Required Exhibits

- Three Year Operational Budget Form
  - ❖ MS Excel file is enclosed.
- Projected Revenue Calculator for Years 1, 2, & 3
  - ❖ MS Excel file "Projected Revenue Calculator" for Years 1, 2 & 3 is enclosed;

Three Year Operational Budget Assumptions

REVENUE:

❖ Funding from Arizona Department of Education (Arizona State Equalization Assistance) is based on enrollment projections and student count/ADM used for revenue projections, as follows:

6-12 estimates used for revenue projections:

Sierra Preparatory Academy – Enrollment Plan									
Grade	6th	7th	8th	9th	10th	11th	12th[1]	Total	
	Number of Students							Number	ADM[2]
Year 1	40	40	40	30				150	150
Year 2	40	40	40	40	20			180	180
Year 3	40	40	40	40	30	20		210	210

❖ Work Sheet template for the calculation of equalization funds for Years 1-3, as provided in the Projected Revenue Calculator of the New Charter Application package by ASBCS for the cycle 2014-2015.

❖ Equalization funds are calculated based on a standard calendar year.

❖ Equalization funds are calculated based on 100% estimate of the school enrollment. Based on the professional capacity and skills, marketing studies, and expressed interest in Sierra Preparatory Academy by its community, the founders of Sierra Preparatory Academy are confident that they will reach the target enrollment based on the following facts:

- The high school liberal arts program of instruction at Sierra Preparatory Academy has already generated a strong demand and the school founders project not only full enrollment, but also a strong waiting list based on the communication with the future school community.
- Enrollment estimates are based on careful research and study of the target market area, including community and school demographics, social characteristics and trends, population and enrollment trends, schools' academic performance and demand for school choice.
- Sierra Preparatory Academy is designed to be a small school (max 210 students at full capacity) and small class size (22 students), which is an attractive alternative to the big district schools.
- Sierra Preparatory Academy has designed a strong marketing and advertising campaign that reflects closely the target market.

[1] 12th grade is planned to be added in Year 4.
[2] ADM (Average Daily Membership) is the same as the number of students, because the school is not going to serve KG students.

- The projected revenues of Sierra Preparatory Academy are viable, adequate, conservative projections because:
  - The budget is conservative in its revenue base – it assumes no increase in base and/or additional level support, and no count add-ons, no Proposition 301 funds, all of which will likely be available to the school.
  - Federal funding sources will be sought to supplement the school programs, but not included in this budget projection. Based on the demographic projections, the school may be eligible to receive federal support under Title I, IDEA, and other title funds.
  - Finally, the school is planning to pursue in a structured way competitive grant funds from government and private sources, various tax credit funding, and private donations. Those additional funds would be intended to further enhance and upgrade the liberal arts program of instruction, add quality extra-curricular activities, and continually improve the overall school performance.

Administration, Instruction, & Support (AIS) EXPENDITURES

Salaries:

- The Sierra Preparatory Academy 's instructional and non-instructional personnel and respective percentage time employment of the different positions are projected as follows:

Sierra Preparatory Academy - Staffing Plan						
Year/Student Enrollment	Year 1/150		Year 2/180		Year 3/210	
	Grades: 6,7,8,9		Grades: 6,7,8,9,10		Grades: 6,7,8,9,10,11	
	Number	FTE	Number	FTE	Number	FTE
Instructional Personnel						
Regular Education Teachers	9	9.0	10	10.0	11	11.0
Headmaster[3]		.5		.5		.5
Dean of Students[4]	1	.5	1	.5	1	.5
Dean of Athletics[5]	1	.7	1	.7	1	.7
Subtotal:	11	10.7	12	12.7	13	12.7
Administrative Personnel						
Headmaster	1	.5	1	.5	1	.5
Dean of Students		.5		.5		.5
Dean of Athletics		.3		.3		.3
Office/Business Manager	1	1.0	1	1.0	1	1.0
Secretary/Receptionist	1	1.0	1	1.0	1	1.0
Subtotal:	3	3.3	3	3.3	3	3.3
TOTAL:	14	14.0	15	15.0	16	16.0

[3] Headmaster is a .5FTE teaching and .5 FTE administrative position
[4] Dean of Students is a .5FTE teaching and .5 FTE administrative position
[5] Dean of Athletics is a .7FTE teaching and .3 FTE administrative position

- The starting salary of the Headmaster is based on a .5FTE teaching and .5 FTE administrative position and starts at $75,000 in Year 1(12% required employer contributions is added on).

- Starting salaries for the regular education teachers (9.0 FTE in Year 1; 10.0 FTE in Year 2; and 11.0 FTE for Year 3), are estimated to start at $37,000 in Year 1(12% required employer contributions is added on).

- The salaries for the Dean of Students and Dean of Athletics are each based on .5FTE teaching and .5 FTE administrative positions, estimated to start at $40,500 ($38,000 + $2,500 for the extra administrative duties) in Year 1(12% required employer contributions is added on).

- The salary of the Office / Business Manager is based on 1.0 FTE administrative position and starts at $45,000 in Year 1(12% required employer contributions is added on).

- The salary of the Secretary / Receptionist is based on 1.0 FTE administrative position and starts at $28,000 in Year 1(12% required employer contributions is added on).

- No annual adjustment increase of the salary is projected unless the Base Level of the State Equalization Funding increases.

- The salary expenses are viable and adequate as they reflect above the average for the state compensations for both instructional and management personnel to provide incentives for an adequate pool of quality applicants for the respective positions, but also ensure that costs are within the manageable limits for charter school operations.

Employee Benefits:

- **Employee Related Expenses (ERE)** – Sierra Preparatory Academy will provide for the mandatory ERE, which are calculated at 12% of the salary. They include payroll taxes, state unemployment and worker's compensation broken down as FICA (7.65%), SUTA/FUTA (1%), Retirement (2%), and Worker's Compensation (1.35%).

- **Health and Retirement Benefits** - In order to attract new and retain long-term highly qualified and experienced personnel, Sierra Preparatory Academy will develop additional benefits policies, such as health, dental, vision and retirement benefits. Such policies and their implementation will ensure the sustainability of the human resource capital and substantially contribute toward the long-term viability of the school operations. The teacher benefits will increase annually in dollar amount as the base salary increases following its annual rate of increases.
  - *Health and Dental Benefits* – The school will offer coverage for medical, dental, and vision not to exceed 8% from the salary base at start-up.
  - *Retirement Benefits* – The school will consider a 401(k) and 403(b) plans with a matching amount that builds over years. The estimated cost to the school at start-up is approximately 5% from the salary base with a suggested 1% increase in matching retirement contributions each year until contributions reach 8% level.

- The employee benefits package, that is in addition to the employer required contributions, is viable and adequate as it reflects a reasonably attractive coverage for perspective employees, gravitating

toward the high end in the charter school sector of Arizona, but also it ensures that costs are within the manageable limits for charter school operations.

Employee Insurance (if applicable):

- N/A, included in previous line item.

Office Supplies:

- Use of office supplies, include paper, postage, pencils, etc., as follows:
  - $2,500 in Year 1;
  - $3,500 in Year 2;
  - $3,500 in Year 3.

- The sources of information to justify the budgeted amounts are based on observations in similar program of instruction schools - Tempe Preparatory Academy and Chandler Preparatory Academy, and with considerations of the number of students served at Sierra Preparatory Academy. They are deemed viable and adequate to cover the office needs.

Instructional Consumables:

- The school is projecting $15 per student during Year 1 for instructional consumables. The estimate is based on the specific needs of the liberal arts program of instruction at Sierra Preparatory Academy. It reflects the anticipated student enrolment and re-use of some materials. The first three-year period expenditures are as follows:
  - $2,250 in Year 1;
  - $2,700 in Year 2;
  - $3,150 in Year 3.
- The sources of information to justify the budgeted amounts are based on observations in similar program of instruction schools - Tempe Preparatory Academy and Chandler Preparatory Academy, and with considerations of the number of students served at Sierra Preparatory Academy. They are deemed viable and adequate to cover the office needs. Sierra Prep's liberal arts instructional methodology assumes the use of very limited instructional consumables, e.g. students are actively engaged in taking notes in their Socratically led classes and the use of copied material is very minimal. Additionally, it is very common for liberal arts students to reach to each other for donated and discounted resources through the social media, where the majority already actively participates – it is in the philosophy of the Sierra Prep Academy to actively build community of learners – such an approach allows students to take responsibility of their own learning and become real stakeholders of their education; the school also sources its resources through discounted vendors such as Amazon.com, which offers new and used books, textbooks and other instructional resources.

Membership Dues, Registration, and Travel:

- Includes: Membership dues for ACSA and local area travel for professional development. This line item reflects a projection with revenue source from state equalization funds only:
  - $600 in Year 1;
  - $2,500 in Year 2;
  - $3,500 in Year 3.

- The Membership Dues, Registration, and Travel estimates in this budget are viable and adequate – they are based on the needs assessment study of the school's Headmaster and his prior experience

working for charter schools that utilize liberal arts program of instruction. Furthermore, additional funding sources that are not accounted in this projection (private donations and competitive grants) will be pursued for travel and events registration, including professional development sessions.

Contacted Services (AIS):

- Contracted services (AIS) are estimated at:
  - $24,500 in Year 1;
  - $35,000 in Year 2;
  - $40,000 in Year 3.

- The estimate includes the following types of purchased services: educational consultants and license fees; professional development; legal services, including the cost for the 501-c-3 application (IRS);

- The sources of information that justify the cost structure of this line item include: vendor quotes from Hallman & Affiliates (legal services) and Great Books Foundation (curriculum materials and professional development), as well as a needs assessment study of the school's Headmaster and his prior experience working for charter schools that utilize liberal arts program of instruction; This estimate is adequate and viable because the school has budgeted sufficient amounts for annual updates of the curriculum materials, as well as sufficient coverage for its legal service needs.

  The budget provides adequate resources to implement strategies I through IV of the PMP regarding personnel capacity:

  1. Teachers at Sierra Prep will be highly qualified and specially selected for their skills and experience to teach a liberal arts curriculum.
  2. The majority of the activities are part of their faculty duties and will be properly compensated though the salary and benefits, designed at Sierra Prep.
  3. The budget allows for professional development resources purchased through the curriculum as well as additional professional development in purchased services in that regard.
  4. Additionally, Sierra Prep will provide extensive in-house professional development as described below, where no additional resources besides the salary and benefits of the faculty and headmaster will be needed:

  - Faculty will meet once a week for 1-2 hours to learn/discuss academic topics (this is beyond the biweekly faculty business meetings). One example would be taking a trimester to work through the Constitution in detail.
  - The headmaster will teach intensive courses in Latin, Physics I, and other fundamental subject to help prepare teachers for Highly Qualified exams and to encourage a true Liberal Arts ethos.
  - Sierra Prep will maintain and disseminate an online publication of national and international professional development opportunities in order to keep our faculty informed.
  - We will actively seek additional external resources from institutions and individuals to sponsor teachers in additional professional development opportunities.

Contracted Services (Special Education):

- The sources of information for the special education services estimate are as follows: a) data from a school with liberal arts program of instruction (Tempe Preparatory Academy, which has an

annual cost of $15,625 to service and approx. 330 of total student enrollment); b) the projected number of students to be served at Sierra Preparatory Academy; c) actual vendor quotes from Shively and Vogel, LLC (7650 S. McClintock Dr., Tempe, AZ 85284-1695). The following annual amounts are projected:

- $17,500 is budgeted for special education for outside services in Year 1;
- $21,500 is budgeted for special education for outside services in Year 2;
- $25,000 is budgeted for special education for outside services in Year 3;

- The estimates in Year 2 and Year 3 reflect the increases in student enrollment;

- This estimate is adequate and viable because: it is based on the market study for special education services and projected needs of the school with consideration of actual comps.

Curriculum and Resource Materials:

- Sierra Preparatory Academy will expend $90 per student for curriculum materials during Year 1, and $120 per student during any single school year thereafter. Additionally, each year the school will purchase Acuity for approximately $8,000. Estimates are based on actual vendor quotes from Great Books Foundation, online quotes from Amazon.com and Acuity and reflect the projected student enrollment. The projected annual school expenditures are as follows:
  - $21,500 in Year 1;
  - $29,600 in Year 2;
  - $33,200 in Year 3.

- This estimate is adequate and viable because: it is based on the needs assessment study of the school's Headmaster and his prior experience of over 20 years working for charter schools that utilize liberal arts program of instruction. This budgeted amount per student is used at Tempe Preparatory Academy, an award winning Blue Ribbon liberal arts program, and has proven adequate and viable. It is very common for liberal arts students to reach to each other for donated and discounted books and text resources through the social media, where the majority already actively participates – it is in the philosophy of the Sierra Prep Academy to actively build community of learners – such an approach allows students to take responsibility of their own learning and are becoming real stakeholders of their education; the school also sources its resources through discounted vendors such as Amazon.com, which offers new and used books, textbooks and other resources. The school has budgeted sufficient amounts for annual updates of the curriculum materials, where needed.

Library Resources / Software:

- The following amounts are budgeted for the first three years:
  - $6,000 in Year 1;
  - $8,500 in Year 2;
  - $15,000 in Year 3.

- This estimate is adequate and viable - it is based on the experience of Tempe Preparatory Academy, which also utilizes a liberal arts program of instruction. It also accounts for the projected student enrollment at Sierra Preparatory Academy.

SAIS Software:

- The SAIS software (quotes from SchoolMaster) will be purchased during the Start-Up Period ($6,000 from the Start-Up Budget);

- In Year 1 an additional $500 are budgeted toward SAIS software in the event any changes are required;

- Thereafter, $7,500 is budgeted for each consecutive year.

Auditor's Fees:

- The following amounts are budgeted for the first three years, in consideration of the student enrollment and quotes from an auditor's firm, Fester & Chapman P.C. (4001 N 3rd St, Ste 275, Phoenix AZ 85012-2086):
  - $4,500 in Year 1;
  - $7,500 in Year 2;
  - $8,000 in Year 3.

<u>Operations & Maintenance (O&M) EXPENDITURES</u>:

Supplies:

- The estimate for office supplies includes various consumables such as paper, pencils, toner, stationary, etc.

- The estimates are based on current prices of respective materials at Staples and Office Max and the number of students. The school founders have budgeted for office supplies $250 per month for Year 1, $400 per month for Year 2, and $600 per month for Year 3:
  - Year 1 - $3,000;
  - Year 2 - $4,800;
  - Year 3 - $7,200;

Marketing/Advertising:

- Sierra Preparatory Academy is carefully planning its marketing/advertising and promotional efforts in terms of costs and return on invested funds. Main expenditures will cover printing, brochures, door-hangers, mailing, community meetings, website design and maintenance, travel, media advertisement, list serve maintenance The following expenditures are budgeted:
  - Year 1 - $3,500 (continuation of the $12,000 Start-Up Period marketing campaign);
  - Year 2 - $7,500;
  - Year 3 - $7,500;
- The marketing and advertising campaign is deemed adequate and viable. Sierra Preparatory Academy has studied the experience of Tempe Preparatory Academy and will adopt practices and work with those vendors that have proven to yield better results. Sources of information to justify the above estimates include quotes and pricing data from Arizona Republic, East Valley Tribune,

Three Dog Marketing, Sign-A-Rama, Education Team Partners, Vista Print, Alphagraphics, Kinko, School Cues and others.

Contracted Services - O&M:

- Sierra Preparatory Academy is planning to purchase contracted services in the following areas: janitorial services, HVAC maintenance; school events; consultants for competitive grant programs; fundraising activities; professional management support; strategic business planning, etc. The funds necessary to cover those activities are estimated, as follows:
  - Year 1 - $7,500;
  - Year 2 - $12,500;
  - Year 3 - $18,500.

- This estimate is adequate and viable because it is based on: the needs assessment study of the school's founders; various vendor quotes (Harris Mechanical, J&J Janitor Services, LLC, ETC, Education Team Partners, etc.).

Building Rent/Lease/Loan:

- Sierra Preparatory Academy intends to lease a property with a facility conducive to implementing its high school liberal arts program of instruction. The target building size (when fully developed) would be 14,000 SF with 14 classrooms for general instruction and special use (incl. Chemistry Lab Room, Physics Lab Room, Biology Room, and Resource Room), business offices, reception area, and assembly hall.
- The anticipated financial arrangement for the Sierra Preparatory Academy facility is a 15-year triple-net lease agreement with an option to purchase after the third and before the fifth year from the start of lease. All capital expenditures toward making the facility move-in ready will be financed and performed by the landlord, and reflected in a respective increase of the rent during year 2 to account for the addition of building space, including all costs toward meeting compliance requirements with laws and regulations related to educational occupancy for the existing buildings and all new building additions, as described in Section C.1.d.,. The school will be responsible to pay the net rent, which factors in property and casualty insurance paid by the landlord, plus all applicable sales and transaction privilege taxes, and the property tax (partial tax-exempt, Classification 9).
- The rent for the Sierra Preparatory Academy facility is adequately planned and viable, because budget assumes that the lease payment shall not exceed 15% of all received equalization funds, and will be less than 13% of all anticipated school revenues, including grants, Prop 301, and others (not included in this budget projection). This arrangement is in alignment with the school size at start-up. It has been aligned with the potential developer/investor acquisition and improvements cost and debt service coverage requirement estimates, as follows:

  Year 1: During the first year of operations the existing configuration of the church facility (deemed primary facility target) with the addition of one 2-classroom modular unit will suffice to service 150 students at a net rent (property and casualty insurance included) of $8,500 per month and an estimated sales and transaction privilege tax burden of an additional $170 per month. The estimated property tax is approximately $60 per month (based on Classification 9, partial tax-exempt). On that basis, the gross rent due from the school would be $8,730 per month and $104,760 per annum.

  Year 2: Before start of Year 2 the school will need 8 additional classrooms. The landlord will prepare the site and install 4 additional modular units with 2 classrooms each. The additional building space and associated costs will be factored into the base rent as an additional increase of $4,500 per month during Year 2 - the net rent would be $13,000 per month. The gross rent, including sales tax ($260 per month) and property taxes (estimated at $100 per month) during Year 2 would be $13,360 per month and $160,320 per annum.

Year 3: The rent rate is projected to change after Year 2 and thereafter reflect an annual adjustment of 3% increases over the previous year base (net) rent amount. For Year 3 those monthly numbers would be respectively $13,390 net rent, $268 sales tax, and $100 property tax. The gross monthly rent payment in Year 3 would be $13,758, respectively $165,096 per annum.

Building Improvements:

- Sierra Preparatory Academy will enter into a facility, specially remodeled to operate as a charter school. Per preliminary arrangement, it will have all applicable permits and licenses for a public school secured by the landlord. Most facility components will be under builder warranty. All building improvements during Year 1 will be covered by the landlord, for Years 2 and 3 only incidental costs may occur, which is budgeted respectively:
    - Year 1 - $0;
    - Year 2 - $3,000;
    - Year 3 - $6,000;

Land and Improvements:

- Sierra Preparatory Academy will enter into a facility, specially remodeled to operate as a charter school. All land improvements, major one being landscaping, during Year 1 will be covered by the landlord, for Years 2 and 3 only incidental costs may occur, which is budgeted respectively:
    - Year 1 - $0;
    - Year 2 - $1,500;
    - Year 3 - $3,000;

Fees / Permits:

- The facility of Sierra Preparatory Academy will have most permits, licenses, and certificates related to the building secured by the landlord. The school has budgeted for various fees/permits (City, County, and State) as follows:
    - Year 1 - $550;
    - Year 2 - $750;
    - Year 3 - $750;
- This estimate is adequate and viable because it is based on vendor quotes for various services, such as back flow testing, fire alarm updates, etc. (City of Apache Junction, Metro Fire & Equipment).

Property/Casualty Insurance:

- The facility of Sierra Preparatory Academy will have sufficient insurance coverage against any damages by a property and casualty insurance pursuant to A.R.S.15-183 M - for liability and property loss. It will be insured and paid by the landlord, which cost is factored into the rent payment amounts. For that reason, it will not be reflected as a separate budget line item.

Liability Insurance:

- Sierra Preparatory Academy will maintain liability insurance coverage pursuant to A.R.S.15-183 M, which will also include coverage for the governing body of the school. Cost estimate is based on quotes from The Arizona Group (Mesa, Arizona):
    - Year 1 - $7,500;
    - Year 2 - $9,000;
    - Year 3 - $11,000.

Utilities (Electric, Gas, Water, Waste):

- Electric, water and waste costs are estimated based on the cost structure of the existing primary target facility in Apache Junction, and with consideration of the intended building additions after Year 1:
  - Year 1 - $14,400 ($1,200 per month);
  - Year 2 - $19,200 ($1,600 per month);
  - Year 3 - $22,800 ($1,900 per month).
- Those utility projections are adequate and viable, as the new building additions will include energy-efficient HVAC system and internal electric and climate control system, an investment which will substantially reduce the utility consumption and respective payments for utilities.

Phone/Communications/Internet:

- The costs for phone/communications/Internet connectivity are projected on the basis of quotes from Century Link Communications, which include a main dedicated line for fire alarm, secondary line for fire alarm that can also be used for regular school communications and high speed DSL connectivity during Year 1. During year 2 another phone line and a fractional T1 line (high speed Internet) will be added that will cover all communication needs for telephony and Internet. The following projected cost structure is based on quotes from Century Link:
  - Year 1 - $3,000 ($250 per month);
  - Year 2 - $9,000 ($750 per month);
  - Year 3 - $9,000 ($750 per month).

Transportation:

- Sierra Preparatory Academy does not intend to offer transportation services.

Food Service:

- Sierra Preparatory Academy does not intend to offer food services.

Student Furniture and Other Equipment:

- The costs for student furniture and other equipment is based on $45 per student with $7,500 annual updates and upgrades during Year 2 and Year 3. This estimate also includes the purchase of multimedia/computer projector to be used for instructional purposes.
  - Year 1 - $6,750 (150 students x $45 per student);
  - Year 2 - $8,850 (30 additional students x $45 per student + $7,500 for upgrades);
  - Year 3 - $8,850 (30 additional students x $45 per student + $7,500 for upgrades).
- This estimate is adequate and viable because it is based on vendor quotes (Staples, Office Max, and University Surplus) and projected student count.

Office Furniture and Other Equipment:

- The costs for office furniture and other equipment is based on the projected needs (tables, chairs, desks, file cabinets, etc.):
  - Year 1 - $2,000;
  - Year 2 - $3,500;
  - Year 3 - $4,500.
- This estimate is adequate and viable because it is based on vendor quotes (Staples, Office Max, and University Surplus).

Student Technology Equipment:

- Sierra Preparatory Academy intends to purchase student technology equipment that includes mainly desktop computers for student use. The estimate is based on a vendor quote (Dell Computers, educational pricing quote):
  - Year 1 - $5,000 (10 student computers @ $500 each, including software licenses);
  - Year 2 - $12,000 (24 student computers @ $500 each, including software licenses);
  - Year 3 - $25,000 (50 student computers @ $500 each, including software licenses);

- The increases during Year 2 and especially Year 3 are attributed to the increased technology requirement for state-mandated testing (PARCC) and the increase in student enrollment.

  The curriculum for Sierra Preparatory Academy has been designed specifically not to rely upon advanced electronic technology. While we are not philosophically opposed to the use of technology in the classroom, our goal is to minimize the pedagogical distraction that technology can often be. None of the curriculum samples provided in this application require advanced technology for the delivery of lessons, although we have occasionally indicated where technology may be used if it is available, affordable, and appropriate. Additionally, understanding that technology can have a significant impact upon budgets, SPA will only employ lessons and curricula that use technology when it makes sense both financially and pedagogically to do so.

  Under the current plan, only the physics I and II classes would benefit from the use of computers in order to perform data graphing and analysis more efficiently. However, given the implementation of the Modeling Method of instruction, only 1 computer per 4 students (5 computers per class) would be needed for a single physics classroom. The SPA budget has adequately accounted for these needs. Furthermore, the cost for any specialized lab equipment that may be desired for the science program has been accounted for in the Curriculum and Resource line item.

  Technology used in math classes, namely TI-83 calculators, will be purchased directly by students as part of their consumable costs. If a student is unable to purchase a calculator, a voluntary sponsorship program will be organized directly through SPA families which will have no net impact on the SPA budget.

Office Technology Equipment:

- Sierra Preparatory Academy intends to purchase office technology equipment that includes mainly desktop and laptop computers for employee use. The estimate is based on vendor quote (Dell Computers):
  - Year 1 - $3,500 (4 office desktop/laptop computers @ $500 each, including software licenses and 1 copy machine @ $1,500);
  - Year 2 - $5,500 (4 office desktop/laptop computers @ $500 each, including software licenses, and 1 high speed laser copier);
  - Year 3 - $5,500 (4 office desktop/laptop computers @ $800 each, including software licenses and 1 additional high speed laser copier);

Other Leases (Security, Copier, etc.):

- Sierra Preparatory Academy will use commercial security and surveillance systems and lease equipment where necessary. Several quotes from commercial vendors (SSMI Controls, ADT, and others) have been evaluated with average annual estimates, as follows:
  - Year 1 - $2,000;
  - Year 2 - $3,000;
  - Year 3 - $3,500;
- This projection is adequate and viable based on the needs and average quote costs.

Loan Repayments:

- The founder of the school, who loaned personal funds to Sierra Preparatory Academy will be paid back principal and accrued interest, starting from Year 4 of the school operation. No cash outlays for loan repayments are projected during the first 3 years of school operations at Sierra Preparatory Academy, which is reflected in the budget. The interest on the loan from the school founder to cover start-up costs ($25,000) is projected to be capitalized during the first three years of school operations. At the beginning of year 4, when the loan repayment is projected to start, Sierra Preparatory Academy is projected to have a cash reserve resulting from the 3-year budget surpluses in the amount of $167, 153, which exceeds more than 6 times the amount of the loan and makes the repayment of the loan easy on the budget and totally viable. Repayment will start from Year 4.