C.4 Start-Up Budget Assumptions

A. Explanation of Start-Up Revenue

The start-up revenue is based upon a $600,000 loan from Pathways Management Group, Inc. (PMG), a private, nonprofit organization incorporated in the state of California. PMG contracts with secondary charter schools to provide managerial services. The loan will be paid back during the first three years of Fifth Arrow's operation with a 2.3% interest per annum.

B. Explanation of Expenses

I. ADMINISTRATION, INSTRUCTION & SUPPORT (AIS) EXPENDITURES

A. Salaries

i. Principal

- Assumes the Principal for Fifth Arrow will be paid for services beginning April 1, 2016 and will be paid $30,000 for four months based upon a $90,000 annual salary. The total salary costs, including required employer contributions are estimated to be 10% of the principal's salary, which is $33,000.

ii. Teacher General Education

- Assumes that a total of six General Education teachers (including general education and Small Group Instruction teachers) will be paid beginning June 1, 2016 and will be paid $48,000 for two months based on $48,000 annual salary. The total salary assumes 10% of required employer contributions totaling $52,800.

iii. Teacher-Special Education

- Assumes that the Special Education teacher will be paid June 1, 2016 and will be paid $8,333 for two months based on $50,000 annual salary. Total salary assumes 10% of required employer contributions totaling $9,167.

iv. Clerical

- Services beginning June 1, 2016 and will be paid $12,000 for two months based on $36,000 annual salary. Total salary assumes 10% of required employer contributions totaling $13,200.

B. Employee Benefits

Assumes that eligible employees qualify for the following benefits: basic life insurance, 403 (b) plan, disability insurance, and other benefits, which are approximately five percent of the total compensation after 30 days of employment. The principal will be eligible for benefits beginning May 1, 2016 and the remaining staff will be eligible beginning July 1, 2016. The total cost for start-up budget is estimated to be $3,117.

C. Employee Insurance

Assumes that eligible employees qualify for the following health insurance policy: a maximum of $384 monthly allowance, $80 for dental, and $12 for vision insurance, which is approximately ten percent of the total compensation after 30 days of employment. The principal will be eligible for health insurance beginning May 1, 2016

and the remaining staff will be eligible beginning July 1, 2016. The total cost for start-up budget is estimated to be $6,233.

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 June and July 2016 will be $3,200. Major vendors are Staples http://www.staples.com/ and California Office Supplies http://www.californiaos.com/. This cost assumption, provided by PMG and is based on the expense history of existing charters contracting with PMG.

E. Instructional Consumables and Curriculum & Resource Materials

- Assumes that instructional consumables (student activity workbooks, textbooks, assessments, and subscriptions) and curriculum & resource materials (curriculum developers fees) are estimated to be at $136,550, which is eight percent of revenue for start-up and Year 1 of the operations. Eighty percent of instructional consumables which is $50,232, will be incurred during the start-up period and the remaining twenty percent during Year 1.
- Assumes no cost for curriculum and resource materials (developers' fees) due to a PMG donation of $50,000 to cover the cost of the development of five courses at $10,000 each. This cost assumption, provided by PMG is based on the expense history of existing charters.

F. Membership Dues, Registrations, & Travel

- Assumes that $350 in new school development membership fees will be paid to Arizona Charter Schools Association on annual basis. Cost determined from https://azcharters.org/school-development-memberships.
- Assumes that $167 will be paid for the month of July 2016 based on estimated membership dues of $2,000 per year per site, which includes registration and travel during Year 1.Total cost is $517 for start-up budget. This cost assumption, provided by PMG is based on the expense history of existing charters.

G. Contracted Services (Special Education)

Assumes that contracted services for special education costs will be at $5,000 for the month of July 2016 based on a $60,000 annual fee for Year 1.The annual cost of $60,000 represents: staff management, provision of training, professional development, as well as compliance with state and federal laws . This cost assumption, provided by Prep For Success, Inc. is based on the expense history of existing charters.

H. Library Resources/Software

Assumes that library resources and software costs will be $2,079, which represent one month of expenses for July 2016. The total cost is $24,951 for Year 1 and includes: $8,250 for Achieve 3000, $348 for Survey Monkey, $8,667 for Plato Courseware Secondary Academic Library, and $7,686 for Star Renaissance. This cost assumption, provided by PMG is based on the expense history of existing charters.

I. SAIS Software

Assumes that SAIS software costs will be at $1,253, which represents one month of the expenses for July 2016. The total cost is $15,038 (including $7,500 in training and $4,150 in implementation cost) for Year 1. This cost assumption, provided by PMG is based on the expense history of existing charters using PowerSchool system.

J. Other – Staff Development

Assumes that staff development costs will be $4,680 for the month of June and July 2016. This includes the cost of material and food for the teacher professional development period. The total cost will be $28,080 for Year 1.This cost assumption, provided by PMG is based on the expense history of existing charters.

K. Marketing/Advertising

Assumes no cost for marketing/advertising due to donation of $15,000 from PMG. The marketing/advertising donation includes: $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.

L. Contracted Services - O&M

Assumes that the total costs of the services provided by Alltech, Inc. is $2,917 for the month of July 2016. Total costs for Year 1 is estimated to be $35,000 annually per site which includes: $267 data backup (per month), $270 monitoring (per month), $1,230 for maintenance and troubleshooting MAC and PC systems (per month), $695 for full support of major platforms (per month), and $455 for synchronization of e-mails, contacts, calendars, and files (per month) .

M. EMO Management Fee

Assumes $5,057 in EMO management fees for July 1, 2016. The total cost for Year 1 in EMO management fees is estimated to be $60,688, which is $170,688 (ten percent of the Year 1 revenue) less $110,000 of the total management fees.

N. Building Rent/Lease/Loan

Assumes classroom space of 7,000 square feet at $0.75 per square foot per month for April, May, June, and July 2016. The rent cost of $21,000 represents average costs for property in the 85014 zip code for four months at a rate of $5,250 per month.

O. Building & Improvements

Assumes the classroom space of 7,000 square feet will cost approximately $350,000 for tenant improvements and renovations at $50 per square foot. Seventy percent of $350,000, which is $245,000, will be paid during the start-up period, and the remaining thirty percent will be paid during Year 1 of operation due to a long term relationship PMG has with its vendor. This expense is based upon historical tenant improvements provided by PMG in cities with similar cost of living.

P. Fees/Permits

Assumes cost of fees and permits will be $583 for the month of July 2016, based on estimated cost of $7,000 for Year 1.This expense is based upon the similar expenses incurred by PMG.

Q. Property/Casualty Insurance

Assumes cost of property/casualty insurance will be $2,083 for the month of July 2016, based on a fee of $25,000 for Year 1. This expense is based upon similar expenses incurred by PMG.

R. Liability Insurance

Assumes cost of liability insurance will be $250 for the month of July 2016, based on an annual fee of $3,000. This expense is based upon the similar expenses incurred by PMG.

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

Assumes the total utilities expenses of $7,350 for four months April through July 2016, which includes $5,250 in utilities costs (twenty five percent of the cost of the rent) and $2,100 in janitorial services (ten percent of the cost of the rent).

T. Phone/Communication/Internet Connectivity

Assumes the total phone, communication, and internet connectivity expenses of $2,000 from April through July 2016, or $500 per month. This cost assumption, provided by PMG is based on the expense history of existing charters that contract with AT&T.

U. Student Furniture & Equipment

Assumes the total student furniture & equipment costs to be estimated at $45,000 per site for start-up and the first year of school. Eighty percent of the $45,000, which is $36,000, will be incurred during the start-up period. The remaining twenty percent, which is $9,000, will be incurred during the first year of the operation. This cost assumption, provided by PMG is based on the cost of furniture for existing charters managed by PMG. The vendor is OES Office Furniture http://oesofficefurniture.com/.

V. Office Furniture & Equipment

Assumes the total office furniture and equipment expenses to be estimated at $15,000 per site for start-up and Year 1 of the operation. Eighty percent of the $15,000, which is $12,000, will incur during start-up and the remaining twenty percent ($3,000) will incur during the first year of operation. This cost assumption, provided by PMG is based on cost of furniture for other charters managed by PMG. The vendor is OES Office Furniture http://oesofficefurniture.com/ .

W. Student Technology Equipment

Assumes the total student technology equipment cost to be estimated at $20,000 per site for start-up and the Year 1 of operation. Eighty percent of the $20,000, which is $16,000, will incur during the start-up period and the remaining twenty percent ($4,000) will incur during the first year of operation. This cost assumption, provided by PMG is based on the expense history of existing charters with Dell, Inc. http://www.dell.com/.

X. Office Technology Equipment

Assumes the total office technology equipment cost to be estimate at $30,000 per site for start-up and the Year 1 of operation. Eighty Percent of the $30,000, which is $24,000, will incur during the start-up period and the remaining twenty percent ($6,000) will incur during the first year of operation. This cost assumption, provided by PMG is based on the expense history of existing charters with Dell, Inc. http://www.dell.com/.

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

Assumes other leases costs to be estimated at $500 for the month of July 2016, based on a total cost of $6,000 for Year 1. This expense is based on similar costs incurred by PMG with California Office Systems, Inc.

Z. Loan Repayment

Assumes that $1,150 (one month of $13,800) of the loan interest (two point three percent on $600,000 loan) will be paid on the PMG loan during July 2016. This expense is based on the terms of the loan in the promissory note between PIE-AZ and PMG.

AA. Other – Building Maintenance and Repairs

Assumes the total building and maintenance cost to be estimated at $3,360 for May through July 2016, which is approximately sixteen percent the rent cost during the start-up period. This expense is based on similar expenses incurred by PMG.

BB. Other – Legal

Assumes $1,000 in legal fees for July 2016 provided by Carter Law Office, based on a $215 rate per hour.