C.4 Start Up Budget Assumptions

The Leman Academy of Excellence has secured a loan for $155,000, which will enable the school to begin administrative operations in advance of the first day of school. This new funding instills tremendous confidence that the school year will begin with a solid start and will be ready to accommodate the anticipated number of students in year one. In addition to the strong start up budget loan, LAE as "Other Committed Resources," as described below, which includes volunteer time, in-kind services and donations that have been committed to LAE.

Explanation of Revenue

Secured Loan

Leman Academy of Excellence has secured a loan of $155,000 from Canyon Design and Building. The loan will be made to LAE upon receiving notification that the charter application has been accepted by the ASBCS. The re-payment terms of the loan are as follows:

- The first payment will commence on the 4th year of operation and shall be paid over a 60-month term. There will be no penalty for early repayment.
- Interest will be assigned at a 5% simple interest.

Explanation of Expenses

Salaries & Required Employer Contributions:
The amounts reflected in the start up budget directly mirror the amounts budgeted in year one of the three-year budget. Amounts are based on a calculation of the percentage of a full year that an employee will be working in the start up year***;*** hiring the administrative staff in the start up year is viewed as a pre-cursor to the first year of operation. Salary, benefits and insurance coverage should be seamless from the start-up budget to first year operating budget.

Principal – The principal, already identified as Mr. Dennis O'Reiley, will be working throughout the fall of 2014 to support marketing efforts for the school as well as begin the process for identifying prospective teaching and administrative staff. This work will be done on a pro bono basis.

Upon receiving the charter from the ASBCS, funding from the loan will become available and Mr. O'Reilly will begin receiving a salary. The annual salary is set $65,000. The start up budget reflects this position as .58 of FTE. This represents seven months of a salary that will need to be supported from the start-up budget (January-July). His salary will continue at $65,000 per year. Beginning in August the Principal's salary will come from the operating budget.

The start up budget allows for $5,089 in required employer contributions. This amount is 58% of $8,775 – the contributions budgeted in the first year of the start-up budget.

Assistant Principal – This position will be hired in June 2015 – two months in advance of the start of school. The portion of the calendar year that this employee will be paid is 2/12 or 17%. This figure, .17, is entered into the # of FTE column in the budget to account for that portion of the annual salary. The start up budget also allows for $1,067 in Required Employer Contributions. This amount is 17% of $6,277 – the contributions budgeted in the first year of the start-up budget.

Director of Instruction – This position will be hired in June 2015 – two months in advance of the start of school. The portion of the calendar year that this employee will be paid is 2/12 or 17%. This figure, .17, is entered into the # of FTE column in the budget to account for that portion of the annual salary. The start up budget also allows for $1,032 in Required Employer Contributions. This amount is 17% of $6,074 – the contributions budgeted in the first year of the start-up budget.

Registrar – In year one, LAE has accounted for a part-time registrar. Recognizing the importance of this staff member during the intensive enrollment process in the start-up year, bringing this employee into the process as early as possible will ensure success. Because the registrar is part-time, the .17 portion of the FTE will account for four months of 20 hours per week (as opposed to two months at 40 hours a week for full-time employees). This position will begin in April 2015 and work closely with the Principal and Business Manager to oversee student registration. The start up budget also allows for $688 in Required Employer Contributions. This amount is 17% of $4,050 – the contributions budgeted in the first year of the start-up budget.

Business Manager – In advance of opening the school, the Business Manager and Principal will be working very closely; thus, the Business Manager will begin work in February – six months before the school opens. This is represented in the start-up budget with .5 allocated to the FTE column. Additionally, the start up budget also allows for $3,375 in Required Employer Contributions. This amount is 50% of $6,750 – the contributions budgeted in the first year of the start-up budget.

Reception/Clerical – This position will be hired in June 2015 – two months in advance of the start of school. The portion of the calendar year that this employee will be paid is 2/12 or 17%. This figure, .17, is entered into the # of FTE column in the budget to account for that portion of the annual salary. The start up budget also allows for $688 in Required Employer Contributions. This

amount is 17% of $4,050 – the contributions budgeted in the first year of the start-up budget.

Employee Benefits –This line on the budget is left blank because the cost was bundled into the 13.5% required employee benefits. The 13.5% breaks out into the following contributions (calculating at the 4% rate for 401K):

7.5%	FICA (Social Security & Medicare Tax)
2% - 4%	401K
2%	Workmen's Compensation
13.5%	Employee Benefits

Employee Insurance – $8,076.90 is budgeted for the start-up year. This figure is calculated from the year-one costs for employee insurance. In year one, $127,530 is budget for employee insurance. The number of employees eligible for health insurance in year one is 25. The average monthly cost per eligible employee is $425.10 ($127,520 ÷ 12 months ÷25 eligible employees).

The calculation is based on eligible employees (as opposed to covered employees) to avoid assumptions on the number of employees opting out of insurance. Based on this average amount: $425.10 per month per eligible employee, LAE expects to incur 19 months of insurance payments (Director = 7 months, Business Manager = 6 months, Director of Instruction = 2 months, Assistant Principal = 2 months, Clerical/Reception = 2 months, Registrar = 0 / not eligible) for a total start-up budget allocation of $8,076.90.

Office Supplies (paper, Postage, etc…) Donated by Advisory Board Member, Michael Farley. Details below in "Other Committed Resources"

Instructional Consumables – will be purchased in August

Membership Dues, Registration & Travel – The LAE Board does not have plans to travel in the start up year. LAE is currently a member of the Arizona Charter School Association; membership is up to date.

Contracted Services AIS: Not required until first year of three year operating budget.

Contracted Services: Special Education – not required until students are in the school.

Curriculum & Resource Materials – The total cost of Curriculum and Resource materials for year one is 92,462 (charts provided in the three-year operational budget narrative delineate this $92,462 expense) In recent months, LAE board members have learned of charter schools not having curriculum resources on hand by the first day of school in year one. To avoid this problem, LAE has committed

$13,000 to the start-up budget to allow for advance purchasing of curriculum resource materials.
The Three-Year budget narrative delineates the full cost of the materials and also accounts for $20,000 of that expense being spent in the start-up year.

Library Resources / Software – not required in the Start-up months.

SAIS Software – Budgeted for August of the first year operating budget.

Teacher Orientation & In-Service Training – Recognizing that having a prepared and trained teaching staff, who are well versed in Classical education as well as the mission, vision and core values of the Leman Academy of Excellence, a special investment of $7,420 has been allocated to host an 8-day orientation and in-services training program. Those attending are the 14 classroom teachers as well as the Principal, Assistant Principal and Director of Instruction. The length of each day will vary from four to six hours, depending on the content to be covered. The cost of $7,420 was calculated by each teacher receiving a flat rate of $530 for the 8-day orientation (14 teachers x $530 flat rate). The other administrative staff will be on salary during the 8-day orientation and they are not accounted for in this line item.

In the start-up year, teachers will be paid this fee for attending the orientation and in-services training program as miscellaneous income. No benefits will be included, nor taxes taken from the flat fee. In subsequent years, this orientation during the summer months will be built into the teacher's contract and compensation packages.

Operations & Maintenance Expenditures

Supplies – Office supplies are being donated by Advisory Board Member, Michael Farley of Farley & Associates (details below).

Marketing – LAE will work with Tagline Media Group of Tucson to place all their media. Tagline works exclusively with local businesses and had extensive experience is buying advertising and targeting marketing programs using the latest market research and first hand experience in the Southern Arizona market. Tagline builds their fees into the marketing plan; thus in year one $20,000 is allocated for Marketing & Advertising and the fee to Tagline (10%) is built into that amount. The breakdown of the $20,000 Marketing budget is as follows:

$6,500	Direct mail, households in a 10-mile radius with children under 12
$4,000	Web based marketing to include - Search Engine Optimization - Facebook.
$3,500	Radio advertising
$1,000	Graphic Design: brochure, welcome package, & direct mail

$1,500 Printing brochures, welcome packages
$3,500 Comcast Cable TV

In advance of start-up funding being available in February 2015, Tagline Media has offered to complete and host the LAE web site – a $2,500 value.

Additionally, the Advertising & Promotion plan described in C.2 delineates the role that Dr. Leman will have in promoting the school. Dr. Leman has a staff that manages his appearances, book tours, speaking engagements, etc… This person will handle all of the communication with potential feeder schools and arranging for Dr. Leman to present to families with rising 1st graders and Kindergarteners.

Neither Dr. Leman nor his staff will be compensated from LAE for this support.

Contracted Services O&M – This figure of $4,000 includes both legal and information technology support.

- Legal Support: $2,500 for legal advisors at Thompson Krone, P.L.C.
- Information Technology: $1,500 for Jeff Coleman from Resource Strategy, Inc (RSI). This service supports the needs in setting up networks and ensuring that all the systems are properly functioning in advance of the first day of school. This does not include costs for hardware or infrastructure.

Building Rent / Lease / Loan; Building & Improvements; Land & Improvements – For the facility that LAE will ultimately be housed in, there is no expense for this in the start-up year. As described in the financing potion of C.1, LAE will lease the facility from the developer. These payments do not begin until year one.

100% of the costs for purchasing land, developing, building, and furnishing the Leman Academy of Excellence facility is being paid for by The Lawson Financial Group. LAE will not take occupancy of the building until the end of July (to coincide with the staff and faculty start date of July 30, 2015). All costs associated with this are combined in the lease / rent line item of the three year operating budget and do not effect the Start-Up Budget.

Expenses that are derived from utilities, Internet, or office equipment that LAE will require in advance of taking occupancy of the LAE facility will be covered in the provided office space that Farley & Associates has committed to (see Other Committed Resources below).

Fees/Permits – Annual fee for a USPS Bulk Mail permit. Non Profit rate is $220. This amount was identified on the USPS web site. This permit will allow LAE to reap significant savings on direct mail.

Property / Causality Insurance – LAE will not take occupancy of the facility until July. Payments for property / casualty insurance will cost approximately 1/12 of the amount budgeted in the first year of the operational budget. LAE was quoted $6,000 for the full year. $500 has been allocated to the start-up budget to cover this one-month expense.

Labiality Insurance – LAE will purchase liability insurance in February of 2015 to coincide with the hire of the Business Manager. This will cost will be incurred for six months and is budget at ½ of the amount allocated in the first year of the operating budget. $2,500 was allocated for a year; thus $1,250 has been allocated for the start-up budget.

Utilities – LAE will not take occupancy of the building until July. Bills for this expenditure will arrive in August and are accounted for in the first year of the operating budget.

Phone/Communication/Internet Connectivity – the hardware associated with this expenditure will be part of the build out of the facility. Billing associated with this category will not begin until August and is accounted for in the first year of the operating budget.

Student Furniture & Equipment; Office Furniture & Equipment – the items (desks, gym equipment, tables, chairs, etc…) associated with this expenditure will be part of the build out of the facility. The lease payments that begin in year one will cover the expense to outfit LAE.

Student & Office Technology / Equipment – the technology hardware (computers, printers, whiteboards, iPads, computer carts, etc…) associated with this expenditure will be part of the build out of the facility. The lease payments that begin in year one will cover the expense to outfit LAE.

The technology support to ensure that the systems are working properly will be managed by and outside vendor, Jeff Coleman from Resource Strategy, Inc. $1,500 (see above) has been allocated for the time between LAE taking occupancy of the building and August 1st. Ongoing tech support is accounted for in the operating budget.

Other Leases (security/copiers) – These payments begin in August of the first year budget.

Loan Repayment – loan repayment for the $155,000 start-up funding begins in year 4.

Other Committed Resources

Volunteer Staffing

Dennis O'Reilly is slated to be the Leman Academy of Excellence Principal. He is currently a board member, the elected Executive Director of the Board and will function as the school leader. His efforts will be on a volunteer basis until other funding sources can be secured.

LAE has processed the forms with the IRS to be recognized as a non-profit organization. When 501(c)(3) status is confirmed, the board will begin fundraising and grant writing in earnest. If/when sufficient funds are raised, Mr. O'Reilly will be hired as the Principal and the corresponding changes to the board of directors will ensue. Mr. O'Reilly is committed to seeing this project through to completion. If the start-up budget is not augmented by fundraising sufficient to provide Mr. O'Reilly with a salary, he understands that compensation for his role as Principal will not begin until he his hired on July 30, 2015.

Office, Supplies & Administration

Advisory Board member, Michael Farley of Farley & Associates has committed the following resources to support LAE in the start-up year:

- **Office Space –** one office of the Farley & Associates suite at 6601 E. Grant Road in Tucson, AZ
- **Secretarial Support –** part-time availability of the executive assistant who supports and manages Farley & Associates
- **Office Supplies –** including but not limited to paper, general office supplies, postage, desk top computer, and printer
- **Communications –** use of internet, phone and fax machine

In addition to these tangible resources, the human capital that comprises the Leman Academy of Excellence volunteer board of directors and advisory board includes members with knowledge, skills and abilities that span the following disciplines:

- Business Development
- Finance
- Grant Writing & Fundraising
- Marketing
- School Administration
- Teaching

The Governing Board and Advisory Board are very confident that, once LAE has secured its non-profit status, a successful fundraising and grant writing program will enable LAE to re-work the Start-Up budget. All of the board and advisory board members have deep connections within the Tucson, AZ community and Dr. Leman's network of supporters and followers is national.