C.5 Three Year Operational Budget Assumptions

Notes and assumptions are also noted on the budget forms with specific line items or worksheets. All assumptions are based on quotes from vendors or comparisons with our two other Arizona network schools. Although outside grants are not assumed in our budget, we do plan to apply for a federal start-up grant and will actively pursue other grants such as the Walton Foundation Grant when we have received 501 (C) status and charter approval by the ASBCS in January 2013. Funding is based on a $500,000 line of credit for start-up funding from The Challenge Foundation and TeamCFA.

Equalization funding has been calculated in at 90% of full enrollment as an estimate based on the following plan. We will enroll new students Kindergarten through Second Grade in year 1 and add one grade a year in each of the following years until we complete the Eighth Grade. Kindergarten classes will be funded for the full day with 20 students per class and two classes. State equalization funding will cover the cost for half-day Kindergarten and Hirsch Academy: CFA will absorb the remaining cost. In First to Eighth Grade our classes will serve 23-26 students per class, with two class sections per grade level. We budgeted for 26 students per 1st-3rd.

Staffing Plan

Grades and Number of Students	Year 1	Year 2	Year 3
Grades	KG 1-2	KG 1 -3	KG 1-4
Number of Students	(40) (104)	(40) (156)	(40)(208)
Total Number of Students	144	196	248
Administration and Support	# Year 1	# Year 2	# Year 3
Director/Principal	1	1	1
Office Manager	0.5	0.5	0.5
Business Manager	0.5	0.5	0.5
Nurse	0	0	0
Instructional Staff	# Year 1	# Year 2	# Year 3
Classroom Teachers	6	8	10
Special Area (Music, PE, Art)	1.5	1.5	1.5
Special Education	0	0	0
Reading Specialist	0	0	.5
ELL Coordinator	0	0	0
Instructional Assistance – Special Education	1	1	1
Instructional Assistant –	0	0	0

Regular Education			
Media Specialist	0	0	0

Revenue

Assumes revenue carryover from start-up year at $156,996, from year 1 at $89,389, and from year 2 at $131,274.

Assumes equalization funding at $698,349 as calculated at 90% of 124 enrollment for year 1, with 176 students in year 2 at $997,490, and with 228 students in year 3 at $1,310,290.

Assumes $100,000 loan from Challenge Foundation Properties and TeamCFA in years 1-3 to be forgiven in years 4-6 with no debt service required in years 1-3.

Assumes $72,000 per year rent in years 1-3 .

Administration, Instruction and Support (AIS)

Salaries

School Director

Assumes an annual salary of $55,000 will be prorated to compensate the School Director when hired in Spring 2013 until end of start-up employee agreement in August 2013. With 90% or greater expected enrollment the School Director salary will increase to Year 1 $60,000 budgeted amount which is comparable to other Challenge Foundation schools in Arizona.

Teacher-Regular Education

Assumes average salary of $38,500 across a range of $36,000 - $40,000 for six teachers in year one at $231,000, and with a 2% annual increase on the base each year thereafter with 8 teachers year 2 at $312,620, and ten teachers year 3 at $395,872.

Teacher – Special Areas (Art/Music/PE)

Assumes 1.5 FTE Special Areas Teachers in years 1-3 with one .5 Art teacher, one .5 Music teacher and one .5 PE teachers. If an average salary were $38,500 for 1.0 FTE and a 2% annual increase on the base then 1.5 FTE in year 1 would be $57,750, year 2 at $58,905 and year 3 at $60,083. Salary range is comparable to the same positions in other network schools and to the classroom teacher scale.

Instructional Assistants- Regular Education

There will not be regular education instructional aides unless class size exceeds 22 in Kindergarten or 28 in 1st-3rd grade. This operational budget does not anticipate such large class sizes. However, if an instructional assistant were to be required, the annual cost would be estimated at $22,800 in salary and benefits which is comparable to the same position in other network schools. Our current

reserve and additional equalization revenue would support the hiring of this position if necessary.

Instructional Assistants –Special Education
Assumes one instructional aide for special education since a special education teacher will be contracted and may not be full time in years 1-3. Base salary at $19,000 in year 1 and a 2% increase each year thereafter - $19,380 in year 2 and $19,768 in year 3. Instructional aides for special education will be added as is require to meet student IEPs. Salary range is comparable to the same position in other network schools.

Office Manager-Business Manager
Assumes the Office Manager and Business Manager positions are budgeted as .5 positions. The two positions will be filled by one person due to manageable enrollment with a beginning start up salary in the spring of 2013 at $12,500 and $25,000 year 1. A 2% per year salary increase results in expense of $25,500 in year 2 and $26,010 in year 3. Salary is comparable for the same position held at other Challenge Foundation schools in Arizona.

Bookkeeper/Finance
The Office Manager-Business Manager will work closely with contracted Crisler Business Services. Projected expense related to Crisler Business Services is identified under Contracted Services.

Custodial/Maintenance
Custodial services will be taken care of by staff during school day hours so no additional expense is listed. JaniKing will be contracted for after school hours in years 1-3. JaniKing expense is identified under Custodial Services.

Other Reading Specialist/ELL
We will hire a .5 reading specialist in year 3 unless enrollment and need is such that we require a 1.0 reading specialist before or by year 3. Base salary at $38,500 and $19,250 for .5 FTE year 3 with a 2% increase in each year thereafter. This operational budget does not anticipate that a reading/ELL specialist would be required in years 1 or 2. However, if such a position were necessary the salary and benefits are estimated at $46,200. Projected reserves indicate that this position could be absorbed into the budget if necessary.

Other- Librarian
There will not be a Librarian. Libraries will be maintained in the classroom and by existing staff.

Employee Benefits
Assumes payroll taxes at 7.65%, unemployment tax at 2% and 401 (K) employer

contribution at 4%. Payroll and unemployment taxes are standard rates established by regulatory agencies. Employees in Challenge Foundation schools enjoy a maximum employer contribution rate of 4% of their salary.

Employee Insurance

Assumes health insurance benefit of $350 maximum contribution per employee. This amount can be applied by the employee toward the benefit package of their choice through the school's benefit provider. This amount has been sufficient for other employees working in Challenge Foundation schools in Arizona.

Office Supplies (Paper, Postage, etc.)

We've budgeted $400 per month for general supplies - $2400 for start-up and $4800 in each year 1-3. Costs were obtained from other schools in the Challenge Foundation network.

Postage expense was budgeted at $5 per student plus $50 per month. The start-up budget is $300, year 1 - $1320, year 2 - $1580, and year 3 - $1840. This expense covers mailings and other office related postage.

Instructional Consumables

Start up expense includes $8,000 covering $1,000 per classroom plus $2,000 for PE and music equipment. Supply maintenance is estimated to be $1,000 per classroom in year 1. Years 2 and 3 are estimated at an average of $750 per classroom plus additional cost of maintaining special areas. These expenses are comparable to other schools in the Challenge Foundation network. Anticipated expense is $6,000 in year 1, $8,625 in year 2 and $10,125 in year 3.

Membership Dues, Registrations, & Travel

Because of the relationship between the Challenge Foundation and Core Knowledge, actual costs include a 10% discount on four days of professional development annually - $6458 for year 1; $6008 annually for years 2 and 3.

The operational budget includes anticipated professional development and travel related to Singapore Math and Kids at Hope - $6,300 in year 1, $2,000 in year 2 and $500 in year 3.

It also includes training stipends and professional development to be paid to a Core Knowledge coordinator and a 1st year mentor teacher - $2,000 annually in years 1 – 3.

Finally, the operational budget also includes dues to be paid to the Arizona Charter School Association in the amount of $350 in year 1 and $500 annually in years 2 and 3.

Contracted Services

Assumes $1000 per month for Legal Expenses with a 2% increase in cost per year. Services are to be provided by Warren & Banker - $12,000 year 1, $12,240 year 2 and $12,485 year 3. These are estimated expenses and are generous amounts allotted per experience with our other network schools.

Assumes $1500 per month for accounting services (bookkeeping, payroll, benefits and grants management). A 2% annual increase has been factored in as well. Costs provided by Crisler Business Services and reflect comparable costs to our network schools - $18,000 in year 1, $18,360 in year 2 and $18,727 in year 3.

Assumes IT services by Integrated at their projected cost of $750 per month plus a 2% annual increase. - Year 1 at $9,000, year2 at $9,180 and year3 at $9,364.

Contracted Services (Special Education)

Assumes 12% special education enrollment at $1000 per student per year for contracted services in OT, PT, Speech and Language. Pricing estimate obtained from special education consultant known by Crisler Business Services. Year 1 $14,880, year 2 $21,120, year 3 $27,360 due to increased enrollment.

Curriculum & Resource Materials

Assumes Core Knowledge teacher materials are paid for within the line of credit from The Challenge Foundation and TeamCFA for start-up, and then from the $100,000 TeamCFA loan in years 1-3. Year 1 professional development and materials will be paid for with $20,000 from the $100,000 loan. This amount is generous as costs were obtained from the Core Knowledge Foundation and Pearson Learning. Because of the relationship between the Challenge Foundation and Core Knowledge, actual costs include a 10% discount on four days of professional development annually and a 15% discount on materials - $6458 for year 1; $6008 annually for years 2 and 3. Professional development expense is captured in the Membership Dues, Registration and Travel line item.

Assumes $1076 cost per classroom in budget materials. Assumes $88.10 for one administrator customized kit of CK literature. Cost provided by Core Knowledge Foundation.

Assumes mandatory Core Knowledge classroom teacher materials at $1267 at start up, $0 additional for year 1, $389 for year 2 and $997 in year 3.

Assumes no expenses in years 1-3 for TAP with implementation in year 3, if financially possible, or in year 4.

Assumes $900 training materials kit in start up year only for Love & Logic program. Cost obtained from Love & Logic website. Professional development to

be provided pro bono by a Hirsch Academy board member who has been trained in Love & Logic and has implemented the program in other schools.

Assumes $1539 start up materials cost for Pearson-Core Knowledge History & Geography series materials, no additional cost in year 1, cost of $2,461 additional materials in year 2 and $2,862 in year 3 for increased enrollment. Costs obtained from Pearson Learning.

Assumes Singapore Math materials cost at $12,658 start-up, no additional cost in year 1, $10,264 in year 2, and $11,625 in year 3 for increase in enrollment and replacement of consumable materials. Costs obtained from SMARTTraining, LLC.

Assumes comparable costs for purchase of CKLA Reading materials for K-3 to Open Court Imagine It!. CKLA materials will released and available for purchase in Spring 2013. A cost estimate was obtained from the Core Knowledge Foundation as we were told to use comparable costs for other K-2 reading programs as a fair estimate for the anticipated cost of CKLA. We've budgeted start up cost at $14, 941, no additional expense in year 1, $4,255 in year 2 and $4,154 in year 2 for increased enrollment. This accounts for teacher materials and 1 student text per student.

Assumes two Science FOSS kits to be purchased at start up at $700 total, no additional purchase in year 1, $2025 in year 2 and $1400 in year 3. Costs were obtained from a similar order placed by a one of our network schools for Fall 2012.

Assumes Open Court Imagine It! series cost at start to be $14,941, no additional costs in year 1, $4255 in year 2 and $4154 in year 3. This accounts for teacher materials and 1 student text per student. Costs were obtained from a similar order placed by a one of our network schools for Fall 2012.

Library Resources/Software

Assumes there will be classroom libraries only in years 1-3 and one Scholastic-Core Knowledge Library shared between two classrooms. Each library set has two copies of each book so can be shared easily between two classrooms. Start up cost would be $1665, no additional cost in year 1, $518 in year 2 and $518 in year 3. Prices were obtained from Scholastic website.

SAIS Software

Assumes start up software cost to be $10,000 with no repeating software costs in years 1-3. Additional maintenance cost in years 2 & 3 at $2000 each year, and training for office staff at start up $1500, and update training at $1500 per year in years 2 & 3. Pricing obtained from our network schools.

Auditor Fees

Assumes no audit year 1, audit year 2 and 3 by Fester & Chapman at pricing provided by them for $10,000 year .

Other- Assessments

Assumes $6000 assessment software to be purchased in start up year would include $5000 NWEA, $500 Gates-McGinitie, $500 Jerry Johns, and no expense in start up for Compass Learning. Year 1 costs for NWEA would be $1500, year 2 at $1875 and year 3 at $2250, due to increased enrollment. Compass Learning costs would be based on enrollment and purchased at $10,800 year 1, $14,700 year 2 and $18,600 year 3. Compass Learning provides remedial and enrichment support following NWEA benchmark testing. Pricing obtained from Compass Learning liaison and technology consultant at TeamCFA, Gates-McGinitie website, and Jerry Johns website.

Operations & Maintenance (O&M)

Supplies

Assumes Janitorial Supplies in start up year at $900, year 1 $3240, year 2 $ 3760, Year 3 $4280. These costs were derived by calculating $10 per student plus $150 per month. Pricing was obtained from other network schools. A janitorial service, JaniKing, will be contracted for after school hours in the first three years and school staff will clean their workspace with purchased supplies.

Marketing/Advertising

TeamCFA will absorb all marketing costs and provide all marketing materials and services for Hirsch Academy: CFA. Details are provided in section C.2 Marketing & Advertising. Pricing was provided by TeamCFA for comparable costs.

Contracted Services – O&M

Assumes JaniKing custodial services starting at $1250 per month then increasing each year as enrollment grows. - year 1 at $15,000, year 2 at $15,750 and year 3 at $16,538. Pricing was obtained from a network school for a comparable start up and growth plan.

Assumes landscape and maintenance expense at $1000 per month based on comparable services at a network school - $12,000 year 1, $12,600 year 2 and $13,230 year 3.

Building Rent/Lease/Loan

Assumes $6000 per month rent for proposed property space to house 6 classrooms year 1, 8 classrooms year 2 and 10 classrooms year 3 plus all other required office and common space - Years 1-3 at $72,000 per year. Pricing obtained from broker for property at location with highest rent and Challenge Foundation Properties.

Building & Improvements

Assumes no additional expense as this expense would be absorbed in the terms of the lease as advised by Challenge Foundation Properties who would be negotiating the lease and providing start up property costs for Hirsch Academy: CFA.

Land & Improvements

Assumes no additional expense as this expense would be absorbed in the terms of the lease as advised by Challenge Foundation Properties who would be negotiating the lease and providing start up property costs for Hirsch Academy: CFA.

Fees/Permits

Assumes the expense would be absorbed into lease terms as explained above for land and improvements.

Property/Casualty Insurance

See liability insurance

Liability Insurance

Assumes umbrella insurance at $4100 year 1, $4305 year 2 and $4520 year 3. Pricing was obtained from Challenge Foundation Properties for comparable insurance at network schools.

Assumes student accident insurance at $893 in year 1, $1215 year 2 and $1538 year 3 due to increase in enrollment. Pricing was obtained from a network school for similar insurance.

Assumes general liability insurance at $10,125 in year 1, $10,631 in year 2, and $11,163 in year 3. Pricing was obtained from Challenge Foundation Properties and based on comparable property and use of facilities for a school.

Utilities (Electric, Gas, Water, Waste)

Assumes utilities include electricity, water and trash removal, security deposits and monthly expense. Deposits in start up year at $4200 total for utilities. Electricity at $3000 per month in start up year, $11,250 year 1, $14,250 year 2, and $17,250 year 3. Water at $750 start up, $900 year 1, $1140 year 2 and $1380 year 3. Trash removal at $450 in start up, and $900 in years 1-3. Pricing for utilities was obtained by comparable schools within in the Challenge Foundation network.

Phone/Communications/Internet Connectivity

Assumes telephone and internet service with telephone at $50 per line per month using maximum number of classrooms plus two office lines and including deposits. Telephone start up at $600 per year and years 1-3 at $8100 per year. Internet connectivity is budgeted at $1000 per month so $6000 in start up year

including a deposit and $12,000 per year in years 1-3. Pricing was obtained from network schools using Century Link telephone service and an estimation by Integrated for internet connectivity service.

Transportation

We will not provide transportation in years 1-3 other than field trip transportation. Budgeted field trip transportation at $20 per student and based on projected enrollment year 1 at $2,880, year 2 at $3,920 and year 3 at $4,960. Pricing obtained from Crisler Business Services for projected cost.

Food Service

Assumes food service cost at $50 per student per month we do not anticipate participating the NSLP. Based on enrollment figures we have budgeted for year 1 $72,000, year 2 $98,000 and year 3 $124,000. Pricing based on current cost of school lunch program per child. ($2.50 per meal)

Student Furniture &Other Equipment

Assumes student furniture at $3,500 per classroom, so $26,250 at start up ($21,000 for classrooms and $5,250 for special areas). $7,000 each year thereafter. Pricing was obtained from Challenge Foundation Properties for a network school moving to a new location and purchasing similar furniture and equipment in 2012 from Arizona Furnishings.

Office Furniture & Other Equipment

Assumes $2000 per administrator so $4000 office furniture for the School Director and Office manager-Business Manager in the start up year. Pricing obtained from network school.

Assumes 4 lateral files at $400 each so $1600 total expense. Pricing obtained from network school.

Student Technology Equipment

Assumes purchase of 6 Apple computers per classroom at $850 per computer and adding 7 additional computers in years 2 and 3 for increased enrollment and adding one grade level per year. Pricing was obtained from the TeamCFA technology consultant based on his experience guiding other network schools with purchasing technology. Start up at $36,975, year 1 at no additional expense, years 2 and 3 at $9775.

Assumes purchase of Mimio equipment in each classroom at $21,150 at start up, no additional expense in year 1, $7050 in years 2 and 3 for additional classrooms. Pricing was obtained from the invoice of a network school that purchased same equipment in 2012.

Assumes purchase of a document camera for each classroom at $4200 at start up, no additional expense in year 1, then $1400 in years 2 and 3 for additional

classrooms. Pricing was obtained from the invoice of a network school that purchased same equipment in 2012

Office Technology Equipment

Assumes telephone and internet service with telephone at $50 per line per month using maximum number of classrooms plus two office lines. Start up at $600 and years 1-3 at $8100 per year. Internet connectivity is budgeted at $1000 per month so $6000 in start up year and $12000 per year in years 1-3. Pricing was obtained from network schools for Copper State telephone service and Integrated estimation for internet connectivity service.

Assumes two Apple computer for office at $850 each so $1700 in start up year. Pricing was obtained from the TeamCFA technology consultant based on his experience guiding other network schools with purchasing technology.

Assumes server at $1000 in start up year. Pricing obtained from Integrated.

Assumes telephone system at $2300 in start up year. Pricing obtained from similar expense at network school.

Other Leases (Security, Copiers, etc)

Assumes a copier lease at $1000 per month at $6000 in the start up year, and $12,000 per year in years 1-3. Pricing obtained from network school.

Assumes lease of water cooler at $100 per month at $1200 per year start up through year 3. Pricing obtained form network school.

Loan Repayment

Loan repayment for start-up property and building line of credit will begin in year 1 at $100,000 annually. If the school is not fiscally capable of repayment, terms of agreement can be renegotiated with Challenge Foundation Properties.

Other

There are no other assumptions for O&M.