C.5 Three Year Budget Assumptions

A. Explanation of the Revenue

State equalization funding is based on target enrollment for grades 9-12 for the first three years of operation. Year one is based on 250 students or 83.33% of the goal, which provided a conservative budget projection for yearly revenue. Year two and year three target enrollments is 600 and 900 respectively, due to an additional two sites opening in year two and year three. Projected state equalization funding is based on 95% of the pupil amount based on Fifth Arrow's blended model. Ten percent of the budgeted population is classified as English Language Learners based on a conservative projection.

B. Explanation of Expenses

I. ADMINISTRATION, INSTRUCTION & SUPPORT (AIS) EXPENDITURES

A. Salaries (all salaries for Year 1 were calculated based on an eleven month salary rate, due to adding July 2016 expenses to the start-up period)

i. Principal

Assumes that Principal will be paid $90,000 annually for the first three years of operation. The total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $99,000 for years two and three. Year 1 salary was calculated based on eleven months, which is $82,500 plus 10% of required employer contributions for a total of $90,750.

ii. Director of Instruction

Assumes that DOI will be paid a partial salary of $60,000 for year two, due to the start date beginning in the middle of the school year. In year three the DOI will be paid $120,000 which will cover the full school year. The total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $66,000 for Year 2 and $132,000 for Year 3.

iii. Lead Teacher

Assumes that Lead Teacher will be paid $70,000 annually beginning in Year 3. The total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $77,000 for the year.

iv. General Education Teacher

Assumes that total of eight regular education teachers (including General Education Teachers and Small Group Instruction teachers) will be paid $352,000, which includes eleven months of salary for Year 1, eighteen General Education Teachers to be paid $864,000 in Year 2, and twenty seven General Education Teachers to be paid $1,296,000 in Year 3. All projections are based on an annual salary of $48,000 for each teacher. Total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $387,200 in Year 1, $950,400 in Year 2, and $1,425,600 in Year 3.

v. Special Education Teacher

Assumes that one Special Education teacher will be paid $45,833 based on an eleven month salary of $50,000 in Year 1, three Special Education teachers will be paid $150,000 in Year 2, and five Special Education teachers will be paid $250,000 in Year 3. All projections are based on a $50,000 annual salary per teacher. Total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $50,417 in Year 1, $165,000 in Year 2, and $275,000 in Year 3.

vi. Clerical

Assumes that a Center Coordinator and a Compliance Coordinator will be paid $66,000 based on an annual total of $72,000 for Year 1, two Center Coordinators and two Compliance Coordinators will be paid $144,000 in Year 2, and three Center Coordinators and three Compliance Coordinators will be paid $216,000 in Year 3, based on an annual salary of $36,000. The total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $72,600 in Year 1, $158,400 in Year 2, and $237,600 in Year 3.

vii. Other: Student Advisor

Assumes that a Student Advisor will be paid an annual salary of $50,000 beginning in Year 2. The total salary assumes 10% of the required employer contributions (payroll taxes, unemployment taxes) for a total of $55,000 per year for two years.

B. Employee Benefits

Assumes that eligible employees will qualify for the following benefits: basic life, 403 (b) plan, disability insurance, and other benefits, which are approximately five percent of the total compensation after 30 days of the employment starting July 1, 2016. The total cost of employee benefits is $30,048 for Year 1, $74,690 for Year 2, and $115,060 for Year 3.

C. Employee Insurance

Assumes that eligible employees will receive the following health insurance benefits: a maximum of $384 monthly allowance for health, $80 for dental, and $12 for vision insurance, which is approximately ten percent of the total compensation after 30 days of the employment starting July 1, 2016. The total cost of employee insurance is $60,097 for Year 1, $149,380 for Year 2, and $230,120 for Year 3.

D. Office Supplies (Paper, Postage, etc.)

Assumes that office supplies cost $1,000 per month, printing and copying $500 per month, and postage and shipping $100 per month. The total cost for Year 1 is $17,600 (eleven months at $1,600 per month) $38,400 for Year 2, and $57,600 for Year 3, due to the additional two sites in years two and three. The major vendors are Staples http://www.staples.com/ and California Office Supplies http://www.californiaos.com/ . This cost assumption is provided by PMG is based on the expense history of the other charters contracting with PMG.

E. Instructional Consumables and Curriculum & Resource Materials

- Assumes that instructional consumables (printing student activity workbooks, textbooks, assessments, and subscriptions) and curriculum & resource (curriculum developers fees) materials are estimated to cost $136,550 for start-up and Year 1 of operation. Twenty percent of the remaining instructional consumables, which is $12,558, will be incurred during Year 1 of operation and $23,760 will be part of the management fees for Year 1 to cover the cost of curriculum developers to write and update courses.

- Year 2 costs of instructional consumables are estimated at $244,823 and $47,520 for curriculum & resource materials.
- Year 3 costs of instructional consumables are estimated at $367,235 and $71,280 for curriculum & resource materials. This cost assumption, provided by PMG is based on the expense history of existing charters.

F. Membership Dues, Registrations, & Travel

- Assumes that $400 in transitional charter membership fees will be paid to Arizona Charter Schools Association (included as part of $1,833 cost). Cost determined from https://azcharters.org/school-development-memberships .
- Assumes that $1,833 (eleven months of $2,000), $4,000, and $6,000, including the fee to Arizona Charter Schools Association, will be incurred during Year one, two and three of operation respectively. The annual fee is estimated at $2,000 per each site for three sites by Year 3.

G. Contracted Services (AIS)

- Assumes no cost for contracted Services (AIS) cost during Year1.
- Assumes that college tour costs to be estimated at $48,000 (maximum 40 students at $1,200 per student per each trip) for Year 2 and Year 3 of operation. This cost assumption, provided by PMG is based on the expense history of existing charters.
- Assumes that the Blackbird Farm, Inc. trip will cost $55,000 (maximum 20 students at $2,750 per student per each trip) for Year 2 and Year 3 of operation. This cost assumption, provided by Blackbird Farm, Inc. is based on the expense history of existing charters.
- Assumes that the Rocky Mountain Pathways, Inc. trip will cost $87,750 (maximum 39 students at $2,250 per student per each trip) for Year 3 of operation. This cost assumption, provided by Rocky Mountain Pathways, Inc. is based on the expense history of existing charters.

H. Contracted Services (Special Education)

Assumes that contracted services for Special Education costs are estimated at $60,000 annually per site. Fifth Arrow has budgeted $55,000 (eleven months of Year 1 cost $60,000) for Year 1, $120,000 for Year 2, and $180,000 for Year 3. The annual cost of $60,000 includes staff management, provision of training, professional development, and state and federal law compliance. This cost assumption provided by Prep For Success, Inc. is based on the expense history of existing charters.

I. Library Resources/Software

Assumes $22,872 for library resources and software costs (eleven months of Year 1 cost $24,951) for Year 1, $42,619 for Year 2, and $63,754 for Year 3. The annual cost of $24,951 for Year 1 includes: $8,250 for Achieve 3000, $348 for Survey Monkey, $8,667 for Plato Courseware Secondary Academic Library, and $7,686 for Star Renaissance. The annual cost of $42,619 for Year 2 includes: $16,500 for Achieve 3000, $348 for Survey Monkey, $10,398 for Plato Courseware Secondary Academic Library, and $15,373 for Star Renaissance. The annual cost of $63,754 for Year 3 includes: $24,750 for Achieve 3000, $348 for Survey Monkey, $15,597 for Plato Courseware Secondary Academic Library, and $23,059 for Star Renaissance.

J. SAIS Software

Assumes that SAIS software costs will be $13,785 (eleven months of the annual cost of $15,038) for Year 1.The annual cost of $15,038 includes: $7,500 for training and $4,150 for implementation costs for Year 1, $6,376 for Year 2, and $9,364 for Year 3. No training or implementation costs will be applied during Years 2-3.This cost assumption provided by PMG is based on the expense history of existing charters using PowerSchool system.

K. Auditor Fees

Assumes no auditor's fees for Year 1, $26,000 for Year 2, and $31,200 for Year 3 (twenty percent increase in Year 3). This cost assumption provided by PMG is based on the expense history of existing charters with Maginnis, Knechtel & Mclntyre, LLP.

L. Other – Staff Development

Assumes that staff development costs will be $25,740 (eleven months of $28,080) for Year 1, $56,160 for Year 2, and $84,240 for Year 3. The annual costs include materials and lunch for all staff that attend professional development sessions. This cost assumption provided by PMG is based on the expense history of existing charters.

M. Marketing/Advertising

- Assumes $15,000 for marketing/advertising in Year 1 of operations which include: $3,200 for promotional materials, $1,700 for marketing materials, $1,000 for internet marketing, $5,000 for public advertising, and $4,100 for events.
- Assumes $30,000 for marketing/advertising in Year 2 of operations: $3,300 for promotional materials, $1,700 for marketing materials, $5,000 for internet marketing, $10,000 for public advertising, and $10,000 for events.
- Assumes $25,000 for marketing/advertising in Year 3 of operations: $3,300, for promotional materials $1,500 for marketing materials, $4,500 for internet marketing, $8,000 for public advertising, and $8,000 for events.

N. Contracted Services - O&M

Assumes that total costs for contracted services provided by Alltech, Inc. will be $32,083 (eleven months of $35,000) for Year 1, $70,000 for Year 2, and $105,000 for Year 3. The total annual cost of $35,000 per site consists of: $267 per month for data backup, $270 per month for monitoring, $1,230 per month for maintenance and troubleshooting MAC

and PC systems, $695 per month for full support of major platforms, and $455 per month for synchronization of e-mails, contacts, calendars, and files.

O. EMO Management Fee

- Assumes the cost of $55,630 (for eleven months) in EMO management fees for Year 1. $60,688 is $170,688 (ten percent of Year 1 revenue) less $110,000 of the total management fees.
- Assumes the cost of $65,429 in EMO management fees for Year 2. $65,429 is $365,429 (ten percent of Year 2 revenue) less $300,000 of total management fees.
- Assumes the cost of $548,143 in EMO management fees for Year 3, which is ten percent of Year 3's revenue.

P. Building Rent/Lease/Loan

Assumes that the classroom space of 7,000 square feet estimated at $0.75 per square foot per month totals $57,750 in rent costs for Year 1 (eleven months of $63,000), $126,000 for Year 2, and $189,000 for Year 3. The lease assumptions are based on average property cost in the 85014 zip code for three sites during year three of operation.

Q. Building & Improvements

Assumes that the classroom space of 7,000 square feet will cost approximately $350,000 for tenant improvements and renovations at $50 per square foot per site. The cost of building & improvements is $455,000 ($105,000 remaining thirty percent of the cost from the first site plus $350,000 for the second site) for Year 1 and $350,000 for Year 2. This expense is based upon historical tenant improvements provided by PMG in cities with similar costs of living.

R. Fees/Permits

Assumes cost of fees and permits for Year 1 to be estimated at $6,417 (eleven months of $7,000), Year 2 at $10,500, and Year 3 at $15,750, assuming fifty percent increase each year due to the additional sites. This cost is based upon similar expenses incurred by PMG.

S. Property/Casualty Insurance

Assumes cost of property/casualty insurance for Year 1 to be estimated at $22,917 (eleven months of $25,000), Year 2 at $37,500, and Year 3 at $56,250, assuming fifty percent increase each year due to the additional sites. This cost is based upon similar expenses incurred by PMG.

T. Liability Insurance

Assumes cost of liability insurance for Year 1 to be estimated at $2,750 (eleven months of $3,000), for Year 2 at $4,500, and for Year 3 at $6,750, assuming fifty percent increase each year due to the additional sites. This cost is based on similar expenses incurred by PMG.

U. Utilities (Electric, Gas, Water, Waste)

- Assumes total utilities expenses for Year 1 to be estimated at $20,213, which consists of $14,438 in utility cost (twenty five percent of the cost of the rent) and $5,775 in janitorial supplies (ten percent of the cost of the rent).
- Assumes total utilities expenses for Year 2 to be estimated at $44,100, which consists of $31,500 in utility cost (twenty five percent of the cost of the rent) and $12,600 in janitorial supplies (ten percent of the cost of the rent).
- Assumes total utilities expenses for Year 3 to be estimated at $66,150, which consists of $47,250 in utility cost (twenty five percent of the cost of the rent) and $18,900 in janitorial supplies (ten percent of the cost of the rent).

V. Phone/Communication/Internet Connectivity

Assumes phone, communication, and internet expenses to be estimated at $5,500 (eleven months of $6,000) for Year 1, $12,000 for Year 2, and $18,000 for Year 3, or $500 per month per site. This cost assumption provided by PMG is based on the expense history of existing charters with AT&T.

W. Transportation

Assumes $0 in transportation cost, school will not provide transportation.

X. Food Service

Assumes $0 in food service cost, school will not provide food services.

Y. Student Furniture & Equipment

Assumes total student furniture & equipment cost to be estimated at$45,000 per each new site. Fifth Arrow will incur twenty percent of $45,000, which is $9,000 during the first year of operations, and $45,000 for Year 2, and $45,000 for Year 3. This cost assumption is provided by PMG based on the cost of furniture for existing charters managed by PMG with OES Office Furniture http://oesofficefurniture.com/.

Z. Office Furniture & Equipment

Assumes the total office furniture & equipment expenses to be estimated at $15,000 per site. Fifth Arrow will incur twenty percent of $15,000, which is $3,000, during the first year of operations, and $15,000 for Year 2, and $15,000 for Year 3. This cost assumption is provided by PMG based on cost of furniture for existing charters managed by PMG with OES Office Furniture http://oesofficefurniture.com/ .

AA. Student Technology Equipment

Assumes the total student technology equipment costs to be estimated at $20,000 per site. Fifth Arrow will incur twenty percent of $20,000, which is $4,000, during the first year of operations, and $20,000 for Year 2, and $20,000 for Year 3. This cost assumption provided by PMG based on the expense history of existing charters with Dell, Inc. http://www.dell.com/ .

BB. Office Technology Equipment

Assumes the total office technology equipment costs to be estimated at $30,000 per site, Fifth Arrow will incur twenty percent of $30,000, which is $6,000, during the first year of operation, and $30,000 for Year 2, and $30,000 for Year 3. This cost assumption provided by PMG is based on the expense history of existing charters with Dell, Inc. http://www.dell.com/.

CC. Other Leases (Security, Copier, etc.)

Assumes total other lease costs to be estimated at $6,000 annually per site; $5,500 (eleven months of $6,000) for Year 1, $12,000 for Year 2, and $18,000 for Year 3.This cost is based on similar expenses incurred by PMG with California Office Systems, Inc.

DD. Loan Repayment

- Assumes that $12,650 (eleven months of $13,800) of the loan interest (two point three percent on $600,000 loan) will be paid to PMG during Year 1.
- $200,000 of the loan and $13,800 of the interest will be paid during Year 2.
- $400,000 of the loan and $9,200 of the interest will be paid during Year 3.This expense is based on the terms of the loan in the promissory note between PIE-AZ and PMG.

EE. Other – Building Maintenance and Repairs

Assumes total building and maintenance costs to be estimated at $10,080 annually per site; $9,240 (eleven months of $10,080) for Year 1, $20,160 for Year 2, and $30,240 for Year 3, which is approximately sixteen percent of rent cost. This cost is based upon similar expenses incurred by PMG.

FF. Other – Legal

Assumes legal fees to be estimated at $12,000 annually; Fifth Arrow estimates Year 1 legal expenses to be $11,000 (eleven months of $12,000) and $12,000 for Years 2-3. This cost estimate is provided by Carter Law Office based on $215 rate per hour.