C.5 Three Year Operational Budget Assumptions

Ethos Academy: A Challenge Foundation Academy ("Ethos Academy") developed a three year operational budget based on the following assumptions.

Explanation of Revenue

State equalization funding is based around the following grade-level enrollments for the first three years of operation.

Figure 1
Grade-Level Enrollment

Grade Level	Year 1 2015-2016	Year 2 2016-2017	Year 3 2017-2018
K	50	50	50
1	50	50	50
2	50	50	50
3	25	50	50
4		25	50
5			25
Total	175	225	275

Ethos Academy has adopted a conservative enrollment estimate for budgeting purposes. The school will develop a budget based on 90% of grade-level enrollment numbers.

Figure 2
Conservative Enrollment Estimates (90%)

Grade Level	Year 1 2015-2016	Year 2 2016-2017	Year 3 2017-2018
K	45	45	45
1	45	45	45
2	45	45	45
3	23	45	45
4		23	45
5			23
Total	157.5	202.5	247.5

The three year budget provides income based on an "Adjusted Student Account" that draws from the 90% enrollment projections. This number is adjusted primarily for Kindergarten

equalization payments from the state. The "Revenue Calculator" was utilized to convert the projections and weighted scores and the three-year budget reflects the adjusted enrollment numbers provided. The 90% configuration takes into account the half-day Kindergarten metrics.

Ethos Academy expects to have a special needs population that exceeds 10% (based on comparable schools) and an ELL population that exceeds 25% (based on comparable schools). However, the board has decided to exclude these projections from state equalization funding for the purposes of developing the three year budget.

In year 1 Ethos Academy will receive $200,000 from an Arizona CSP grant. In addition, Ethos Academy is the benefactor of a $100,000/year loan-to-grant provided by TeamCFA that will be made available for the first three years. This "loan" converts to a grant in Year 4-6 and as in considered a grant for this reason.

Explanation of Expenses

<u>Administration, Instruction, and Support (AIS) Expenditures</u>

Salaries: School Director/Principal

- Assumes 1 full-time employee ("FTE") for the founding School Director at $60,000 for Year 1. Total salary assumes 13.65% required employer contributions for a total of $68,190. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes enrollment and performance goals are met and salary increases to $66,000 in Year 2 and $72,000 in Year 3, with 13.65% required employer contributions for a total of $75,009 and $81,828, respectively.
- Throughout this document, required contributions are assumed to be 13.65% based on payroll and unemployment taxes.

Salaries: Teacher – Regular Education

- Assumes 7 FTE for Regular Education Teacher positions at an average of $36,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $286,398. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 9 FTE for Regular Education Teacher positions at an average of $37,000 (increase takes into account an effort to offer a competitive salary for exceptional teachers) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $378,454. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 11 FTE for Regular Education Teacher positions at an average of $38,000 (increase takes into account an effort to offer a competitive salary for

exceptional teachers) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $475,057. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Teacher – Special Education

- Ethos Academy will not budget for a Special Education Teacher. However, the school will employ a Special Education Director/Teacher and Special Education Instructional Assistants.

Salaries: Instructional Assistants – Regular Education

- Assumes 1 FTE for Regular Education Instructional Assistant positions at an average of $18,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $20,457. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for Regular Education Instructional Assistant positions at an average of $18,540 (3% increase assumes performance goals are met) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $21,070. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 2 FTE for Regular Education Instructional Assistant positions at an average of $19,096 (3% increase assumes performance goals are met) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $43,405. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Instructional Assistants – Special Education

- Assumes 1 FTE for Special Education Instructional Assistant positions at an average of $18,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $20,457. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for Special Education Instructional Assistant positions at an average of $18,540 (3% increase assumes performance goals are met) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $21,070. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for Special Education Instructional Assistant positions at an average of $19,096 (3% increase assumes performance goals are met) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $21,702. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Administrative Assistants

- Assumes 2 FTE for Administrative Assistant positions at an average of $18,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $40,914. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 2 FTE for Regular Education Instructional Assistant positions at an average of $18,540 (3% increase assumes performance goals are met) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $42,141. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 2 FTE for Regular Education Instructional Assistant positions at an average of $19,096 (3% increase assumes performance goals are met) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $43,405. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Bookkeeper

- Ethos Academy will not budget for a Bookkeeper. However, the school will employ a contracted Accountant, Operations Manager, and Administrative Assistants to fulfill the bookkeeping responsibilities.

Salaries: Custodial/Maintenance

- Assumes .5 FTE for a custodial position at an average of $18,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $10,228 with a 3% annual increase. Cost is based on comparable positions at TeamCFA charter schools and adjusted for size.

Salaries: Dean of Academics

- Assumes 1 FTE for a Dean of Academics position at an average of $44,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $50,006. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for a Dean of Academics position at an average of $48,000 (increase is based on comparable salaries of same position in the region) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $54,552. Cost is based on comparable positions at TeamCFA charter schools.

- Assumes 1 FTE for a Dean of Academics position at an average of $52,000 (increase is based on comparable salaries of same position in the region) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $59,098. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Dean of Families

- Assumes 1 FTE for a Dean of Families position at an average of $36,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $40,914. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for a Dean of Families position at an average of $37,000 (increase assumes performance goals are met) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $42,050. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for a Dean of Families position at an average of $38,000 (increase assumes performance goals are met) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $43,187. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Dean of Operations/Manager

- Assumes .75 FTE for a Dean of Operations/Manager position at an average of $36,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $40,914. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for a Dean of Operations/Manager position at an average of $37,000 (increase assumes performance goals are met) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $42,050. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for a Dean of Operations/Manager position at an average of $38,000 (increase assumes performance goals are met) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $43,187. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Special Education Director/Teacher

- Assumes .5 FTE for Special Education Director/Teacher positions at an average of $36,000 annually in Year 1. Total salary assumes 13.65% required employer contributions for a total of $20,457. Cost is based on comparable positions at TeamCFA charter schools.

- Assumes .75 FTE for Special Education Director/Teacher positions at an average of $37,000 (increase takes into account an effort to offer a competitive salary for an exceptional director) annually in Year 2. Total salary assumes 13.65% required employer contributions for a total of $31,537. Cost is based on comparable positions at TeamCFA charter schools.
- Assumes 1 FTE for Special Education Director/Teacher positions at an average of $38,000 (increase takes into account an effort to offer a competitive salary for an exceptional director) annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $43,187. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Registrar/Compliance Manager

- Assumes .5 FTE for a dedicated Registrar/Compliance position at an average of $30,000 annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $17,047. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Nurse/Health Specialist

- Assumes .5 FTE for a dedicated Nurse/Health Specialist position at an average of $30,000 annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $17,047. Cost is based on comparable positions at TeamCFA charter schools.

Salaries: Food Service/Manager

- Assumes .25 FTE for a dedicated Food Service/Manager position at an average of $30,000 annually in Year 3. Total salary assumes 13.65% required employer contributions for a total of $8,523. Cost is based on comparable positions at TeamCFA charter schools.

Employee Benefits

- Assumes all employees elect the maximum 4% employer contribution, but includes the contribution in “required employer contributions.”

Employee Insurance

- Assumes all employees elect the maximum $350 monthly allowance ($4200 annually) for health and dental insurance. Ethos Academy expects 15 FTE in Year 1, 17 FTE in Year 2, and 21 FTE in Year 3.

Office Supplies (Paper, Postage, etc…)

- Assumes office and postage costs of $4,000 (based on a prorated estimate of other TeamCFA schools) in Year 1. Assumes a high-end estimate of 30% for additional years that computes to $5,200 in Year 2 and $6,760 in Year 3.

Instructional Consumables

- Assumes instructional consumables costs of $3,000 (based on prorated estimates of other TeamCFA elementary schools) in Year 1. Assumes a high-end estimate of 30% for additional years that computes to $3,900 in Year 2 and $5,070 in Year 3.

Membership Dues, Registrations, and Travel

- Assumes Arizona Charter Schools Association membership for $474 ($3/student), High Bar, LLC membership for $8,000, and Core Knowledge Conference costs of $2,000 in Year 1. Costs provided by the ACSA and accounts for additional students for membership fees. Assumes a 3% increase annually.

Contracted Services (AIS)

- Assumes legal services with Warren Charter Law at $18,000 ($250 per hour for six hours per month) with an annual increase of 3%. The cost was provided by Warren Charter Law, LLC.
- Assumes accounting services with Crisler Business Services, LLC at $21,600 ($60 per hour for thirty hours per month) with an annual increase of 3%. The cost was provided by Crisler Business Services, LLC.
- Assumes information technology services with Compass Network Solutions, LLC at $2,000 per month with an annual increase of 3%. The cost and hourly assumptions were provided by Compass Network Solutions, LLC.
- Assumes payroll services with Payroll Experts, Inc. at $2,500 per year with an annual increase of 3%. The cost and hourly assumptions were provided by Payroll Experts.
- Assumes 401(k) plan administration costs of $2,500 per year with an annual increase of 3%. Costs based on comparison of other TeamCFA schools.

Contracted Services (Special Education)

- Assumes a 12% special education percentage based on enrollment. This number is based on data from surrounding schools and other TeamCFA schools. The estimated number of special education students is 19 in Year 1, 24 in Year 2, and 30 and Year 3.

- Assumes psychological evaluation costs of $400 per student. Year 1 costs estimated at $7,600, Year 2 costs estimated at $2,000, and Year 3 costs estimated at $2,400. Assumes evaluations for new students only in Years 1-2.
- Assumes speech therapy costs of $1,500 per student. Assumes 50% of the eligible students will require the services for an estimate of 10 students in Year 1, 12 students in Year 2, and 15 students in Year 3. Estimated costs equal $15,000, $18,000, and $22,500, respectively. Costs and estimates based on other TeamCFA schools.
- Assumes physical and occupational therapy costs of $450 per student. Assumes 30% of the eligible students will require the services for an estimate of 6 students in Year 1, 8 students in Year 2, and 9 students in Year 3. Estimated costs equal $2,700, $3,600, and $4,050, respectively. Costs and estimates based on other TeamCFA schools.

Curriculum and Resource Materials

- Assumes the first year curriculum costs will be purchased prior to the start school by utilizing grant funds. Assumes an additional $5,000 in expenses for experiential learning supplies determined by the teachers. In addition, it serves as a safeguard in the event of missing or additional resources based on projections by the TeamCFA Business Committee and other TeamCFA schools.
- Assumes $10,000 and $15,000 in Years 2 and 3, respectively, for additional experiential learning supplies and to replace and add additional resources for increased enrollment based on projections utilized by other TeamCFA schools.

Library Resources and Software

- Assumes $700 in Year 1, $900 in Year 2, and $1,100 in Year 3 ($100 per class each year) for in-class library resources and software. Additional classroom and school-wide library supplies will be free, open source, and online through the TeamCFA Education Technology Committee.

SAIS Software

- Assumes the first year SIS software will be purchased prior to the start school by utilizing grant funds.
- Assumes an estimate of $3,000 annually in Years 2 and 3, respectively, to retain SIS software comparable for the needs of expected enrollment. Costs based on comparison of other TeamCFA schools and verified by the TeamCFA business committee.

Auditor Fees

- Assumes the initial audit will be paid for in Year 2 and there will be no Year 1 auditor expenses.
- Assumes an estimate of $8,000 in Year 2 and $9,000 in Year 3 based on estimates provided by the contracted accountant and comparisons with other TeamCFA schools and verified by the TeamCFA business committee.

Professional Development

- Assumes Professional Development services through the Quality Schools Program at a cost of $14,695 in Year 1, $13,268 in Year 2, and $12,540 in Year 3. Estimates based on exact quotes provided by the Arizona Charter Schools Association.
- Assumes $3,000 in professional development costs for Year 1 with an annual increase of 3% annually. These costs are associated with trainings specific to the values of the school, especially experiential learning and servant leadership, as incorporated into the classrooms. Estimates provided by comparisons with other TeamCFA schools and assume employed staff will develop all trainings as a primary function of their positions.

Other Fees

- Assumes $10 per student fee annually for NWEA MAP. This cost was provided by the TeamCFA Business Committee.
- Assumes $8 per student fee annually for Galileo assessments. This cost was provided by other TeamCFA schools utilizing the same resources.
- Assumes $80 per student fee annually for CompassLearning Odyssey. This cost was provided by the TeamCFA Business Committee.
- Assumes these costs are covered in the start-up budget for Year 1. Year 2 and Year 3 costs based on the total of $98 per student for all three fees and applied to the Projected Enrollment number.

<u>Operations and Maintenance (O&M) Expenditures</u>

Supplies

- Assumes janitorial supply costs of $3,000 in Year 1, $5,000 in Year 2, and $6,650 in Year 3 based on actual costs for other TeamCFA schools and adjusted for size.

Marketing/Advertising

- Assumes $0 in initial marketing and advertising materials, since costs will be assumed by the TeamCFA Marketing Committee. Assumes additional advertising costs of $1000 annually in local media based on quotes from regional publications in the central Glendale area.

Contracted Services

- Assumes $0 in landscaping and janitorial costs as the school will employ a part-time custodian and the landscaping costs will be included in the facility leasing agreement as an expense to the landlord.

Building Rent/Lease/Loan

- Assumes $77,000 in leasing costs in Year 1, $101,970 in Year 2, and $128,411 in Year 3. Assumes landscaping costs are included in the estimate. Estimates based on quotes from two separate, potential landlords with an estimate of $8/sf. (range of $6-9/sf.) for 9,625 square feet of classroom, common area, and office space and space increase each year thereafter to accommodate increased enrollment.

Building Improvements

- Assumes $13,000 in building improvement costs that are not included in the leasing agreements. Estimates provided by TeamCFA Properties and take into account a conservative reserve of funds for unforeseen expenses to provide appropriate care for the students.

Land Improvements

- Assumes $0 in land improvement costs as these are the responsibility of the landlord.

Fees/Permits

- Assumes $0 in fees and permit costs as these are the responsibility of the landlord.

Property/Casualty/Liability Insurance

- Assumes $13,500 general liability insurance, $5,467 umbrella insurance, and $1,191 student accident insurance in Year 1 with a 3% annual increase. Costs provided by estimates obtained at other TeamCFA schools.

- Assumes workers' compensation insurance at $2,474 in Year 1, $3,129 in Year 2, and $4,162 in Year 3. Cost assumption provided by the Hartford via Wells Fargo, and is based on $.42 per $100 of payroll.
- Assumes all insurance costs are included in the Liability Insurance line item.

Utilities (Electric, Gas, Water, Waste)

- Assumes $30,000 in total utilities in Year 1 with annual increases pro-rated to expected student counts. Costs based on estimates of other schools in the targeted area with a similar sized campus and student population.
- Assumes the school will pay the difference (or increase) of electrical costs in general for the landlord based on month-to-date comparisons for the previous three years of the landlord's utility bills.
- Assumes the school will pay the difference (or increase) of water/waste costs in general for the landlord based on month-to-date comparisons for the previous three years of the landlord's utility bills.

Phone/Communications/Internet Connectivity

- Assumes $10,000 in Year 1 based on actual costs at Ridgeline Academy (a TeamCFA school) and adjusted for size.
- Assumes a 3% annual increase in Years 1 and 2.

Transportation

- Assumes $45,750 in transportation costs based on quotes from contracted service providers at a rate of $250/day for the 183 calendar schedule with a 3% annual increase.

Food Service

- Assumes $0 in food costs as expenses will be offset based on participation in the National School Lunch Program and Breakfast Program.

Student Furniture and Other Equipment

- Assumes $0 costs in Year 1 as the furniture will be purchased in the startup phase.
- Assumes $5,000 for each following year to accommodate two additional classes in line with enrollment estimates.

Office Furniture and Other Equipment

- Assumes $0 costs in Year 1 as the furniture will be purchased in the startup phase.
- Assumes $1,540 ($770 x 2 FTE) each following year to accommodate two additional FTE staff in line with staffing projections.
- Assumes $2,000 for additional office equipment for aides and administrative personnel each year based on estimates from Arizona Furnishings and other TeamCFA schools.
- Assumes the office furniture equipment for founding administrative team was purchased, prior to Year 1, by development year grants.

Student Technology Equipment

- Assumes $0 in Year 1 costs as these items will be purchased in the startup phase.
- Assumes $6,225 ($249 x 25 new Chromebooks) for Year 2 and Year 3 to obtain student computers and instructional equipment. Costs provided by the TeamCFA Education Technology committee.

Office Technology Equipment

- Assumes $0 in Year 1 costs as these items will be purchased in the startup phase.
- Assumes $2,250 ($1,125 x 2 FTE) to obtain teacher specific computers and office technology in Years 2 and 3 not provided by the development year grants. Costs provided by the TeamCFA Technology committee.

Other Leases (Security/Copiers)

- Assumes $1,600 per month for one copier in Years 1-3 with a 3% annual increase. Costs based on comparison of other TeamCFA schools.

Loan Repayment

- Assumes $0 cost due to the fact there will be no loans in place during the opening of the school.