

BENHAVEN'S LEARNING NETWORK

BUSINESS PLAN

**Submitted to:
The Yale School of Management
The Goldman Sachs Foundation
Partnership on Nonprofit Ventures**

April 3, 2003

**Benhaven, Inc.
187 Half Mile Road
North Haven, CT 06473
203-234-8454**

Table of Contents

	Pages
Executive Summary	1 - 2
Description of the Business	3 – 9
Market Analysis	10 – 13
Industry Analysis/Competitive Analysis	14 – 16
Marketing Plan	17 – 19
Management Plan	20 – 21
Business Operations	22 - 26
Financial Plan	27 – 30
Risk Assessment and Contingency Plans	31 – 35
Appendix	

Executive Summary

Benhaven, Inc. a non-profit agency that has been providing services to children, adolescents and adults with autism for 35 years, has established a consulting practice called Benhaven's Learning Network. The practice will focus on providing consultation and technical assistance to public school special education programs throughout Connecticut. This new enterprise originated through requests by our target clients. It began as a pilot in July 2001, and this past July, the group was more formally established, with its own budget, office, staff and management.

The mission of Benhaven's Learning Network (BLN) is to provide the various kinds of support school system personnel may need as they develop their capabilities to serve students with autism effectively. BLN's distinguishing characteristic is the range of services provided as well as the availability of in-district technical support. By starting the consulting practice, Benhaven, Inc. greatly enhances the scope of its mission, affecting many more students than it ever could in its own facilities. Benhaven, Inc. is eager to support the success of this enterprise for several reasons. Educating students with autism in public schools, as opposed to special private schools, fits the mission and philosophy of Benhaven. The new venture will also provide a positive financial contribution to the parent organization and give professional development opportunities for Benhaven, Inc.'s staff.

The practice has been started to meet tremendous market demand. Information provided to us by the Connecticut Department of Education indicates an increase in the number of students with autism in Connecticut alone has gone from 151 in 1991 to 1,700 in 2001. Most public school systems are struggling to provide appropriate educational services for students with autism. Much is still unknown and uncertain about autism. Remediation approaches and teaching strategies are constantly evolving. The field is also one that seems to inspire many new ideas, ranging from some that are grounded in sound practices developed in the traditional fields of psychology, psychiatry and occupational therapy to others from the fringes of alternative medicine and psychotherapy. Given our 35-year history in the field, BLN consultants are able to promote "Best Practices" and bring clarity of instructional techniques to those charged with educating autistic children. During the pilot year, the feedback from the school systems was extremely positive. This led to Benhaven's decision to invest the resources needed to establish the venture on firm footing.

During the first year, the group has six full-time consultants, including a managing consultant and administrative assistant. Four consultants will be added for the second year and three more for the third year, making a total of thirteen. Additions to staff are projected to fulfill anticipated increased demand for educational services as well as the need for so-called transitional services as the population ages and goes from school-to-work. Our survey of market demand shows that 30% of school districts have already contracted for BLN services and 100% of school districts could use our services. We also determined that within the next two years, the State of Connecticut Department of Education intends to raise the standards related to educational services for students with autism, which cannot be met through internal resources alone.

Three other consulting groups are doing similar or related work with school systems, but the field is not highly competitive. Each of the four groups has more requests for services than can be accepted and they appear to each be gravitating toward different segments of the market. BLN's preferred clients are those public school systems that wish to invest resources needed to have high-quality educational services. BLN has a market advantage for this segment of the

market in that its staff is made up of former teachers and administrators with a great deal of experience and expertise in education for students with autism. It is BLN's objective to work only with school systems and avoid engagements with families and possibly lawyers who are pursuing recourse through due process provided under special education statutes. Our bias is collaboration and this can only be through contracting directly with school systems.

The budget for BLN in the first year is \$715,000 and is expected to increase 130% to \$1,639,200 by Year Three. BLN projects to operate at a deficit of approximately \$60,000 for the first year. The Board of Directors of Benhaven, Inc. has agreed to subsidize the enterprise by this amount for the first year. Projections call for BLN to operate at break-even for the second year and generate an operating profit of approximately \$90,000 in the third year. Benhaven, Inc. has the financial means to fund start up and working capital costs of the new venture. As of FYE 6/30/02 the audited financial statements show unrestricted net assets of \$1,500,000. The financial goal of the new venture is to provide greater financial stability, as the agency gains a more diversified income base and becomes less reliant upon inadequately funded contracts with the State of Connecticut, Department of Mental Retardation and Department of Children and Family Services.

BLN is fortunate to have an extremely capable manager, who is highly regarded by the public school special education administrators in the 169 school districts in Connecticut. This manager has recruited a top-notch staff and continues to attract others interested in working at BLN. Furthermore, BLN has a Lead Consultant whose fine reputation in the field matches that of the Manager.

To date, the market response is extremely favorable with 30% of the school districts in Connecticut contacting BLN for work. Various risks to ultimate success have been identified; including staffing and resistance by potential clients to use BLN based on their own financial constraints and / or other limiting factors. However, we are confident that the value-added approach of BLN, combining direct services, problem solving and building capacity will lead us to success. Contingency plans call for looking to other areas for consulting work and/or scaling back the size of the venture.

Description of the Business

Benhaven's Learning Network, a consulting practice, has been started to provide technical assistance to public school special education programs throughout Connecticut.

- The social purpose of the venture is to assist Connecticut school systems build capacity to enable students with autism to live, learn and work successfully in their own communities.
- The mission of Benhaven's Learning Network ("BLN") is to provide whatever support school system personnel may need as they develop their capabilities to serve students with autism effectively.
- The objective of this mission-driven venture is to provide the parent organization with additional income from a diversified payer base, while providing a vitally needed service.

Background on Autism Spectrum Disorder:

The number of people affected by autism and pervasive developmental disorders is growing. An article in Time magazine (April 29, 2002), reported that the number of children diagnosed with autism and Asperger's Syndrome in the U.S. is actually *exploding*. "Not long ago, autism was assumed to be comparatively rare, affecting as few as 1 in 10,000 people. The latest studies, however, suggest that the as many as 1 in 150 kids age 10 and younger may be affected by autism or a related disorder – a total of nearly 300,000 children in the U.S. alone. If you include adults, according to the Autism Society of America, more than a million people in the U.S. suffer from one of the autistic disorders (also known as pervasive developmental disorders). *The problem is five times as common as Down syndrome and three times as common as juvenile diabetes.*"

(emphasis added)

A description of problems associated with autism spectrum disorders is provided in Appendix A. Most school systems struggle with keeping up with advances in the education of children with autism. A letter written by Dr. Roger Frant, an official with the Connecticut Department of Education, who specializes in autism, points out the difficulties school systems have in having available those interventions that have shown themselves to be helpful for students with autism (Appendix B). Many families of youngsters with autism are dissatisfied with the services their children are receiving and frequently pressure school systems to achieve better results.

Description of Benhaven, Inc.:

Benhaven, Inc. is a nonprofit organization with ten locations in greater New Haven, CT., serving people with autism and pervasive developmental disorders. Founded in 1967 by a mother with an autistic child, initially Benhaven provided educational services to autistic children. Over the years and as this population aged, Benhaven's mission expanded to include residential services for school age children, residential and employment services for adults and most recently, in-home support to families with children with disabilities. In 2002, Benhaven has a \$7.5 million operating budget, employs 140 people, has 36 students enrolled in its school, has 30 adult clients receiving work-related services and operates seven group homes.

Just as the number of cases of autism and pervasive developmental disorders has grown, the need for Benhaven's services has also grown. The physical constraints of our facilities limit the number of people we can reach on a direct service basis. Through consulting we can broaden

our reach. The organization is known for high quality services, for its serious commitment to customer satisfaction, and for adhering to high principles of ethical practice in a field where mediocrity is endemic. Part of this ethical practice is exemplified, perhaps, by starting this new venture: Benhaven's Learning Network. This illustrates our preference to develop capacity in others rather than simply growing larger to meet the market demand.

BLN Objectives:

The rationale for the venture:

- Expand the scope of Benhaven's mission,
- Increase Benhaven's income while developing a more diversified base.

This is Benhaven's Mission Statement, which was written in 1988:

Benhaven will create the conditions that enable people with autism and pervasive developmental disorders to:

- Participate in community life
- Exercise productive control over their own lives
- Have meaningful relationships and associations
- Be gainfully employed
- Experience happiness and personal satisfaction

When this statement was written, its focus was on the school, residential, and work programs that comprised the range of services Benhaven had at the time. The fact was, however, that, due to space limitations, Benhaven was able to accept fewer than half of the students referred for its school program and a very small percentage (around 5%) of referrals for residential services. This meant that the visionary intentions of the mission statement were available to fewer than 100 people. In the larger context of the increasing number of children diagnosed with autism and pervasive developmental disorders, Benhaven's impact is actually quite modest.

Since 1988, Benhaven has been part of the wave of progressive practices that has seen people with severe disabilities lead successful lives well integrated into their home communities. Benhaven, which has focused its work primarily on people with severe disabilities, has been quite successful in helping such individuals attend regular public schools, hold full and part-time jobs, and enjoy a broad array of recreational and other leisure time activities in their communities. Federal and State regulations have caught up with Benhaven's "Best Practices" and school systems are now required to emphasize preparation for inclusion, as opposed to exclusion in community life.

Like many nonprofits, Benhaven has been financially challenged to provide high quality services by hiring the best people and having the best resources and facilities. The organization is highly dependent upon two State of Connecticut agencies for funding, Department of Mental Retardation and Department of Children and Family Services. The level of funding from these agencies has historically not covered costs, and recent declines in state revenues have made a bad situation even worse. Benhaven's Learning Network will provide additional income as well as diversify the organization's income stream. Any profits should be available, first to stabilize the venture, then to be available for the benefit of the entire organization.

The personnel selected for this group are capable professionals with an array of important skills and talents. It is likely that a number of these people would have left direct service roles – and Benhaven – without the opportunity to move into consulting. It would be difficult for a Benhaven to be able to retain such accomplished people without being able to provide

opportunities for professional advancement. Their new roles make it possible for them to feel they are part of something very special, as well as giving them an opportunity to work as part of a team with people of similar skills and commitment. Also important is the opportunity to make a real difference in the lives of many, as opposed to just a few. Furthermore, embarking on this venture seems likely to give the organization an ongoing source of expertise that would be difficult, if not impossible to afford.

BLN's Work:

Benhaven's Learning Network has a cadre of experienced people available to respond to requests for assistance from public school systems in Connecticut. The venture is described as a consulting service, but due to the unique nature of each assignment, direct involvement with school personnel and the student is our distinguishing characteristic. School systems are eager for this assistance, as they are faced with an increasing number of students with autism and often struggle with meeting the educational needs of these students effectively and appropriately.

In Appendix C, a description of the types of autism-related expertise and competencies Benhaven has and that BLN offers to public school systems is presented. Over the past 15 years, Benhaven has committed itself, as an organization, to learn and adopt only those practices in the area of educating students with autism that seem the most promising. Autism Spectrum Disorders is a subject of increasing interest, due to a drastic increase in the incidence of people with the disorder. Considerable research is devoted trying to understand autism. Over the years, many so-called therapies have been promoted as being effective in ameliorating its devastating symptoms. Benhaven is fortunate in having affiliations (both formal and informal) with a number of university programs involved with autism, particularly the Child Study Center of Yale University. These connections, as well a commitment by Benhaven's leadership to be in the forefront in the field of educating and treating children and adolescents with autism have made it possible for Benhaven to stay up-to-date with the best practices in the field.

BLN's Development:

The idea for setting up a consulting group originated with the prospective customers. One of our core programs is a private school for children and adolescents with autism who have been "outplaced" by their school districts. Since 1988, Benhaven's school program has a goal to return as many students as possible to their local school districts. It is our fundamental belief that children and adolescent with autism can be most successfully and least expensively served in public schools, provided that the schools have the expertise, as well as the commitment, to provide the support that such individuals need.

Benhaven initially offered consultative assistance to help students back to their home school district without charging for it, since it fit Benhaven's core mission, as well as some of the agency's strategic goals. As awareness of what Benhaven was trying to do spread through the informal network of special education administrators of area school districts, *requests for such assistance began to come from districts that had not placed students at Benhaven's school!* At that point, Benhaven began to charge a modest fee for personnel from Benhaven's school to consult with districts. Since their responsibilities for running the school, which were quite demanding, remained in place as their primary responsibilities, requests for intensive and ongoing consultative support had to be turned down.

Key BLN Personnel:

At the center of the consulting practice are two key individuals:

The first is Linda Grimm, Director of Benhaven's Educational Services and principal of the school, who has taken on the leadership role for the consulting group. Ms. Grimm has put together a group of consultants, partially from Benhaven's school staff. Three people from outside the school were also recruited.

The second key individual is Janette Johnson, who has worked as a consultant for many years. Ms. Johnson was recruited to Benhaven in 1992 and has worked as a public consultant though still a salaried Benhaven employee. This unique position enabled Ms. Johnson to counsel with government and private agencies around Connecticut, while remaining available as a resource to Benhaven. Ms. Johnson is possibly the most highly regarded consultant on autism spectrum disorders in Connecticut. Ms. Johnson has been given the title of Lead Consultant for the group. Ms. Johnson will use this role to help the other consultants be more effective and to assist with particularly difficult clinical issues.

Industry Analysis / Competitive Analysis

Federal Law, the “Individuals with Disabilities Education Act Amendments of 1997”. (“IDEA”), is the enabling legislation governing special education. It was passed “to ensure that all children with disabilities have available to them a free, appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living.” In practice, as students with disabilities are identified, a Planning and Placement Team is assembled that manages each individual’s education. It is fundamental to the process that most special education takes place within the school district.

The biggest competitors to BLN are the school districts of Connecticut, or the potential clients, themselves. There is a tendency for the districts to use their own internal resources, even though they are failing and not meeting the educational needs of students with autism. With considerable urging, generally from parents, these districts will use outside consultants. Taken in this context, Benhaven’s Learning Network’s objective to build capacity while treating individual students avoids a potential conflict of interest with the targeted client base.

At this time, in addition to Benhaven’s Learning Network, there are three other consulting groups in Connecticut focusing on public school students with autism. All three groups are smaller than Benhaven’s current group. BLN’s distinguishing characteristic is the range of services provided as well as its availability for ongoing in-district technical support.

The range of services sought by a school system includes the following:

1. Independent assessment of students.
2. Staff in-service training and workshops on autism spectrum disorder, treatment and educational interventions, transition planning, and curriculum modification and design.
3. Program development for individual students.
4. Support to classroom teachers.
5. Consultation and support on administrative issues, aimed at building system capacity.

None of the four groups, including BLN, has chosen to cover all five areas. Two of the groups, both led by individuals well known in the field of education for students with autism, focus primarily on independent assessments and large-scale training. The other group focuses primarily on program development for individual students. BLN focuses on program development for individual students, support to classroom teachers and consultation on administrative issues associated with building system capacity.

BLN will provide in-service training to school system personnel, but usually only as a component of a larger “system-change” effort accompanied by individualized, ongoing support focusing on both students and staff. BLN steers away from accepting requests for independent assessments of students, particularly in cases where there is a dispute between a family and the school district. Such a situation does not usually have the stage set for serious system-change and staff learning.

All four groups are known to have more requests for services than they can accept. This has allowed each group to establish its own niche. The groups all have at least some personnel that are highly regarded, but one of the groups has the reputation that a few of the personnel are skilled and effective, while the others are not.

The total amount of money spent by CT school systems on consultants for their students with autism is not being tracked. Our educated guess is that between one and two million dollars per year is currently being spent on consultants to school systems related to educational services for students with autism. Based upon requests for services, many of which cannot be accepted at this time, this expenditure is like to increase substantially as the industry grows to meet the current demand. This demand is expected to increase.

Benhaven's group is the only one of the four that is part of a non-profit agency. The other three are all for-profit entities. Two of the groups, the two led by well-known figures in the field with Ph.D.'s and publications to their credit, are the high cost providers, with rates more than double BLN's current rate. The other group, which is more focused on classroom work, uses a rate comparable to Benhaven's. The hourly price of a consultant, at this point, does not appear to be a major factor in prospective customers' decisions about which group to use, although cost is certainly a factor in a district's decision about whether or not to use a consultant at all.

Using one of the two higher priced groups can actually be less expensive for a school district. Both groups tend to contract for a certain number of hours to review records, meet with families and staff, and perhaps conduct some observations before writing a report with recommendations. School systems whose incentives for contracting with a consultant can be met by a written report will generally be satisfied by either group, since they both have outstanding reputations. They will have a report with recommendations from highly qualified professionals. Often, however, such a report will not remedy the concern that caused the school system to seek an outside resource. They will not necessarily be able to follow through on the recommendations. The other, lower-priced group can place its personnel in classrooms (unlike the other two groups), which is sometimes very important in a situation where the school staff are having serious difficulty with a particular student. This group can conduct its own informal assessment and, based on that, can develop educational and behavioral interventions and demonstrate them to the school staff and eventually, if all goes as planned, reduce their presence as the school staff take over.

Benhaven uses a similar direct intervention approach, but has other components to add. All personnel of BLN have been selected for their qualifications, including technical expertise, training and communication skills, and experience with developing effective teams.

Benhaven perceives no barrier to its entrance into this market. BLN is already being sought out by many school systems. The two consultant groups at the high end of the industry have accepted BLN's consultants collegially. These two groups prefer not to provide ongoing follow-up support to schools after they have delivered their reports. Both groups have already recommended BLN to school districts for that role.

Benhaven has priced its services at the low end of the industry - \$110 per hour in the current year. At full capacity, this will be adequate to cover costs and yield a profit to support the agency's core mission. A significant factor in deciding the price was to keep it low enough to encourage ongoing involvement with a district to allow for the goals of the consultation to be met.

Market Analysis

Benhaven's Learning Network was developed in response to requests from members of what is now its target market. There are 169 school districts in Connecticut. Benhaven, during this past year, has been contracted for services or has received requests for services from at least 51 of them or 30% of all CT school districts. The best information available from the State Department of Education suggests that as of 2001 there are 1,700 students with autism in Connecticut. As with all students with disabilities, each of these students under IDEA is entitled to a "free appropriate public education". The form this appropriate education takes is determined by Planning and Placement Teams formed under the auspices of each School District's Pupil Services Department ("Special Education"). Our target market therefore is the Pupil Services Departments responsible for the 1,700 students with autism in Connecticut.

Benhaven did not conduct a formal survey of all 169 districts to determine if they need or would use BLN services. In order to validate our sense of market demand, we rely on our own experience and observations by Stacy Hultgren, Co-Director of the Connecticut Autism Spectrum Resource Center and Dr. Roger Frant, Educational Resource Consultant with the Connecticut State Department of Education ("SDE"). We met separately with Ms. Hultgren and Dr. Frant. Each provided a written statement for support (Appendix D and Appendix B respectively.).

First, Ms Hultgren. When asked how many of the 169 districts would be able to provide appropriate educational services for their students with autism without assistance from a resource offering services similar to those offered by Benhaven's Learning Network, she responded, "None of them." In Ms. Hultgren's statement, she offers the following:

- School systems desperately need assistance for their students with autism spectrum disorder.
- Public school staffs have not been prepared by their teacher preparation programs to know how to plan and carry out appropriate services.
- Public schools have difficulty arranging such training on an in-service basis.
- Training that is offered by public schools is generally of a "one-shot" nature that, in the long run, is usually not particularly helpful.
- On-site consultation, such as that offered by BLN, provides districts the immediate access to expertise they need (and that parents are demanding), while making available a systematic, long-term strategy for building real capacity within the system.
- The fact that BLN's consultants have teaching backgrounds and approach their work as collaborators has led to the high demand that exists for their services.

Second, Dr. Frant. The interest in BLN exists without pressure from the Connecticut State Department of Education (SDE), states Roger Frant, an official who specializes in autism. His office is not in a position to push districts to meet certain standards related to autism because the standards currently in place are too vague to enforce. The statutes and regulations pertaining to special education are for the general population.

It is his view that a district requesting BLN's services is prompted by one of three reasons:

- The district really wants to provide excellent services.
- The district has students with serious problems for which they were seeking outside consultation because the district's staff has limited experience or limited resources to deal with the problem.

- One or more parents were putting pressure on the system, through the due process established by existing regulations, to develop appropriate programs for their child or children.

Dr. Frant reports that the next year or two will see a significant effort on the part of SDE to raise the standards related to educational services for students with autism. At that point, he expects greater pressure on the districts to improve their services for students with autism. At the same time, Dr. Frant indicates that he hears many reports of frustration with public school systems' ability to recruit and train staff with the expertise required for students with autism spectrum disorders.

Dr. Frant also provided data on the stunning increase in the number of students with autism in publicly funded educational programs. Dr. Frant explained that in 1991, there were 151 students in Connecticut diagnosed with autism and that in 2001, there were almost 1700 students diagnosed with autism (see Appendix E). This higher incidence, the cause of which is not known, is a national and international phenomenon. In the recent past, autism was estimated to occur in 3 out of 10,000 people in the general population. Incidence of autism is now thought to be about 3 in 1,000 people. This increase is likely to place increased pressure on school systems to find affordable ways to serve their students. These data also point to a huge increase in the numbers of teenagers with autism who will soon need "transitional services" (See Appendix F). These services, which are intended to prepare students for work and life as adults in the community, have traditionally been quite weak for students with autism. Two of the consultants BLN intends to add in Year Two both specialize in school-to-work transition.

Marketing Plan

Marketing Objective: To secure 6,500 paid hours of consultation during the first year of operation (July 1, 2002 through June 30, 2003).

Services offered by Benhaven's Learning Network (See Appendix C):

- Consultation and ongoing support intended to help a school system's capacity to develop and provide high-quality educational programs to its students with autism spectrum disorder.
- Staff development activities, including training and coaching, to support a school system as it develops its capacity to provide high-quality educational program to its students with autism spectrum disorder.
- Assessment and planning support for individual students in public schools, whose lack of progress and success due to the severity of their autism-related problems, can benefit from the involvement of expertise from outside the school system.

A very practical benefit many school districts have found with BLN's services is improved relationships with families. It is sadly the case that special education, in general, is fraught with conflict between school systems and parents of students. This is particularly true with parents of students with autism. Much is still unknown and uncertain about autism. Remediation approaches and teaching strategies are constantly evolving. The field is also one, for some reason, that seems to inspire many new ideas, ranging from some which are grounded in sound practices developed in other fields, (e.g., psychology, psychiatry, occupational therapy) to others from the fringes of alternative medicine and psychotherapy. School district personnel cannot keep up with the latest information and ideas. Parents, however, often do. It is quite common for parents to be asking for something they feel might be helpful for their child that people in the school district have never even heard of, let alone feel prepared to use or even discuss. The BLN consultants are able to remain up to date on such developments and can collaborate with both district personnel and parents to work together as a team to make informed decisions about which approaches might hold promise for a particular student.

Our preference is to work with those districts that are committed to providing high quality educational services to its students with autism. It is estimated that approximately one quarter to one-third of the school systems in this potential market make up this segment. BLN has declined some requests based on a sense that some systems were looking for a "quick fix" to districts' problems that does not exist.

Benhaven has priced its services at the low end of the industry - \$110 per hour. At full capacity, this will be adequate to cover costs and yield a profit to support the agency's core mission. A significant factor in deciding the price was to keep it low enough to encourage ongoing involvement with a district to allow for the goals of the consultation to be met.

Sales Strategy/Communication Plan:

BLN is relying primarily on word-of-mouth and customer satisfaction to promote its business. Capacity to provide consulting support is the limiting factor at present, rather than demand. Special education administrators and teachers have an active informal network with each other. State Department of Education officials will also recommend BLN to those districts they feel would benefit from what Benhaven has to offer. Last, parent organizations also recommend BLN. While Benhaven does not accept requests for services directly from parents, the parents are given information about what services are available and such a contact can lead to a request from a school district.

A critical aspect of Benhaven's "strategy" is a sense of values held by all BLN personnel. They approach their work with respect and a commitment to work constructively with district personnel. They start by helping school personnel identify their problems and start working the system from there. Appendix G is a summary of notes taken at a meeting of the BLN consultants. The purpose of the meeting was to identify what was causing their services to be in such demand. The information gathered will be used to develop internal training activities as well as materials for public relations and public information.

Maintaining a high profile within State of Connecticut professional groups is another strategy we are using to develop business. Several of the consultants of BLN are often asked to give presentations at statewide and regional conferences on educational services for students with autism. This is very important, since many districts are not even aware of what capacities and information they are lacking. For example, the Connecticut Department of Education operates the Special Education Resource Center ("SERC"), which provides training and professional development programs for all special education teachers in the state. During July 2002, on behalf of SERC, the entire cadre of BLN consultants gave a weeklong workshop on educating students with autism for representatives of school systems from around the state. The Managing Consultant of BLN offered to present this workshop without charge, sensing that it would be an effective way of making the service known to and, to a degree, experienced by prospective customers. The workshop was very successful and resulted in follow-up calls from several of the participating districts.

Research and Development:

Part of the Managing Consultant's role is to stay in contact with administrators in the various districts that are using, or have used, the services of BLN. One of the purposes served by this is to gather information about the customers' satisfaction, as well as to find out if any additional unmet needs have emerged. The Managing Consultant will use this information to plan improvements in the existing service or perhaps consider adding additional services.

In addition, the Managing Consultant is responsible for organizing professional development activities for all BLN personnel. Such activities include "study groups" for the staff that will explore in depth emerging practices in the field. This allows structured time away from the daily responsibilities while giving the consultants opportunities to remain current with developments in the field. As appropriate, school district personnel and even parents may be invited to participate in these study groups.

Performance Milestones:

1. Business Milestones:

- a. Achieving financial breakeven in the first year with a subsidy of up to \$60,000 from Benhaven by employing six consultants who provide a total of 6,500 hours of paid consultation per year.
- b. Achieving financial breakeven without subsidy from the parent organization in year two by employing nine consultants who provide a total 9,500 hours of paid consultation per year.
- c. Generating a surplus (revenues over expenses) of \$100,000 to the parent organization in year three by employing 13 consultants who provide a total of 13,660 hours of paid consultation per year.

2. Customer satisfaction:

Customers will be surveyed for their feedback on a regular basis and two measures related to customer satisfaction may provide useful performance milestones. We are choosing measures that can both track customer satisfaction and, at the same time, help gauge the feasibility of the business advertising/promotion strategies. We plan to track repeat business with individual school systems as well as new school systems requesting services based on the recommendation of others. Repeat business with the same school system is very important; since that may signify that the district feels it is getting its money's worth and wishes to continue "investing in its future," perhaps in other schools within the district. The two measures are:

- a. The group will receive requests for additional services (for a different purpose, in a different setting, or at least for a different student) from 50% of the school systems that contract for services.
- b. The group will receive five requests for services in year two from school systems who have had BLN's services recommended by another school district.

Management Plan

Benhaven's Learning Network will be one of three operating entities of Benhaven, Inc. and its organizational structure is currently in place and is as follows:

- Larry Wood, Executive Director

Reporting:

- Stephen Simonson, Director of Residential Services
- Karen Stevens, Director of Educational Services
- Linda Grimm, Director & Managing Consultant of Benhaven's Learning Network
- Joseph Spiteri, Business Manager

Each area of Benhaven is given considerable autonomy for managing its own operations. While there is central accountability on a number of issues, including personnel, managing within budgets, and meeting programmatic expectations, each of the areas does its own hiring, purchasing other jobs directly related to its business. The Executive Director and the Business Office personnel assist with such activities as appropriate and monitor performance through information management systems and intervene when necessary.

BLN will carry its share of Benhaven's cost for administrative overhead. This overhead cost is allocated among the various major cost centers based on each center's share of overall expenses. Benhaven's financial statements will include the financial information related to BLN. The position of BLN as a part of Benhaven permits the parent organization to take care of such concerns as covering start-up costs and maintaining working capital.

Director and Managing Consultant:

Linda Grimm has been named Managing Consultant of Benhaven's Learning Network. As the former Director of Benhaven's Education Services and Principal of the School, Linda Grimm has been a major factor in bringing Benhaven to its leadership position in the field of services for individuals with autism. Ms. Grimm is skilled in both education and administration and is a very effective leader. During her tenure at the school, Ms. Grimm built capable and committed staff. She has done the same for BLN. As an administrator, Ms. Grimm is known to handle both routine and complex duties with grace and good humor. She operates her programs within budget. A further distinguishing characteristic is that Ms. Grimm has extremely good relationships with the special education administrators throughout Connecticut and with officials within the State Department of Education.

Ms. Grimm will have full responsibility for hiring, training, and supervising all consultants of BLN, at least for the first two years. If the number of consultants employed increases to twelve, as we project in the third year, consideration will be given to making changes in the management structure at that time. It would seem to be a natural step to identify two additional managers, probably from within the ranks of the existing consultants, to take on what might be called "supervising consultant" roles, i.e., each managing a team of consultants. For the immediate future, however, Ms. Grimm will be the sole administrative leader of the group.

Ms. Grimm's role will include:

- Selecting which requests for services to accept.
- Assigning consultants.
- Monitoring customer satisfaction.
- Professional development activities for staff.

- Financial oversight.

Ms. Grimm has authority to make all operational decisions on her own. Her history has been that she handles this responsibility very effectively, conferring with others as appropriate. Ms. Grimm is quite aware that some decisions and issues will require the attention of Larry Wood, Executive Director of Benhaven. Areas where this would likely be the case include Benhaven policy, potentially negative publicity, legal questions, and issues related to long-term planning for the group.

Ms. Grimm also has a long history of working with Benhaven's Business Office. This office serves a resource to all of Benhaven, handling personnel, benefits, payroll, billing, accounts payable, internal financial accounting and cost reports, purchase of capital equipment, and other administrative matters inherent in operating an enterprise with 140 full-time employees in ten locations.

Larry Wood, Benhaven's Executive Director, has been a strong advocate for the creation of Benhaven's Learning Network and will provide any support necessary to make it successful.

Benhaven's Board of Directors is also very supportive of the new enterprise. In June 2002, the Board of Directors voted to commit up to \$60,000 to support it through its first year. This money is available on an "as needed" basis. It is intended that funds be used to allow the Managing Consultant and the Lead Consultant time to be "rainmakers" as well as managers of BLN. Mr. Wood pointed out his concern to the Board that he sensed a tendency on the part of BLN's Director and Lead Consultant to make sure they took in enough consulting work to generate enough income to cover the expenses of the enterprise. This would pull them away from the critical duties they have in managing the enterprise and supporting the staff. It would be best to avoid this pressure, so the group could get off to a solid start. The Board of Directors was in full agreement.

Staffing Plan:

For the first year, Benhaven's Learning Network has seven full-time employees: the Managing Consultant, the Lead Consultant, four Consultants, and an Administrative Assistant. For the second year, it is anticipated that three additional consultants will be added to the group. For the third year, it is anticipated that two more additional consultants will be added to the group, making a total of twelve consultants, including the Managing Consultant and the Lead Consultant. It is also likely, that two consultants will be appointed "supervising consultants" and take on supervisory roles with the other consultants.

For someone to be hired as a consultant by BLN, several qualifications and characteristics must be in place. The person must have substantial experience as a teacher of students with autism. Related to this, the person would need to be well versed in current approaches to working with students with autism to help them learn. Evidence of both of these is necessary to even be considered. Beyond that, the Managing Consultant would be looking for people who appear to have genuine enthusiasm for sharing their expertise and working hard to build capacity in others. Skills in written and oral communication are a must, as well as being the kind of person who can work effectively as a member of team. Some specific skills of being an effective consultant can be learned, but these other personal characteristics must be in place. All of the current personnel have been in place since July and all meet the above criteria.

The Managing Director is insisting that she will be very careful about whom she adds to the group. Fortunately, the two people who will be added to the group in “Year Two” have already been selected. School systems are reporting a critical need for assistance in setting up appropriate services for older teenagers with autism. Benhaven has two individuals on staff with extensive experience with young adults with autism, with a focus on employment. Both individuals have agreed to transfer to BLN from Benhaven, Inc. by July 2003.

Currently, the consulting personnel are paid between \$60,000 and \$95,000 per year. This range is much higher than the pay scales for the rest of Benhaven and appears to be adequate for recruiting. The difficulty will likely be finding qualified people to meet our high standards.

Training:

Staff training will occur in the context of formal professional development plans. Professional development plans are developed in areas of identified needs and areas related to professional goals for the future. In the first few years, it will be the responsibility of the Managing Director to have areas of performance needing improvement identified and strategies for addressing them in place and followed. Likewise, each consultant should have the benefit of an experienced supervisor/mentor responsible for working with them to identify some professional goals and supporting their efforts to achieve them. This approach is in place for all of Benhaven’s employees. As in the case of salaries, the amount of money budgeted for professional development for people with Benhaven’s Learning Network is higher, per person, than it is for the rest of Benhaven.

Business Operations

A number of steps have been taken to support the efficiency and effectiveness of the enterprise:

- A 1,700 square feet space was leased in an attractive and functional office building near the central part of the state, very convenient to Connecticut's highways.
- The office space was set up with individual workspaces and a combination conference/resource library.
- Each consultant was issued a laptop computer (with e-mail) and a cell phone. This makes it possible for consultants, as they travel around the state, to stay in touch with the rest of the group. It also permits them to work from home on reports and have telephone conferences, as appropriate.
- The administrative assistant developed an effective system for recording billable hours for each consultant. This permits efficient electronic transfer of information to the Business Office for billing purposes. It is also a convenient method for the Managing Consultant to monitor the work time of each of the consultants.
- The group sets aside a two-hour block for meeting together periodically to review current assignments and other consulting issues.

Being part of Benhaven, Inc. automatically gives business structure to the enterprise, as they do not need to duplicate "back office" operations. Management structure has already been addressed. The Executive Director, with oversight by the Board of Directors will monitor Benhaven's Learning Network for adherence to this business plan.

Financial Plan

The financial plan shows the expected operating revenue and expenses, cash-flow patterns, application of non-operating funds, and sensitivity to variations in projected levels of revenue and staffing. Detailed financial statements can be found in Appendix I.

Pro Forma Income Statements

An operating loss of (\$60,000) is projected in the first year, followed by a break-even year for year two. An operating surplus of \$98,000 is projected for the third year. The first year deficit assumes relatively conservative service hours for the first year, along with the costs for support staff and occupancy, which can remain relatively fixed as service hours are increased in future years. Service hour projections are increased modestly over the following two years, as increased exposure, repeat business, greater expertise and efficiency among the new consultants, and additional consultants take effect. A significant differential in annual billing hours is projected in the first year for the Lead Consultant, based on current billing experience and her more than 20 years experience in consulting. As the business evolves, the differential between the Lead Consultant and the rest of the consulting team is projected to disappear, which will lead to a more standard pattern of billing, one which is less dependent on any one individual's skills and reputation.

Most expenses are fixed. Initial salary levels and occupancy costs are known and the extent of increase over the next two years is fairly certain. The only variable cost is mileage, which accounts for 4% of overall expenses. The high proportion of known costs is helpful, in that expenses are stable and not subject to significant variation over the start-up period. However, the high proportion of fixed costs can also be problematic, in terms of cash flow, and in the event that service hours and revenue targets are not maintained. A significant threat to the financial viability of the start-up effort is a shortfall in service hours and revenues.

Another factor illustrated by the income statements is BLN's contribution to Benhaven's overall administrative costs. This remains at approximately 8% of total expenses in all three years, but in cash terms rises from about \$60,000 in the first year to about \$113,000 projected for the third year. Benhaven as a whole benefits significantly from this contribution to its administrative costs, in terms of freeing up money for program expenses in other areas where revenues are fixed by the constraints of government grants.

Summary of Three-Year Pro-Forma Operating Statement:

(000's)	Year One	Year Two	Year Three
Revenue	\$715	\$1,099	\$1,639
Personnel Costs	613	887	1,267
Non-Personnel Costs	159	212	274
Total Expense	772	1,099	1,541
Excess/(Deficit) of Revenue/Expense	(\$57)	\$0	\$98

Pro Forma Cash Flow Statements:

These show the effects of seasonal revenue variation and reveal significant cash reserve needs, even in years when an operating surplus is projected. This indicates the importance of stable

payment intervals, and raises the need to have strong payment agreements in place prior to the provision of services. It also suggests the need to develop substantial contingency plans for responding quickly to revenue or cash flow shortfalls.

The availability of a parent organization to provide cash reserves and line-of-credit borrowing capability is important to the development of BLN, even after it is operating consistently in the black. The development of significant cash reserves is crucial for Benhaven to respond to the ongoing periodic cash shortfalls BLN will experience.

Subsidy Patterns – Year One

The net subsidy for Year One is \$87,000. This includes a \$60,000 projected operating loss, \$20,000 in capital expenses, and approximately \$7,000 in negative cash flow. It is especially significant that the first four months of the fiscal year require \$99,000 in subsidy. This is due to the combination of seasonally low revenues and relatively high costs at the outset. This pattern of high monthly subsidy levels off, although it fluctuates from positive to negative over the last half of the year. This points to the significant need for subsidy in the early phases of the enterprise.

Subsidy Patterns – Year Two

There remains a net subsidy of over \$39,000 in the second year, despite breaking even operationally. Roughly half of the required subsidy is for capital expenditures, the other half for negative cash flow. A first quarter subsidy of \$128,000 is required, which is proportionately smaller than the first year, but still significant. The same pattern of fluctuation over the second half of the year exists, but the monthly amounts are much higher, in both directions. This means that as the program grows, there is considerable risk involved in terms of billing turn-around. Maintaining the tidy 30-day turn-around we have experienced so far will be critical when the amounts increase in Year Two.

Subsidy Patterns – Year Three

By Year Three, BLN is projected to attain a negative subsidy for the year – that is, to take in more money than it consumes. The first quarter subsidy increases to \$158,000, which means that even if growth levels off in Year Four, there will be an ongoing need for subsidy in order for this program to function. The 2nd half of the year fluctuation rises to an average of almost \$35,000 per month. This accentuates the need to maintain healthy cash flows as the program grows, in addition to a positive operating margin.

Sources and Uses of Funds:

Sources (\$000's)	Amount		Uses	Amount
Benhaven Board (1)	\$60		Purchase Equipment. Computer, Phone (3)	\$20
Additional External (2)	\$20		Operating Loss (4)	\$60
			Working Capital (5)	
Total Sources	\$80		Total Uses	\$80

Footnotes:

1. The Benhaven Board of Directors has allocated a subsidy of \$60,000 to offset first year operating losses for Benhaven's Learning Network.
2. The sources of these Additional External funds have not been identified. If no external resource can be identified, the money will be granted in the form of up-front cash advances for both capital and operating expenditures.
3. Capital expenses for the first year include a phone system, office furniture, and computers. These are outlined in the notes to the Pro Forma Cash Flow Summaries.
4. A \$60,000 operating loss is projected for the first year, as detailed in the Pro Forma Income Statements
5. Because of seasonal revenue reductions, which are not offset by proportional expense reductions, considerable working capital is required to meet expenses until revenues increase. The projected cash flow shortfalls and seasonal revenue patterns are described in the Pro Forma Cash Flow Summaries and notes. Benhaven, Inc will provide working capital.

Risk Assessment and Contingency Plans

Major risks fall into two areas: revenue projections and staffing.

Revenue Projections:

The revenue projections are based on two factors:

1. Willingness of customers to pay for a given number of hours of consultation at a given price.
2. Availability of consultants to meet the given level of market demand.

Risk: Willingness of Customers:

We feel that the assumptions about the willingness of Connecticut's 169 school systems to utilize the services of Benhaven's Learning Network are conservative. There are several reasons why there is risk inherent in these assumptions. First, we are assuming that only 30 – 40 % of Connecticut's school districts request services from BLN. That means that we expect more than half of the districts will not want these services. They may choose competitors or they may choose not to look for such services at all.

Another risk could be that federal, state, and local governments become so financially strapped that they really cannot afford the expense of this type of outside consultation.

Finally, there is a risk that we will satiate the demand and put ourselves out of business. If, as we say, our mission is to build capacity in public school systems so that they are able to serve their students well, it is conceivable that we will be successful and that many districts will no longer need us.

Plans for avoiding or mitigating risk: The assumptions of market demand for BLN services are based on current experience, without promoting or advertising the service to any significant degree. Based on the feedback we receive, we believe that our approach to services is strongly valued and that our price is considered to be modest. If we were to lose business from school systems, we have the following contingency plans:

- Lower our costs by moving consultants back into the regular Benhaven, Inc. professional work force.
- Seek other markets for these consultants. Although our focus is on the school districts as our primary market, we also receive many referrals from state and private agencies serving people with disabilities. Connecticut's "Birth to Three" system and Connecticut's Bureau of Rehabilitation Services also frequently request services from Benhaven's Learning Network. The projections in the pro forma statements are based on school systems only. If billable hours fall below projections, BLN can take on more work from these other agencies.

If an economic downturn should occur that was so severe that current special education laws were revised to lower standards, Benhaven would have to cope with reality. Fortunately, Benhaven's Learning Network budget is staff intensive, with very little capital equipment. It is an operation that can be downsized quite easily. Regarding personnel, Benhaven serves individuals who will always need care and supervision.

Regarding the issue of satiating the demand, we have every reason to believe that we are just scratching the surface. While we look forward to helping "islands of success" develop in various

schools around the state, we are confident that school systems will continue to find us to be an extremely cost-effective strategy to use to solve problems that develop from time to time.

Staffing:

Risk: Availability of consultants:

This is our major concern. While we are confident about being able to recruit people to fill available positions, we are not so confident about finding people with the right qualifications and values. While the number of consultants anticipated in the pro forma statement for Year One are already in place (and more are interested in joining), staff could decide to leave at any time for various reasons. While every effort would be made to replace people as they leave, there is no question that we feel this is our major risk. Having fewer than the projected number of consultants available to meet demand would lead to shortfalls in revenue projections, particularly in Year One and Year Two.

Plans for avoiding or mitigating risk: Every effort is made to have the personnel of BLN value their jobs and the work they are doing. Their salaries are higher than public school teachers are and they do not have many of the issues that usually concern public school teachers and administrators. While their work is difficult, they are all very good at it and they find it not only enjoyable, but also often thrilling. They also value the opportunities they have to learn and work together with teams of like-minded people. We expect that these factors will tend to make people want to stay. We also believe they will make people want to join.

Risk: Dependence upon Managing Consultant:

Of particular concern is loss of the current Managing Consultant. She is a charismatic leader with exceptional skills who has hand picked the current group of consultants. It is the consensus of the group and Benhaven's Executive Director, that it would be a severe loss if Ms. Grimm left.

Plans for avoiding or mitigating risk: It is important that the Managing Consultant see this venture through its first three years. Mr. Wood confers frequently with Ms. Grimm. Part of the discussion is about Ms. Grimm's personal incentives for doing her current job. While these incentives may change over time, it is clear that those currently identified are being met. Ms. Grimm is proud of her role and is enthusiastic about her work. She has been an extraordinarily loyal employee of Benhaven for over 20 years and she feels good about all she has accomplished. She has expressed confidence that if her incentives change, as they may over the years, Benhaven is flexible enough to accommodate what she may decide to seek. For example, consideration is being given for Ms. Grimm to enroll in a doctoral program at Benhaven's expense.

In the event that Ms. Grimm has to leave due to health or family reasons, Benhaven would rally its resources to deal with the problem. Contingency plans are being worked out, though still in the discussion phase. First of all, Ms. Grimm has agreed to choose one of the current consultants she feels would be the best person to replace her. This person, once selected, would then have a professional development plan geared toward ultimately becoming the managing consultant. The consultants have all said that, while they would be very unhappy if Ms. Grimm left, their enthusiasm for their work would remain. In an extreme emergency, Mr. Wood would step in as interim Managing Consultant.

Financial Sensitivity Analysis:

This shows the effects of the most plausible variations in revenue. The degree of plausible expense variation is considered to be insignificant. Revenues can vary due to changes in the projected number of staff, or due to changes in the projected level of hours provided by each consultant. The first year is projected to end in an operating loss, even in the best case. The level of plausible variation for this year is low, because the revenue projections are based on service levels that have already been achieved. It remains key, however, to maintain the intended base for annual hours per consultant, as the operating loss can nearly double if revenues fall short by as little as 5%.

The analysis shows that the second year is the most developmentally critical. Failure to progress in terms of hours of service provided, or the loss or failure to recruit a single consultant can lead to operating losses of <\$24,000> to <\$121,000>. This points to the need to do significant preventative work in terms of staff retention, customer satisfaction, and advertising.

In the third year, the analysis shows much less risk. BLN can sustain significant billing or staffing shortfalls and still operate at a surplus.

As shown in the following table, the cumulative three-year excess / (shortfall) under the following five scenarios are as follows: (See Appendix J for detailed Sensitivity Analysis.) The sensitivity analysis shows that the profit potential over the three years is \$137,000. The greatest potential loss is (\$224,000). Benhaven, Inc. would take measures before a loss of this magnitude was incurred.

Summary:

(000's)	Most Likely	No Growth over prior year	5% Billing Shortfall	Loss of Consultants	Best Case
Year One	(58)	(58)	(104)	(104)	(24)
Year Two	0	(24)	(55)	(121)	35
Year Three	98	(25)	18	1	126
Cumulative	40	(107)	(141)	(224)	137

Appendix – Business Plan for Benhaven’s Learning Network

A	Description of Autism Spectrum Disorders
B	Notes from Willie’s Planning Sessions
C	Letter from Dr. Jane Currie
D	Letter from Roger Frant, Connecticut State Department of Education
E	Services available from Benhaven’s Learning Network
F	Survey Form
G	Letter from Stacy Hultgren, Co-Director of the CASRC
H	Chart illustrating increased incidence of autism in Connecticut’s Public Schools
I	Chart illustrating future needs for services for older students with autism
J	Sample Proposal to School District for Services
K	Sample Agreement for Services with School District
L	Satisfaction Survey for School Districts
M	Professional Conferences and Workshops
N	Resumes of key personnel
O	Pro Forma Income Statements (detail)
P	Pro Forma Cash Flow Statements (detail)
Q	Notes from staff session identifying key characteristics of BLN services
R	Sensitivity Analysis (detail)

Appendix A

Autism Spectrum Disorders

A wide spectrum of neurodevelopmental disorders that have three core features:

1. Impairment in social interaction, manifested by impairment in the use of nonverbal behavior, lack of spontaneous sharing, lack of socioemotional reciprocity, and/or failure to develop peer relationships.
2. Impairment in communication, manifested by delay in or lack of development of spoken language and gestures, impairment in the ability to initiate or maintain conversation, repetitive and idiosyncratic use of language and/or lack of pretend play.
3. Restricted repertoire of activities and interests, manifested in preoccupation with restricted patterns of interest, inflexible adherence to routines, repetitive movements and/or preoccupation with parts of objects.

Source: American Psychiatric Association. (1994). Diagnostic and statistical manual of mental disorders (4th edition). Washington, D.C. Author

Problems commonly associated with autism spectrum disorders that impact success in school:

1. Social Interaction: display little or no interaction with peers, spend less time in proximity to other children, have a tendency to isolate themselves, tend not to focus on adults as interactive partners.
2. Communication: commonly demonstrate limited or no linguistic skills, speech is often lacking, many who do speak use only single words or short phrases (often repetitively), often are not verbally imitative
3. Sensory and Motor Difficulties: preoccupations with sensory features of objects, perceptual distortions, paradoxical responses to sensory stimuli, auditory processing problems, developmental motor delays, motor planning deficits.
4. Problem Behavior: physical aggression, self-injury, property destruction, pica (ingesting inedible objects and materials), tantrums

Source: Journal of Autism and Developmental Disorders, Vol. 32, No. 5 October 2002, Special Issue: Effectiveness of Early Education in Autism, Catherine Lord, Guest Editor

Appendix O

Pro Forma Income Statements

REVENUES (1)	Year One	% Rev	Year Two		Year Three	
Managing Consultant	\$77,000		\$71,875		\$60,000	
Lead Consultant	\$147,400		\$149,500		\$129,600	
Consulting Team	\$435,600		\$821,100		\$1,425,600	
Contracted Consulting	\$55,000		\$57,500		\$24,000	
Total Revenues	\$715,000		\$1,099,975		\$1,639,200	
EXPENSES (2)	Year One	%	Year Two		Year Three	
Managing Consultant Salary	\$90,465		\$94,988		\$99,738	
Lead Consultant Salary	\$95,185		\$99,944		\$104,941	
Consulting Team Salaries	\$249,180		\$450,639		\$733,571	
Support Salaries	\$40,720		\$42,756		\$44,894	
Total Salaries	\$475,550		\$688,327		\$983,144	
Benefits	\$137,154		\$198,822		\$284,280	
Total Personnel Costs	\$612,704	85.7	\$887,149	80.1	\$1,267,424	82.2
Occupancy	\$33,812		\$34,522		\$35,253	
Cell phone Expense	\$3,870		\$5,670		\$8,450	
Mileage	\$32,110		\$47,251		\$74,174	
Contracted Consulting	\$13,950		\$15,000		\$6,600	
Other Non Personnel Expenses	\$12,500		\$18,900		\$27,300	
Depreciation	\$1,400		\$5,400		\$8,200	
Share of Administrative Costs	\$61,970	8.9	\$85,600	8.3	\$113,800	7.9
Total Expenses	\$772,316	1.08	\$1,099,492	99.9	\$1,541,201	94.0
Excess /(Deficit) of Rev /Exp.	(\$57,316)		\$483		\$97,999	

Footnotes:

(1) Revenue Assumptions:

Managing Consultant revenues are based on 700 billable hours in Year One. The expectation is reduced in subsequent years as the number of staff and hours increases. This position must transition from direct consulting to the critical administrative tasks of recruiting, training, and generating new business is key to the successful development of the BLN.

Lead Consultant revenues are based on 1340 hours in Year One, which is approximately 20% lower than current billing levels for this position. Projected billing for this position is significantly higher than for the rest of the consulting team, and is entirely dependent on the continued productivity of a single consultant. Therefore, a lower-than-current-actual projection is used, and is slightly reduced for Year Two. In Year Three, the goal is to have this position be equivalent to the rest of the consulting team in terms of hours billed, although there could be an ongoing differential if this arrangement proves to be stable.

Consulting Team revenues for Year One are based on 4 consultants averaging 990 hours per year. This is consistent with current averages. These averages are increased to 1020 in Year Two and 1080 in Year Three, as the team develops return business.

Contracted Consulting revenues are generated by hours billed by staff from other Benhaven departments. The expectations for the number of hours in the first two years are based on the availability of qualified staff who have already expressed an interest in consulting on a “borrowed” basis. Some of these staff will eventually join BLN full time. The projection is significantly reduced for Year Three, due to the uncertainty of ongoing staff availability to work on this basis.

REVENUES, Year One	Annual Hrs	Rate	Revenue
Managing Consultant	700	\$110	\$77,000
Lead Consultant	1,340	\$110	\$147,400
Consulting Team	990	\$110	\$435,600
Contracted Consulting	500	\$110	\$55,000
Total Revenues			\$715,000

REVENUES, Year Two	Annual Hrs	Rate	Revenue
Managing Consultant	625	\$115	\$71,875
Lead Consultant	1,300	\$115	\$149,500
Consulting Team	1,020	\$115	\$821,100
Contracted Consulting	500	\$115	\$57,500
Total Revenues			\$1,099,975

REVENUES, Year Three	Annual Hrs	Rate	Revenue
Managing Consultant	500	\$120	\$60,000
Lead Consultant	1,080	\$120	\$129,600
Consulting Team	1,080	\$120	\$1,425,600
Contracted Consulting	200	\$120	\$24,000
Total Revenues			\$1,639,200

(2) Expense Assumptions:

Managing Consultant Salary – For Year One, the actual salary is used. A 5% increase is assumed for Years Two and Three.

Lead Consultant Salary - For Year One, the actual salary is used. A 5% increase is assumed for Years Two and Three.

Consulting Team Salaries – For Year One, these are the sum of the actual salaries for the four consultants in place. For Year Two, an additional 3 consultants are added at salaries of \$60,000 each, and an additional 5% is included for raises. For Year Three, an additional four consultants are added at salaries of \$62,000 each, and an additional 5% is included for raises.

Support Salaries – For Year One, includes the actual salary for a full-time Administrative Assistant, as well as \$2600 per year for hourly technical support provided by a Benhaven Employee from Benhaven’s School. The total is increased by 5% for years Two and Three.

Benefits are calculated at 29% of salaries, which is the current actual.

Occupancy costs are based on current amounts, and include rent (includes utilities) and phone service. Increases are written into the lease for Years Two and Three years. Phone costs are projected to increase 2% per year.

Cell Phone Expense is budgeted on the current basis of \$630 per consultant per year. Based upon on provider service contracts, this cost per consultant is expected to remain flat for year two, and is increased to \$650/consultant for year three.

Mileage costs are based on the current ratio of \$4.94 per hour billed. Rates are based on federal IRS guidelines. The rate per consultant is projected to be constant for year two, and increase by 10%, to \$5.43 in Year Three.

Contracted Consulting refers to consulting provided by staff from other areas of Benhaven. This is expensed at the salary cost only, which currently averages \$25-\$30 per hour. Since the distribution of this work is uncertain, an average cost of \$30 per hour is used for the first two years, and an average of \$33 per hour is used for Year Three. Annual hours are projected at 500 for Years One and Two, and 200 for Year Three. Projected hours are lower for Year Three because it is believed that these hours will decline after staff transition to BLN full-time in subsequent years.

Other Non-Personnel Expenses include office supplies, conferences, subscriptions and publications, and other miscellaneous direct costs. These are based on current levels for year one, and are based on a ratio of \$2100 per staff per year for future years.

Depreciation is done on a straight-line basis. Most of the equipment purchased for the Learning Network (computers and office equipment) will be depreciated over a 3 to 5 year period.

Share of Benhaven Administrative Costs are a share of overall Benhaven costs, based on BLN's proportionate share of overall direct expenses. This includes the salaries of the Executive Director and Business Manager, as well as payroll and billing staff. This also includes a share of insurances, postage, audit and legal fees, and interest on Benhaven's line of credit. For year one, this represents 10.75% of approximately \$575,000. Overall costs are projected to rise 3% for non-personnel, 5% for personnel, and 15% for insurances. BLN's share of overall program expenses is projected to rise to 14.25% in Year Two and 17.75% in Year Three. A specific breakdown of projected expenses is provided below.

Projected Benhaven Total Administrative Costs

Year	Total	Personnel	Non Personnel	Insurance
One	\$576,084	\$308,036	\$202,998	\$65,050
Two	\$607,333	\$323,438	\$209,088	\$74,807
Three	\$640,999	\$339,610	\$215,360	\$86,029

Appendix P

Pro Forma Cash Flow Statements – Year One

Month	Cash Beginning	Revenue Accrued	Revenue Collected	Subsidies	Expenses-Fixed	Expenses-Variable	Capital Expenses	Cash End
1	\$0.00	\$37,358.54	\$34,260.00	\$35,000.00	\$61,763.91	\$1,677.74	\$5,000.00	\$818.35
2	\$818.35	\$37,358.54	\$37,358.54	\$29,000.00	\$61,763.91	\$1,677.74	\$3,000.00	\$735.24
3	\$735.24	\$69,414.20	\$37,358.54	\$33,000.00	\$61,763.91	\$3,117.33	\$6,000.00	\$212.55
4	\$212.55	\$80,079.55	\$69,414.20	\$2,000.00	\$61,763.91	\$3,596.30	\$6,000.00	\$266.53
5	\$266.53	\$74,717.08	\$80,079.55	\$15,000.00	\$61,763.91	\$3,355.48	\$0.00	\$226.70
6	\$226.70	\$48,023.90	\$74,717.08	\$11,000.00	\$61,763.91	\$2,156.71	\$0.00	\$23.16
7	\$23.16	\$74,717.08	\$48,023.90	\$18,000.00	\$61,763.91	\$3,355.48	\$0.00	\$927.67
8	\$927.67	\$48,023.90	\$74,717.08	\$11,000.00	\$61,763.91	\$2,156.71	\$0.00	\$724.13
9	\$724.13	\$80,079.55	\$48,023.90	\$17,000.00	\$61,763.91	\$3,596.30	\$0.00	\$387.82
10	\$387.82	\$48,023.90	\$80,079.55	\$16,000.00	\$61,763.91	\$2,156.71	\$0.00	\$546.76
11	\$546.76	\$74,717.08	\$48,023.90	\$17,000.00	\$61,763.91	\$3,355.48	\$0.00	\$451.27
12	\$451.27	\$42,721.01	\$74,717.08	\$11,000.00	\$61,763.91	\$1,918.56	\$0.00	\$485.88

		\$715,234.3 3	\$706,773.32	\$87,000.0 0	\$741,166.92	\$32,120.52	\$20,000.00	
	Avg Monthly	\$59,583.00			\$64,440.62			

Notes:

Accrued Revenue – Adjusted seasonally to account for school-year activity patterns. See Attached Notes to Pro Forma Cash Flow Statements for a chart listing specific seasonal adjustments for revenue.

Collected Revenue – Assumed to be the prior month’s accrued revenue. Billing terms are 30 days, and a consistent pattern of collections has been established.

Subsidies - Up-front cash payments by Benhaven, Inc. to cover negative cash flow.

Subsidy Patterns – Year One

The net subsidy for Year One is \$87,000. This includes a \$60,000 projected operating loss, \$20,000 in capital expenses, and approximately \$7,000 in negative cash flow. It is especially significant that the first four months of the fiscal year require \$99,000 in subsidy. This is due to the combination of seasonally low revenues and relatively high costs at the outset. This pattern of high monthly subsidy levels off, although it fluctuates from positive to negative over the last half of the year. This points to the significant need for subsidy in the early phases of the enterprise.

See attached **Notes to Pro Forma Cash Flow Statements** for more detailed descriptions and explanations of terms.

Pro Forma Cash Flow Statements – Year Two

Month	Cash Beginning	Rev Accrued	Rev Collected	Subsidies	Expenses-Fixed	Expenses-Variable	Capital Expenses	Cash End
1	\$485.88	\$57,473.96	\$40,008.60	\$55,000.0 0	\$87,687.00	\$2,468.88	\$5,000.00	\$338.60
2	\$338.60	\$57,473.96	\$57,473.96	\$33,000.0 0	\$87,687.00	\$2,468.88	\$0.00	\$656.67
3	\$656.67	\$106,789.73	\$57,473.96	\$40,100.0 0	\$87,687.00	\$4,587.32	\$5,100.00	\$856.31
4	\$856.31	\$123,197.76	\$106,789.73	- \$14,000.0 0	\$87,687.00	\$5,292.15	\$0.00	\$666.89
5	\$666.89	\$114,947.91	\$123,197.76	-	\$87,687.00	\$4,937.76	\$0.00	\$239.89

				\$31,000.00				
				-				
6	\$239.89	\$73,881.99	\$114,947.91	\$24,000.00	\$87,687.00	\$3,173.71	\$0.00	\$327.08
7	\$327.08	\$114,947.91	\$73,881.99	\$19,000.00	\$87,687.00	\$4,937.76	\$0.00	\$584.31
				-				
8	\$584.31	\$73,881.99	\$114,947.91	\$24,000.00	\$87,687.00	\$3,173.71	\$0.00	\$671.51
9	\$671.51	\$123,197.76	\$73,881.99	\$23,000.00	\$87,687.00	\$5,292.15	\$4,000.00	\$574.35
				-				
10	\$574.35	\$73,881.99	\$123,197.76	\$32,000.00	\$87,687.00	\$3,173.71	\$0.00	\$911.40
11	\$911.40	\$114,947.91	\$73,881.99	\$18,000.00	\$87,687.00	\$4,937.76	\$0.00	\$168.62
				-				
12	\$168.62	\$65,723.81	\$114,947.91	\$24,000.00	\$87,687.00	\$2,823.27	\$0.00	\$606.27
		\$1,100,346.66	\$1,074,631.46	\$39,100.00	\$1,052,244.00	\$47,267.07	\$14,100.00	
	Avg Monthly	\$91,665.00			\$91,625.92			

Notes:

Accrued Revenue – Adjusted seasonally to account for school-year activity patterns. See Attached Notes to Pro Forma Cash Flow Statements for a chart listing specific seasonal adjustments for revenue.

Collected Revenue – Assumed to be the prior month’s accrued revenue. Billing terms are 30 days, and a consistent pattern of collections has been established.

Subsidies - Up-front cash payments by Benhaven, Inc. to cover negative cash flow.

Subsidy Patterns – Year Two

There remains a net subsidy of over \$39,000 in the second year, despite breaking even operationally. Roughly half of the required subsidy is for capital expenditures, the other half for negative cash flow. A first quarter subsidy of \$128,000 is required, which is proportionately smaller than

the first year, but still significant. The same pattern of fluctuation over the second half of the year exists, but the monthly amounts are much higher, in both directions. This means that as the program grows, there is considerable risk involved in terms of billing turn-around. Maintaining the tidy 30-day turn-around we have experienced so far will be critical when the amounts increase in Year Two.

See attached **Notes to Pro Forma Cash Flow Statements** for more detailed descriptions and explanations of terms.

Pro Forma Cash Flow Statements – Year Three

Month	Cash Beginning	Rev Accrued	Rev Collected	Subsidies	Expenses-Fixed	Expenses-Variable	Capital Expenses	Cash End
1	\$606.27	\$85,648.20	\$61,566.64	\$70,800.00	\$122,252.20	\$3,875.58	\$6,800.00	\$45.13
2	\$45.13	\$85,648.20	\$85,648.20	\$43,000.00	\$122,252.20	\$3,875.58	\$2,000.00	\$565.55
3	\$565.55	\$159,139.00	\$85,648.20	\$44,000.00	\$122,252.20	\$7,201.04	\$0.00	\$760.51
4	\$760.51	\$183,590.40	\$159,139.00	\$29,000.00	\$122,252.20	\$8,307.47	\$0.00	\$339.84
5	\$339.84	\$171,296.40	\$183,590.40	\$53,000.00	\$122,252.20	\$7,751.16	\$0.00	\$926.88
6	\$926.88	\$110,099.60	\$171,296.40	\$44,000.00	\$122,252.20	\$4,982.01	\$0.00	\$989.07
7	\$989.07	\$171,296.40	\$110,099.60	\$19,000.00	\$122,252.20	\$7,751.16	\$0.00	\$85.31
8	\$85.31	\$110,099.60	\$171,296.40	\$44,000.00	\$122,252.20	\$4,982.01	\$0.00	\$147.50
9	\$147.50	\$183,590.40	\$110,099.60	\$21,000.00	\$122,252.20	\$8,307.47	\$0.00	\$687.44
10	\$687.44	\$110,099.60	\$183,590.40	\$57,000.00	\$122,252.20	\$4,982.01	\$0.00	\$43.63
11	\$43.63	\$171,296.40	\$110,099.60	\$20,000.00	\$122,252.20	\$7,751.16	\$0.00	\$139.87
12	\$139.87	\$97,942.20	\$171,296.40	-	\$122,252.20	\$4,431.88	\$0.00	\$752.18

				\$44,000.00				
		\$1,639,746.40	\$1,603,370.84	\$53,200.00	\$1,467,026.40	\$74,198.52	\$8,800.00	
	Avg Monthly	\$136,600.00			\$128,435.41			

Notes:

Accrued Revenue – Adjusted seasonally to account for school-year activity patterns. See Attached Notes to Pro Forma Cash Flow Statements for a chart listing specific seasonal adjustments for revenue.

Collected Revenue – Assumed to be the prior month’s accrued revenue. Billing terms are 30 days, and a consistent pattern of collections has been established.

Subsidies - Up-front cash payments by Benhaven, Inc. to cover negative cash flow.

Subsidy Patterns – Year Three

By Year Three, BLN is projected to attain a negative subsidy for the year – that is, to take in more money than it consumes. The first quarter subsidy increases to \$158,000, which means that even if growth levels off in Year Four, there will be an ongoing need for subsidy in order for this program to function. The 2nd half of the year fluctuation rises to an average of almost \$35,000 per month. This accentuates the need to maintain healthy cash flows as the program grows, in addition to a positive operating margin.

See attached **Notes to Pro Forma Cash Flow Statements** for more detailed descriptions and explanations of terms.

Notes to Pro Forma Cash Flow Statements

Cash Beginning starts at zero and is carried over from the prior month’s “Cash End.”

Revenue Accrued for each month is adjusted for seasonality as outlined below. Hours fluctuate by month based on the number of days that schools are open. The proportions of the mean monthly revenue that are projected for each month are based on actual experience over the past year. These projections are estimates for the purpose of projecting cash flow, and will vary to some extent in actual practice.

Month	Variation from Mean Income
July	-37.3%
August	-37.3%
September	+16.5%
October	+34.4%
November	+25.4%
December	-19.4%
January	+34.4%
February	-19.4%
March	+34.4%
April	-19.4%
May	+34.4%
June	-28.3%

Revenue Collected is basically the prior month’s accrued revenue. We have operated on a 30-day payable policy and have not yet had any significantly late or uncollectible charges.

Subsidies consist of cash advances made by Benhaven to cover BLN expenses in times of negative cash flow. As a practical matter, the subsidy for any given month is the sum of capital expenditures and that month’s cash flow differential. A positive subsidy amount indicates money flowing from Benhaven to BLN. A negative subsidy indicates cash flowing from excess BLN revenue back to Benhaven. The subsidy pattern for each year is discussed in more detail below.

Expenses- Fixed are all expenses with the exception of mileage. These expenses are constant and not influenced by the level of consultant activity in a given month.

Expenses-Variable is mileage, the only cost that varies due to consultant activity. Cost projections are based on a ratio of \$4.94 per hour billed in the first two years. This ratio is based on current experience. The ratio increases to \$5.43 in the third year, due to a projected increase in the mileage rate.

Capital Expenses are payments for assets that are not part of BLN’s operating budget. The up-front cash for these purchases is provided by Benhaven, Inc., and is reflected in the “Subsidy” column. Capital expenditures are “repaid” via depreciation. BLN’s capital budget for the first three years of operation is shown below.

Year	Item	Cost
1	Phone System	\$5000
1	Office Furniture	\$1200 0
1	Laptops	\$3000
2	Office Furniture	5000
2	Laptops	5100
2	PC for Office Manager	4000
3	Laptops	6800
3	Office Furniture	2000

Appendix R

Sensitivity Analysis (detail):

Year One

(\$000's)	Pro-Forma (Most Likely)	5% Billing Shortfall	Best Case Year One
Revenue	715	679	749
Variable Costs	29	29	29
Fixed Costs	744	744	744
Total Costs	773	773	773
Excess/(Shortfall)	(58)	(94)	(24)

Notes:

Costs for Year One are not likely to change significantly. Staff are in place, salaries and benefit costs are already known, as are occupancy costs. Variable costs are based on mileage, and constitute a small portion of overall expenses. Some variability is possible regarding billing hours. A 5% across-the-board shortfall in billing is seen as the worst case, because hours are already running ahead of target for the first third of the year. The best case calls for the hours billed in excess of the targets to be extended for the entire year.

Year Two

(\$000's)	Pro-Forma (Most Likely)	Billing Stays at Year One Levels	5% Billing Shortfall	Staffing Shortfall of 1	Best Case
Revenue	1100	1076	1045	913	1137
Variable Costs (@ 4%)	47	47	47	44	49
Fixed Costs	1053	1053	1053	990	1053
Total Costs	1100	1100	1100	1034	1102
Excess/(Shortfall)	0	(24)	(55)	(121)	35

Notes:

The most critical factors for Year Two are fulfilling the target for billing hours per staff and the ability to fill all of the anticipated positions. The best case calls for maintenance of the higher Year One targets for the Lead and Managing Consultants, along with an average of 1050 hours per consultant per year, rather than the target of 1020. Customer satisfaction, which will improve the prospects for return business, is a key factor in achieving the necessary increases in billing hours during Year Two. Similarly, the ability to recruit, train, and retain qualified staff will have a major impact. This is a key year for this project.

Year Three

(\$000's)	Pro-Forma (Most Likely)	Billing Stays at Year One Levels	5% Billing Shortfall	Staffing Shortfall of 3	Best Case
Revenue	1639	1510	1555	1250	1668
Variable Costs (@ 4%)	74	68	70	45	75
Fixed Costs	1467	1467	1467	1204	1467
Total Costs	1541	1535	1537	1249	1542
Excess/(Shortfall)	98	(25)	18	1	126

Notes:

The critical factors for Year Three are again the target for billing hours and the number of staff in place. However, the program is much less vulnerable to shortfalls in Year Three. The best case calls for an average of 1200 hours per year per consultant, with the Lead and Managing Consultants maintaining their higher levels from the prior year. If the foundation of staff and hours from Year Two are on target, the project can tolerate considerable staff or billing shortfalls from the Year Three targets and still turn an operating profit.