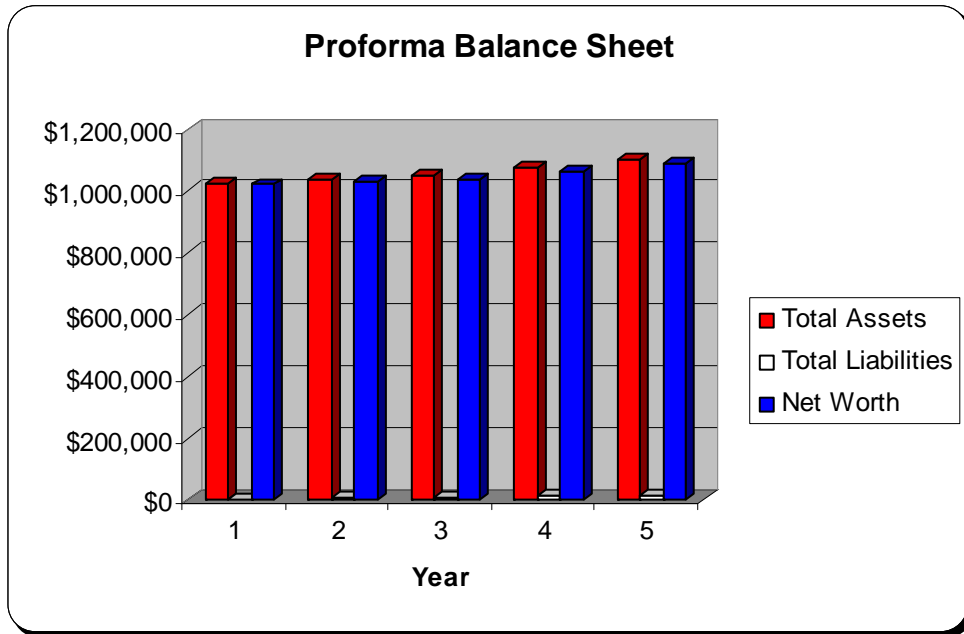
D) Balance Sheet

Proforma Balance Sheet - Yearly					
Year	1	2	3	4	5

Assets					
Cash	\$35,077	\$46,904	\$59,625	\$77,823	\$97,282
Acquisition and Development Costs	\$415,000	\$415,000	\$415,000	\$415,000	\$415,000
Real Estate	\$424,000	\$449,440	\$476,406	\$504,991	\$535,290
FF&E	\$160,000	\$144,000	\$129,600	\$116,640	\$104,976
Accumulated Depreciation	(\$9,990)	(\$19,980)	(\$29,970)	(\$39,960)	(\$49,950)
<b>Total Assets</b>	<b>\$1,024,087</b>	<b>\$1,035,364</b>	<b>\$1,050,661</b>	<b>\$1,074,494</b>	<b>\$1,102,598</b>

Liabilities and Equity					
Accounts Payable	\$3,741	\$7,491	\$11,141	\$14,543	\$17,502
Long Term Liabilities	\$0	\$0	\$0	\$0	\$0
Other Liabilities	\$0	\$0	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$3,741</b>	<b>\$7,491</b>	<b>\$11,141</b>	<b>\$14,543</b>	<b>\$17,502</b>

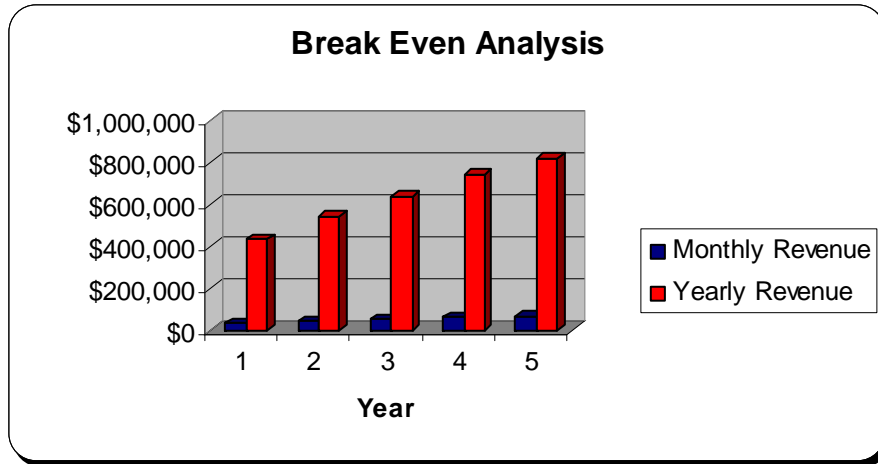
<b>Net Worth</b>	<b>\$1,020,346</b>	<b>\$1,027,873</b>	<b>\$1,039,520</b>	<b>\$1,059,950</b>	<b>\$1,085,096</b>
<b>Total Liabilities and Equity</b>	<b>\$1,024,087</b>	<b>\$1,035,364</b>	<b>\$1,050,661</b>	<b>\$1,074,494</b>	<b>\$1,102,598</b>





### 9.6 Breakeven Analysis

Monthly Break Even Analysis					
Year	1	2	3	4	5
Monthly Revenue	\$36,093	\$44,965	\$52,974	\$61,651	\$68,358
Yearly Revenue	\$433,113	\$539,579	\$635,693	\$739,808	\$820,300



### 9.7 Business Ratios

Business Ratios - Yearly					
Year	1	2	3	4	5

**Sales**

Sales Growth	0.0%	25.0%	17.0%	23.0%	11.0%
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%

**Financials**

Profit Margin	8.34%	8.51%	8.16%	10.83%	10.88%
Assets to Liabilities	273.75	138.21	94.31	73.88	63.00
Equity to Liabilities	272.75	137.21	93.31	72.88	62.00
Assets to Equity	1.00	1.01	1.01	1.01	1.02

**Liquidity**

Acid Test	9.38	6.26	5.35	5.35	5.56
Cash to Assets	0.03	0.05	0.06	0.07	0.09

### 9.8 General Assumptions

General Assumptions					
Year	1	2	3	4	5
Federal Tax Rate	33.0%	33.0%	33.0%	33.0%	33.0%
State Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Taxes	15.0%	15.0%	15.0%	15.0%	15.0%



### SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• <i>Christian Based Education</i></li><li>• <i>Experienced Staff</i></li><li>• <i>Recurring Income Stream</i></li><li>• <i>Experienced and Dedicated Management</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Regulatory and Compliance Issues</i></li><li>• <i>Legal and Fiduciary Liabilities</i></li><li>• <i>Sporadic Revenue via Government Grants</i></li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>• <i>Attract Capital</i></li><li>• <i>Potential Expansion Opportunities</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Increased Regulation</i></li><li>• <i>Competition</i></li></ul>

#### Strengths

- A unique program that provides students with a Christian based education, which is a style of teaching demanded by many parents.
- Experienced directorial and educational staff that will develop a strong reputation in the Christiansburg, Virginia.
- Recurring streams of income from monthly tuition.
- Management dedicated to the mission of Lighthouse Academy.
- Highly experienced management led by Jason Watson and Phillip Watson.



### **Weaknesses**

- Many regulatory and compliance issues.
- Legal and fiduciary liabilities.
- Sporadic revenue from government grant programs from the Department of Education and the Department of Human Services.

### **Opportunities**

- Attract capital from other Christian organizations.
- Potential development of additional locations after the fifth year of operations.

### **Threats**

- The number of regulatory issues is increasing.
- Many other schools competing for same tuition dollars.

### **Critical Risks and Problems**

#### **Development Risk – Low/Moderate**

The primary development risk faced by the business is Management's ability to raise the requisite capital to launch Lighthouse Academy. The secondary development risk is Management's ability to launch the operations of the business while concurrently generating enough revenue to support the ongoing financial obligations of Lighthouse Academy.

#### **Financing Risk – Low/Moderate**

Management is currently seeking \$1 million to develop the operations of Lighthouse Academy. These funds will primarily be used for the acquisition of tangible assets including a real estate facility. This risk is mitigated by the continuing income generated from tuition payments.

#### **Marketing Risk – Moderate**

Lighthouse Academy will use the marketing strategies outlined in the seventh section of the business plan in order to fill its enrollment quotas. However, these strategies are expensive and may not yield the financial results anticipated in this business plan.

#### **Management Risk – Low/Moderate**

The Company's founders, Jason Watson and Phillip Watson, are experienced, educated, and knowledgeable regarding all aspects of the Company's educational and administrative operations. More importantly, Management is driven by its goal of



providing a Christian based elementary and secondary education to the Christiansburg market.

### Valuation Risk – **Low**

The risk that the Owners pay too much for this venture is offset by:

- Tuition payments will provide a recurring stream of revenue for Lighthouse Academy.
- The operations of the school are scalable within the Montgomery County market.
- The business can be divested within twelve months of marketing the Company for sale.

### Exit Risk – **Low**

There is a strong demand for established for profit educational institutions, and Management feels that the full sale of Lighthouse Academy could occur within one year of marketing the Company for sale. Management will use a qualified business broker to manage the transaction.



Expanded Profit and Loss Statements

Profit and Loss Statement (First Year)							
Months	1	2	3	4	5	6	7
<b>Sales</b>	<b>\$51,328</b>	<b>\$51,357</b>	<b>\$51,386</b>	<b>\$51,415</b>	<b>\$51,445</b>	<b>\$14,665</b>	<b>\$14,665</b>
Cost of Goods Sold	\$3,619	\$3,621	\$3,623	\$3,625	\$3,627	\$1,034	\$1,034
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%	92.9%	92.9%

<b>Operating Income</b>	\$47,709	\$47,736	\$47,763	\$47,790	\$47,818	\$13,631	\$13,631
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**Expenses**

Payroll	\$24,375	\$24,375	\$24,375	\$24,375	\$24,375	\$24,375	\$24,375
General and Administrative	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Marketing Expenses	\$1,417	\$1,417	\$1,417	\$1,417	\$1,417	\$1,417	\$1,417
Professional Fees and Licensure	\$167	\$167	\$167	\$167	\$167	\$167	\$167
Insurance Costs	\$417	\$417	\$417	\$417	\$417	\$417	\$417
School Supplies and Expenses	\$1,242	\$1,242	\$1,242	\$1,242	\$1,242	\$1,242	\$1,242
Office Expenses and Office Equipment Costs	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075
Miscellaneous Costs	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Payroll Taxes	\$3,656	\$3,656	\$3,656	\$3,656	\$3,656	\$3,656	\$3,656
<b>Total Operating Costs</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>

<b>EBITA</b>	\$14,161	\$14,188	\$14,215	\$14,242	\$14,270	-\$19,917	-\$19,917
Federal Income Tax	\$2,279	\$2,280	\$2,281	\$2,283	\$2,284	\$651	\$651
State Income Tax	\$345	\$345	\$346	\$346	\$346	\$99	\$99
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$11,537</b>	<b>\$11,562</b>	<b>\$11,588</b>	<b>\$11,614</b>	<b>\$11,640</b>	<b>-\$20,667</b>	<b>-\$20,667</b>



Profit and Loss Statement (First Year Cont.)						
Month	8	9	10	11	12	1
<b>Sales</b>	<b>\$14,665</b>	<b>\$51,328</b>	<b>\$51,357</b>	<b>\$51,386</b>	<b>\$51,415</b>	<b>\$506,412</b>
Cost of Goods Sold	\$1,034	\$3,619	\$3,621	\$3,623	\$3,625	\$35,706
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%	92.9%
<b>Operating Income</b>	<b>\$13,631</b>	<b>\$47,709</b>	<b>\$47,736</b>	<b>\$47,763</b>	<b>\$47,790</b>	<b>\$470,706</b>

Expenses						
Payroll	\$24,375	\$24,375	\$24,375	\$24,375	\$24,375	\$292,500
General and Administrative	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$13,200
Marketing Expenses	\$1,417	\$1,417	\$1,417	\$1,417	\$1,417	\$17,000
Professional Fees and Licensure	\$167	\$167	\$167	\$167	\$167	\$2,000
Insurance Costs	\$417	\$417	\$417	\$417	\$417	\$5,000
School Supplies and Expenses	\$1,242	\$1,242	\$1,242	\$1,242	\$1,242	\$14,900
Office Expenses and Office Equipment Costs	\$1,075	\$1,075	\$1,075	\$1,075	\$1,075	\$12,900
Miscellaneous Costs	\$100	\$100	\$100	\$100	\$100	\$1,200
Payroll Taxes	\$3,656	\$3,656	\$3,656	\$3,656	\$3,656	\$43,875
<b>Total Operating Costs</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$33,548</b>	<b>\$402,575</b>

<b>EBITA</b>	<b>-\$19,917</b>	<b>\$14,161</b>	<b>\$14,188</b>	<b>\$14,215</b>	<b>\$14,242</b>	<b>\$68,131</b>
Federal Income Tax	\$651	\$2,279	\$2,280	\$2,281	\$2,283	\$22,483
State Income Tax	\$99	\$345	\$345	\$346	\$346	\$3,407
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>-\$20,667</b>	<b>\$11,537</b>	<b>\$11,562</b>	<b>\$11,588</b>	<b>\$11,614</b>	<b>\$42,241</b>



Profit and Loss Statement (Second Year)					
2					
Quarter	Q1	Q2	Q3	Q4	2
<b>Sales</b>	\$126,603	\$158,254	\$170,914	\$177,244	\$633,015
Cost of Goods Sold	\$8,927	\$11,158	\$12,051	\$12,497	\$44,633
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%
<b>Operating Income</b>	<b>\$117,676</b>	<b>\$147,096</b>	<b>\$158,863</b>	<b>\$164,747</b>	<b>\$588,382</b>
<b>Expenses</b>					
Payroll	\$70,135	\$87,669	\$94,682	\$98,189	\$350,675
General and Administrative	\$2,772	\$3,465	\$3,742	\$3,881	\$13,860
Marketing Expenses	\$3,536	\$4,420	\$4,774	\$4,950	\$17,680
Professional Fees and Licensure	\$416	\$520	\$562	\$582	\$2,080
Insurance Costs	\$1,040	\$1,300	\$1,404	\$1,456	\$5,200
School Supplies and Expenses	\$6,109	\$7,636	\$8,247	\$8,553	\$30,545
Office Expenses and Office Equipment Costs	\$5,289	\$6,611	\$7,140	\$7,405	\$26,445
Miscellaneous Costs	\$490	\$612	\$661	\$685	\$2,448
Payroll Taxes	\$10,520	\$13,150	\$14,202	\$14,728	\$52,601
<b>Total Operating Costs</b>	<b>\$100,307</b>	<b>\$125,384</b>	<b>\$135,414</b>	<b>\$140,430</b>	<b>\$501,534</b>
<b>EBITA</b>	<b>\$17,370</b>	<b>\$21,712</b>	<b>\$23,449</b>	<b>\$24,317</b>	<b>\$86,848</b>
Federal Income Tax	\$5,732	\$7,165	\$7,738	\$8,025	\$28,660
State Income Tax	\$868	\$1,086	\$1,172	\$1,216	\$4,342
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$10,769</b>	<b>\$13,461</b>	<b>\$14,538</b>	<b>\$15,077</b>	<b>\$53,846</b>

**Profit and Loss Statement (Third Year)**

3					
Quarter	Q1	Q2	Q3	Q4	3
<b>Sales</b>	\$148,125	\$185,157	\$199,969	\$207,376	\$740,627
Cost of Goods Sold	\$10,444	\$13,055	\$14,099	\$14,622	\$52,220
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%

<b>Operating Income</b>	<b>\$137,681</b>	<b>\$172,102</b>	<b>\$185,870</b>	<b>\$192,754</b>	<b>\$688,407</b>
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**Expenses**

Payroll	\$84,439	\$105,549	\$113,993	\$118,215	\$422,197
General and Administrative	\$2,911	\$3,638	\$3,929	\$4,075	\$14,553
Marketing Expenses	\$3,677	\$4,597	\$4,965	\$5,148	\$18,387
Professional Fees and Licensure	\$433	\$541	\$584	\$606	\$2,163
Insurance Costs	\$1,082	\$1,352	\$1,460	\$1,514	\$5,408
School Supplies and Expenses	\$6,414	\$8,018	\$8,660	\$8,980	\$32,072
Office Expenses and Office Equipment Costs	\$5,553	\$6,942	\$7,497	\$7,775	\$27,767
Miscellaneous Costs	\$999	\$1,248	\$1,348	\$1,398	\$4,994
Payroll Taxes	\$12,666	\$15,832	\$17,099	\$17,732	\$63,330
<b>Total Operating Costs</b>	<b>\$118,174</b>	<b>\$147,718</b>	<b>\$159,535</b>	<b>\$165,444</b>	<b>\$590,871</b>

<b>EBITA</b>	<b>\$19,507</b>	<b>\$24,384</b>	<b>\$26,335</b>	<b>\$27,310</b>	<b>\$97,536</b>
Federal Income Tax	\$6,437	\$8,047	\$8,690	\$9,012	\$32,187
State Income Tax	\$975	\$1,219	\$1,317	\$1,365	\$4,877
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$12,094</b>	<b>\$15,118</b>	<b>\$16,327</b>	<b>\$16,932</b>	<b>\$60,472</b>

Profit and Loss Statement (Fourth Year)

4					
Quarter	Q1	Q2	Q3	Q4	4
<b>Sales</b>	\$182,194	\$227,743	\$245,962	\$255,072	\$910,971
Cost of Goods Sold	\$12,846	\$16,058	\$17,342	\$17,985	\$64,231
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%

<b>Operating Income</b>	<b>\$169,348</b>	<b>\$211,685</b>	<b>\$228,620</b>	<b>\$237,087</b>	<b>\$846,741</b>
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**Expenses**

Payroll	\$99,539	\$124,424	\$134,378	\$139,355	\$497,695
General and Administrative	\$3,056	\$3,820	\$4,126	\$4,279	\$15,281
Marketing Expenses	\$3,825	\$4,781	\$5,163	\$5,354	\$19,123
Professional Fees and Licensure	\$450	\$562	\$607	\$630	\$2,250
Insurance Costs	\$1,125	\$1,406	\$1,519	\$1,575	\$5,624
School Supplies and Expenses	\$6,735	\$8,419	\$9,092	\$9,429	\$33,676
Office Expenses and Office Equipment Costs	\$5,831	\$7,289	\$7,872	\$8,164	\$29,156
Miscellaneous Costs	\$2,038	\$2,547	\$2,751	\$2,853	\$10,188
Payroll Taxes	\$14,931	\$18,664	\$20,157	\$20,903	\$74,654
<b>Total Operating Costs</b>	<b>\$137,529</b>	<b>\$171,911</b>	<b>\$185,664</b>	<b>\$192,541</b>	<b>\$687,645</b>

<b>EBITA</b>	<b>\$31,819</b>	<b>\$39,774</b>	<b>\$42,956</b>	<b>\$44,547</b>	<b>\$159,095</b>
Federal Income Tax	\$10,500	\$13,125	\$14,175	\$14,700	\$52,501
State Income Tax	\$1,591	\$1,989	\$2,148	\$2,227	\$7,955
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$19,728</b>	<b>\$24,660</b>	<b>\$26,633</b>	<b>\$27,619</b>	<b>\$98,639</b>

Profit and Loss Statement (Fifth Year)

5					
Quarter	Q1	Q2	Q3	Q4	5
<b>Sales</b>	\$202,236	\$252,795	\$273,018	\$283,130	\$1,011,178
Cost of Goods Sold	\$14,259	\$17,824	\$19,250	\$19,963	\$71,296
Gross Margin	92.9%	92.9%	92.9%	92.9%	92.9%

<b>Operating Income</b>	<b>\$187,976</b>	<b>\$234,971</b>	<b>\$253,768</b>	<b>\$263,167</b>	<b>\$939,882</b>
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**Expenses**

Payroll	\$109,841	\$137,301	\$148,285	\$153,777	\$549,205
General and Administrative	\$3,209	\$4,011	\$4,332	\$4,493	\$16,045
Marketing Expenses	\$3,978	\$4,972	\$5,370	\$5,569	\$19,888
Professional Fees and Licensure	\$468	\$585	\$632	\$655	\$2,340
Insurance Costs	\$1,170	\$1,462	\$1,579	\$1,638	\$5,849
School Supplies and Expenses	\$7,072	\$8,840	\$9,547	\$9,901	\$35,360
Office Expenses and Office Equipment Costs	\$6,123	\$7,653	\$8,266	\$8,572	\$30,613
Miscellaneous Costs	\$4,157	\$5,196	\$5,611	\$5,819	\$20,783
Payroll Taxes	\$16,476	\$20,595	\$22,243	\$23,067	\$82,381
<b>Total Operating Costs</b>	<b>\$152,492</b>	<b>\$190,616</b>	<b>\$205,865</b>	<b>\$213,489</b>	<b>\$762,462</b>

<b>EBITA</b>	<b>\$35,484</b>	<b>\$44,355</b>	<b>\$47,903</b>	<b>\$49,678</b>	<b>\$177,420</b>
Federal Income Tax	\$11,710	\$14,637	\$15,808	\$16,394	\$58,549
State Income Tax	\$1,774	\$2,218	\$2,395	\$2,484	\$8,871
Interest Expense	\$0	\$0	\$0	\$0	\$0
<b>Net Profit</b>	<b>\$22,000</b>	<b>\$27,500</b>	<b>\$29,700</b>	<b>\$30,800</b>	<b>\$110,000</b>

Expanded Cash Flow Analysis

Cash Flow Analysis (First Year)								
Month	1	2	3	4	5	6	7	8
Cash From Operations	\$11,537	\$11,562	\$11,588	\$11,614	\$11,640	-\$20,667	-\$20,667	-\$20,667
Cash From Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$11,537</b>	<b>\$11,562</b>	<b>\$11,588</b>	<b>\$11,614</b>	<b>\$11,640</b>	<b>-\$20,667</b>	<b>-\$20,667</b>	<b>-\$20,667</b>

**Other Cash Inflows**

Equity Investment	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$1,232	\$1,232	\$1,232	\$1,232	\$1,232	\$1,232	\$1,232	\$1,232
<b>Total Other Cash Inflows</b>	<b>\$1,001,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>

<b>Total Cash Inflow</b>	<b>\$1,012,769</b>	<b>\$12,794</b>	<b>\$12,820</b>	<b>\$12,846</b>	<b>\$12,872</b>	<b>-\$19,435</b>	<b>-\$19,435</b>	<b>-\$19,435</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$920	\$920	\$920	\$920	\$920	\$920	\$920	\$920
A/R Increases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$975,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cash Outflows</b>	<b>\$975,920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>

<b>Net Cash Flow</b>	<b>\$36,848</b>	<b>\$11,874</b>	<b>\$11,900</b>	<b>\$11,926</b>	<b>\$11,951</b>	<b>-\$20,355</b>	<b>-\$20,355</b>	<b>-\$20,355</b>
<b>Cash Balance</b>	<b>\$36,848</b>	<b>\$48,722</b>	<b>\$60,622</b>	<b>\$72,548</b>	<b>\$84,499</b>	<b>\$64,144</b>	<b>\$43,789</b>	<b>\$23,434</b>



Cash Flow Analysis (First Year Cont.)					
Month	9	10	11	12	1
Cash From Operations	\$11,537	\$11,562	\$11,588	\$11,614	\$42,241
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$11,537</b>	<b>\$11,562</b>	<b>\$11,588</b>	<b>\$11,614</b>	<b>\$42,241</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$1,000,000
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$1,232	\$1,232	\$1,232	\$1,232	\$14,784
<b>Total Other Cash Inflows</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,232</b>	<b>\$1,014,784</b>

<b>Total Cash Inflow</b>	<b>\$12,769</b>	<b>\$12,794</b>	<b>\$12,820</b>	<b>\$12,846</b>	<b>\$1,057,025</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$920	\$920	\$920	\$920	\$11,043
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$975,000
Dividends	\$0	\$0	\$0	\$35,905	\$35,905
<b>Total Cash Outflows</b>	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>	<b>\$36,825</b>	<b>\$1,021,948</b>

<b>Net Cash Flow</b>	<b>\$11,848</b>	<b>\$11,874</b>	<b>\$11,900</b>	<b>-\$23,979</b>	<b>\$35,077</b>
<b>Cash Balance</b>	<b>\$35,283</b>	<b>\$47,157</b>	<b>\$59,056</b>	<b>\$35,077</b>	<b>\$35,077</b>



Cash Flow Analysis (Second Year)					
2					
Quarter	Q1	Q2	Q3	Q4	2
Cash From Operations	\$10,769	\$13,461	\$14,538	\$15,077	\$53,846
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$10,769</b>	<b>\$13,461</b>	<b>\$14,538</b>	<b>\$15,077</b>	<b>\$53,846</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$3,400	\$4,250	\$4,590	\$4,760	\$17,002
<b>Total Other Cash Inflows</b>	<b>\$3,400</b>	<b>\$4,250</b>	<b>\$4,590</b>	<b>\$4,760</b>	<b>\$17,002</b>

<b>Total Cash Inflow</b>	<b>\$14,169</b>	<b>\$17,712</b>	<b>\$19,129</b>	<b>\$19,837</b>	<b>\$70,847</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$2,650	\$3,313	\$3,578	\$3,710	\$13,252
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$0
Dividends	\$9,154	\$11,442	\$12,358	\$12,815	\$45,769
<b>Total Cash Outflows</b>	<b>\$11,804</b>	<b>\$14,755</b>	<b>\$15,936</b>	<b>\$16,526</b>	<b>\$59,020</b>

<b>Net Cash Flow</b>	<b>\$2,365</b>	<b>\$2,957</b>	<b>\$3,193</b>	<b>\$3,312</b>	<b>\$11,827</b>
<b>Cash Balance</b>	<b>\$37,443</b>	<b>\$40,399</b>	<b>\$43,592</b>	<b>\$46,904</b>	<b>\$46,904</b>



Cash Flow Analysis (Third Year)					
3					
Quarter	Q1	Q2	Q3	Q4	3
Cash From Operations	\$12,094	\$15,118	\$16,327	\$16,932	\$60,472
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$12,094</b>	<b>\$15,118</b>	<b>\$16,327</b>	<b>\$16,932</b>	<b>\$60,472</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$3,910	\$4,888	\$5,279	\$5,475	\$19,552
<b>Total Other Cash Inflows</b>	<b>\$3,910</b>	<b>\$4,888</b>	<b>\$5,279</b>	<b>\$5,475</b>	<b>\$19,552</b>

<b>Total Cash Inflow</b>	<b>\$16,005</b>	<b>\$20,006</b>	<b>\$21,606</b>	<b>\$22,407</b>	<b>\$80,024</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$3,180	\$3,975	\$4,294	\$4,453	\$15,902
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$0
Dividends	\$10,280	\$12,850	\$13,878	\$14,392	\$51,401
<b>Total Cash Outflows</b>	<b>\$13,461</b>	<b>\$16,826</b>	<b>\$18,172</b>	<b>\$18,845</b>	<b>\$67,303</b>

<b>Net Cash Flow</b>	<b>\$2,544</b>	<b>\$3,180</b>	<b>\$3,435</b>	<b>\$3,562</b>	<b>\$12,721</b>
<b>Cash Balance</b>	<b>\$49,448</b>	<b>\$52,628</b>	<b>\$56,063</b>	<b>\$59,625</b>	<b>\$59,625</b>



Cash Flow Analysis (Fourth Year)					
4					
Quarter	Q1	Q2	Q3	Q4	4
Cash From Operations	\$19,728	\$24,660	\$26,633	\$27,619	\$98,639
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$19,728</b>	<b>\$24,660</b>	<b>\$26,633</b>	<b>\$27,619</b>	<b>\$98,639</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$4,497	\$5,621	\$6,071	\$6,296	\$22,485
<b>Total Other Cash Inflows</b>	<b>\$4,497</b>	<b>\$5,621</b>	<b>\$6,071</b>	<b>\$6,296</b>	<b>\$22,485</b>

<b>Total Cash Inflow</b>	<b>\$24,225</b>	<b>\$30,281</b>	<b>\$32,703</b>	<b>\$33,915</b>	<b>\$121,124</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$3,816	\$4,771	\$5,152	\$5,343	\$19,082
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$0
Dividends	\$16,769	\$20,961	\$22,638	\$23,476	\$83,843
<b>Total Cash Outflows</b>	<b>\$20,585</b>	<b>\$25,731</b>	<b>\$27,790</b>	<b>\$28,819</b>	<b>\$102,926</b>

<b>Net Cash Flow</b>	<b>\$3,640</b>	<b>\$4,550</b>	<b>\$4,914</b>	<b>\$5,095</b>	<b>\$18,198</b>
<b>Cash Balance</b>	<b>\$63,264</b>	<b>\$67,814</b>	<b>\$72,727</b>	<b>\$77,823</b>	<b>\$77,823</b>



Cash Flow Analysis (Fifth Year)					
5					
Quarter	Q1	Q2	Q3	Q4	5
Cash From Operations	\$22,000	\$27,500	\$29,700	\$30,800	\$110,000
Cash From Receivables	\$0	\$0	\$0	\$0	\$0
<b>Operating Cash Inflow</b>	<b>\$22,000</b>	<b>\$27,500</b>	<b>\$29,700</b>	<b>\$30,800</b>	<b>\$110,000</b>

**Other Cash Inflows**

Equity Investment	\$0	\$0	\$0	\$0	\$0
Increased Borrowings	\$0	\$0	\$0	\$0	\$0
Sales of Business Assets	\$0	\$0	\$0	\$0	\$0
A/P Increases	\$5,171	\$6,464	\$6,981	\$7,240	\$25,857
<b>Total Other Cash Inflows</b>	<b>\$5,171</b>	<b>\$6,464</b>	<b>\$6,981</b>	<b>\$7,240</b>	<b>\$25,857</b>

<b>Total Cash Inflow</b>	<b>\$27,172</b>	<b>\$33,964</b>	<b>\$36,682</b>	<b>\$38,040</b>	<b>\$135,858</b>
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**Cash Outflows**

Repayment of Principal	\$0	\$0	\$0	\$0	\$0
A/P Decreases	\$4,580	\$5,725	\$6,183	\$6,412	\$22,899
A/R Increases	\$0	\$0	\$0	\$0	\$0
Asset Purchases	\$0	\$0	\$0	\$0	\$0
Dividends	\$18,700	\$23,375	\$25,245	\$26,180	\$93,500
<b>Total Cash Outflows</b>	<b>\$23,280</b>	<b>\$29,100</b>	<b>\$31,428</b>	<b>\$32,592</b>	<b>\$116,399</b>

<b>Net Cash Flow</b>	<b>\$3,892</b>	<b>\$4,865</b>	<b>\$5,254</b>	<b>\$5,448</b>	<b>\$19,459</b>
<b>Cash Balance</b>	<b>\$81,715</b>	<b>\$86,579</b>	<b>\$91,833</b>	<b>\$97,282</b>	<b>\$97,282</b>



**References:**

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<sup>i</sup> Data obtained from The Economist Intelligence Unit Limited 2010, Country Report United States June 2010

<sup>ii</sup> <http://www.elu.com>, Kiplinger Economic Outlook, updated Dec 27, 2010

<sup>iii</sup> Hoover's First Research, State of Virginia Profile, Published December 2010

<sup>iv</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 14

<sup>v</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 13

<sup>vi</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 6

<sup>vii</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 16

<sup>viii</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 17

<sup>ix</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 17

<sup>x</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 17

<sup>xi</sup> U.S. Government Bureau of Labor Statistics

<sup>xii</sup> U.S. Economic Census, Secondary Schools – NAICS 611110

<sup>xiii</sup> [http://www.city-data.com/county/Montgomery\\_County-VA.html](http://www.city-data.com/county/Montgomery_County-VA.html)

<sup>xiv</sup> Data obtained from IBISWorld Industry Report 61111b Private Schools in the US November 2010, by Sophia Snyder page 22