C.5 Three Year Operational Budget Assumptions

Highland Prep is projecting student enrollment of 150 in Year 1, 250 in Year 2 and 350 in Year 3. The extensive planning period beginning in February 2016 and $150,000 in secured start-up funds will allow Highland Prep time and resources to market and attract students to the school. The corresponding three year operational budget state funding figures are based on 85% (127.50 students) of the projected full enrollment of 150 students in Year 1; 90% (225 students) of the projected full enrollment of 250 in Year 2; and 90% (315 students) of the projected full enrollment of 350 in Year 3. Highland Prep believes that the increase from 85% of full enrollment is a conservative percentage for Year 1 and the increase to a factor of 90% in Years 2 and 3 is warranted due to the anticipated stability of the student population after Year 1.

In the start-up phase of HP, the school secured $150,000 in loaned funds from the schools founding members. It is anticipated that in year three of the schools operation the $150,000 loaned funds will be paid in full from excess operating revenues. Also, in year three, an additional $36,000 in 8% simple interest will be paid on loaned funds.

Highland Prep's compensation plan seeks to be competitive with high quality schools of similar size and population. Compensation will also be commensurate with experience and performance. Compensation includes salaries, health benefits, 401K as well as stipends. Stipends are paid to staff who coach after school athletics, participate in summer STEM training, Math and English teachers who attend summer Spring Board training, and grade level advisors. Salaries are adjusted for projected raises.

Administrative salaries for Year 1 will consist of a half time Director, a full time Principal, a full time Office Assistant, and a full-time Office/Finance Manager. An additional office assistant will be added in Year 3 to oversee day-to-day office procedures and policies in addition to maintaining records. In addition, one twelve month bus driver will be hired in Year 1 to transport students to and from school and extra-curricular activities. An additional nine month bus driver will be added in Year 2.

Instructional staff in Year 1 will consist of 1 Math teacher, 1 English Language Arts teacher, 1 Science teacher, 1 Social Studies teacher, half-time Physical Education/Elective teacher, half-time Elective Teacher, and 1 Foreign Language teacher. With the exception of the elective and foreign language positions, all other positions will effectively double in Year 2 and triple in Year 3 (from year 1). In addition, a half time regular education instructional assistant will be added in Year 2 to accommodate the increased number of students.

A half-time special education coordinator/teacher will begin at the start of the school year to oversee the IEP process and prepare for the school year to ensure that students with special needs receive accommodations and modifications within the classroom. The coordinator/teacher will assume all duties related to special needs students in Year 1 and a special education instructional assistant will be added in Year 3 commensurate with the addition of the 11th grade and an increase in enrollment.

Also, Highland Prep intends to contract with STEPS, who will provide contracted special education services for HP. Hearing and vision screening will be $80 per child, speech services at $75.00/hour, and a psycho educational evaluations will be $450.00. Year 1 costs are estimated at

$4,700, Year 2 is estimated at $6,500, and Year 3 is estimated at $9,000.

Employee benefits consist of required statutory contributions of social security and state unemployment as well as worker's compensation insurance. The statutory contributions total 10% of gross compensation. (FICA 7.65%, SUTA 1.5%, Worker's Comp estimated at .85%) Employee benefits also consist of medical/dental/vision/life/AD&D insurance for full time employees and a 401K plan. Medical/Dental/Vision/AD&D insurance premiums are calculated based on a total premium of $4,000 per employee annual cost. The premium cost was obtained through a health insurance broker and represents premium coverage. 401K contributions are calculated at 2% of gross salaries and details as to employer match and vesting policies are currently being developed.

Expenditures for office supplies will be utilized to create a provisioned office environment and estimates are based on a similar sized school and staff. Office supplies expenditures increase from $7,500 in Year 1 to $14,500 in Year 2 and $16,000 in Year 3.

Instructional consumables consist of materials for Project Lead the Way (PLTW) and Sea Perch based on student enrollment. These expenditures increase from $17,329 in Year 1 to $28,373 in Year 2 and $30,401 in Year 3. Consumables consist of tool bags, VEX robotics kits and required robotics kits for both programs based on the number of students.

Highland Prep will contract with Aspire Business Consultants to provide high level payroll and accounting support. The overall monthly fee for these services totals $275 per month and will begin in the first year of operation. Year 1 costs will be $3,300, Year 2 will be $5,000, Year 3 will be $6,500

Membership dues are comprised of student participation dues for Project Lead the Way and Sea Perch and Association memberships, research and development and training fees. Dues for membership and competition fees for PLTW and Sea Perch are $12,750 for Year 1, $22,050 for Year 2 and $25,150 for Year 3.

Instructional Field Trips consist of trips to universities and museums, field trips and special events to re-enforce the value of college and the real-world application of students' lessons. Contracted services for accounting, legal and consulting consists of required legal services, financial services, bank fees and information technology support.

Stipends for staff members include the designation of teachers who choose to represent and support a class cohort (for example: freshmen advisor, and sophomore advisor in year 1). Grade level advisors are paid a yearly stipend of $500, which in year 1 equal $1500, in year 2 when the school ads the eleventh grade there will be an additional advisor $2500, and in year 3 there will be a senior advisor bringing the total for grade level advisors to $3000, and thereafter.

Contracted Services for parent resources and PLTW consist of costs associated with a parent resource tool consisting of web hosting, links to the student information system and gradebook access. PLTW contracted services consist of teacher training expense excluding room and board.

Contracted services for extracurricular sports expense consist of expenditures for a robust high school sports program. Expenses include stipends for an athletic director: equipment and uniforms; coaches and membership, insurance, transportation and officials. The sports offered will include football, volleyball, basketball, baseball, softball, and soccer. Cross country will be added in Year 2 and costs will increase each year as student enrollment increases and junior varsity teams are added. Total costs are projected at $15,000 in Year 1, $40,000 in Year 2 and $60,300 in Year 3.

Expenditures for curriculum materials (Spring Board Math, Spring Board English, and other online course curriculum materials will be $45,000 in year 1 based on freshmen and sophomore cohorts and based upon deferring start-up costs, $22,947 in year 2 with the addition of a junior cohort, and $27,947 in year 3 with the addition of a senior cohort of students. The other curriculum materials (social studies, science, electives including Spanish and Mandarin) are digitally based.

SAIS Software expenditures represent ongoing subscription fees for School Master based on a comparable sized school (the cost is doubled in the first year due to deferral). Auditor fees are calculated based on estimates from existing charter schools of similar size and will be expended to hire and independent certified public accounting firm to perform the school's required annual audit.

Highland Prep anticipates that it will contract legal services from the Carter Law Group, P.C. to provide legal expertise due to their specialization with non-profit corporations.

Based on these qualifications, HP has budgeted for future legal services at $2,000 starting in year 1 with the costs in year 2 and 3 of $1,000 and $500 respectively.

Marketing and Promotional costs are detailed in section C.2. MHP will invest significant resources during the Start-Up phase to attract students and parents. The expenditures will range from print forms of communication, school website, Facebook and Twitter, signs and banners, mass mailings and future freshman days to be held at middle schools in the area. There will be a reduction in costs from start-up to Years 1, 2 and 3 of $6,400, primarily due to the mass mailing of brochures that occurs only in start-up. All other forms of advertising and marketing will remain constant ensuring a sustainable campaign to continually attract students.

During the first year of operations, the configuration, after landlord improvements, of the first property will suffice to service 150 students (with room to grow) at a net rent of $9,000 per month and an estimated sales and transaction privilege tax burden of an additional $170 per month. The estimated property tax is approximately $500 per month. Gross rent due from the school would be $9,670 per month and $116,040 per annum. Year 2 and year 3 gross rents would increase 3% to $119,521 and $123,106 respectively.

Property and casualty insurance estimates and liability insurance increases each year as the staff and student enrollment increase.

Transportation expenses include the cost to transport students to and from school as well as to and from the school for extracurricular activities. Year 1 and 2 expense includes the lease of one

84 passenger bus with a 5 year 5.5% interest term for a total cost of $27,000 and $15,000 annually for fuel, insurance and maintenance. A second bus will be added in Year 3.

Other leases include annual costs for a high capacity copy machine and monthly fees for a security system.