C.4 Start-Up Budget Assumptions

All assumptions are conservatively based on acquired quotes and estimates from current School Directors and Business Operations Managers of start-up charter schools in the Phoenix area. All expenses are calculated assuming only secured funds are available (AZ CSP grant, awarded February 2013), although the co-founders and Governing Board members will actively pursue additional grant applications and donations prior to authorization and after notification of approved 501(c)3 status.

SySTEM Phoenix's budget is conservatively based on 90% of full enrollment and accounts for attrition each year. SySTEM Phoenix will actively recruit students in 6th grade in Y1, 6th and 7th grade in Y2, and 6th, 7th, and 8th grade in Y3, ensuring approximately 100 students are enrolled in each grade each year.

Explanation of Start-Up Revenue

SySTEM Phoenix was awarded an AZCSP start-up grant in February 2013 for $690,000 to be used in a 3-year period. The first $230,000 will be expended between February 2013 and January 2014. SySTEM Phoenix will have access to an additional $230,000 from February 2014-January 2015 (to be used in start up and Y1 of operation), and the final $230,000 from February 2015-January 2016 (to be used in Y1 and possibly in Y2). While this is the only secured start-up revenue currently available, the co-founders and Governing Board members plan to actively pursue additional grant applications and donations prior to authorization.

Explanation of Expenses

Administration, Instruction & Support (AIS) Expenditures

Salaries

Chief Operations Officer

- Assumes the Chief Operations Officer for SySTEM Phoenix will begin paid service starting February 1, 2014 and will be paid for six months at $5,000 per month, based on a $60,000 annual salary. Total salary cost, including required employer contributions, estimated at 10% of salaries or $6,000 per year, will be $33,000.

Chief Academic Officer

- Assumes the Chief Academic Officer for SySTEM Phoenix will begin paid service starting February 1, 2014 and will be paid for six months at $5,000 per month, based on a $60,000 annual salary. Total salary cost, including required employer contributions, estimated at 10% of salaries or $6,000 per year, will be $33,000.

Teacher – Regular Education

- Assumes 4 teachers will begin paid service starting July 1, 2014 and will be paid for 1 month at $2916.66 per month for curriculum development, based on a $35,000 annual salary. Total salary cost, including required employer contributions, estimated

at 10% of salaries or $3,500 per year per teacher, will be $3208.33 per teacher per month = $12,833.33 for 1 month.

Teacher – Special Education

- Assumes 1 Special Education teacher will begin paid service starting July 1, 2014 and will be paid for 1 month at $2916.66 per month for curriculum development, based on a $35,000 annual salary. Total cost, including 10% of required employer contributions at $3,500 per year, will be $3208.33 for 1 month.

Clerical

- Assumes 1 Office Manager will begin paid service starting July 1, 2014 and will be paid for 1 month at $2,500 per month, based on a $30,000 annual salary. Total cost, including required employer contributions, estimated at 10% of salaries or $3,000 per year, will be $2,750 for 1 month.

Employee Benefits

SySTEM Phoenix will only offer required benefits in the start-up year. All optional benefits (i.e. Retirement Plan, etc.) will begin August 1, 2014 and be paid with year one funds.

Employee Insurance

Assumes a cost of $4,200 for medical insurance for Chief Operations Officer and Chief Academic Officer, beginning February 1, 2014 for 6 months at $350 per employee per month. Also assumes a cost of $2,100 per month for 6 additional employees at a defined contribution of $350 per month, beginning July 1, 2014, based on quote from Holmes-Murphy for participation in Blue Cross Blue Shield of Arizona. Total cost for February 1, 2014 thru July 31, 2014 will be $6,300. Vision and Dental insurance will be offered as an option through the Arizona Charter Schools Association's partnership with Metlife, at cost to the employee only.

Office Supplies

Assumes a total cost of $1,000 for office supplies ($50 per month in printing paper x 6 months = $300; and an additional $700 in postage and other miscellaneous office supplies-i.e. file folders, tape, paper clips, landline handset, etc.).

Instructional Consumables

Assumes $500 for miscellaneous instructional supplies need for staff during the planning period and for staff development (i.e. materials for staff development and curriculum development committees, including consumable worksheets, etc.).

Membership Dues, Registrations, & Travel

Assumes $350 for the Arizona Charter Schools Association annual membership dues.

Contracted Services: AIS

Assumes we will not have AIS contracted services during the start-up period.

Contracted Services: Special Education

Assumes we will not have Special Education contracted services during our start-up year until students attend in August 2014.

Curriculum & Resource Materials

Assumes a total cost of $1,000 for curriculum and resource materials to set up a model classroom for recruitment purposes and purchase planning supplies for curriculum development in July 2014.

Library Resources/Software

Assumes a total cost of $4000. These funds will provide for a school subscription to Accelerated Reader (subscription for 100 students is $2287.63) and an additional $1,712.37 for purchasing a supply of used literary texts for students to read high interest literature at the appropriate reading level.

SAIS Software

Assumes a cost of $0 as SAIS Software for Y1 will be purchased with Y1 funds, paid in August 2014.

Other

Assumes SySTEM Phoenix will not incur additional costs in Administration, Instruction , & Support line items.

Operations & Maintenance (O&M)

Supplies

Assumes $1,000 for miscellaneous supplies during staff professional development (approximately $125 per staff member for binders, markers, dividers, highlighters, note cards, etc.)

Marketing/Advertising

Assumes $6,512 total cost, including:

- $3,000 for flyers to be distributed (three distributions: February 2014, April 2014, May 2014 x $1,000 per distribution for 10,000 flyers)
- $1000 for apartment complex outreach
- $700 for grocery store marketing tables
- $12 for domain name registration (website development donated)
- $1800 for marketing video creation

Contracted Service: O&M

Assumes $4000 for legal and financial contracted services in the start-up year.

Legal: Assumes most legal services will be provided pro-bono from Governing Board members. Assumes $1,000 total cost for any services not provided pro-bono.

Financial: Assumes $3,000 total cost for basic accounting functions at $500 per month for 6 months. Assumes Chief Operations Officer will perform most accounting functions as she has extensive experience in doing so as the current Business Operations Manager at Empower College Prep. ASPIRE Financial Services will provide monthly bank account reconciliation, review of budgets and annual financial reports, and financial advice regarding accounting processes and procedures.

Building Rent/Lease/Own

Assumes building lease will not begin until July 1, 2014 and first month's payment will be accepted in August 2014.

Building & Improvements

Assumes that any building improvements will be included in the monthly lease payment, payment of which will begin August 1, 2014. SySTEM Phoenix plans to occupy a building for at least three years, and any improvements during that time will be minor or paid out throughout the terms of the lease.

Land & Improvements

Assumes that SySTEM Phoenix will be located within a facility that is currently suitable for school operations, including all applicable fire code safety, and will not require any significant improvements. Any improvements required will be worked into the cost of the lease and spread out over monthly lease payments.

Fees/Permits

Assumes $1,000 for fees and permits (i.e. Certificate of Occupancy, Fire Marshall inspection, etc) between February 1, 2014 and August 1, 2014, based on similar charter school start-up estimates in order to prepare a building for occupancy.

Property/Casualty Insurance

Assumes $0 in July for property and casualty insurance as monthly premium will begin in August 2014 with Y1 funds.

Liability Insurance

Assumes $0 in July for liability insurance as monthly premium will begin in August 2014 with Y1 funds.

Utilities (Electric, Gas, Water, Waste)

Assumes a total cost of $625 based on $1.50 per square foot of space for facility. Move in will occur in July to utilize office space and hold marketing events for prospective families, although first lease payment will not occur until August 1, 2014.

Phone/Communications/Internet Connectivity

Assumes $554 per month based on quote from Cox Internet for wireless service and 2 phone lines (phone and fax) for month of July. A school phone handset will be purchased using the office supplies line item. Assumes all staff members will use their personal cell phones for communicating and no school phone system will be necessary. In addition to the main school line, Chief Officers will publish their personal cell numbers on all school communication to enable prospective parents to communicate directly with them.

Student Furniture & Equipment

Assumes total cost of $680 to set up model classroom prior to school opening. Assumes all remaining student furniture for Y1 will be purchased in July 2014 (but paid for in August 2014) to ensure school is prepared for the first day of school with all necessary equipment. All furniture will be donated or purchased from Costco if donations are not available.

- 5 round tables at $280 ($56 per table from Costco)
- 25 student chairs at $400 ($16 per chair from Costco)

Office Furniture & Equipment

Assumes $1,360 for all office furniture and equipment. Assumes all office furniture and equipment will be purchased in July 2014 to ensure school is prepared for the first day of school with all necessary equipment. All furniture will be donated or purchased at a deep discount from ASU Surplus Furniture if donations are not available.

- 3 office desks at $300 ($100 per desk from ASU Surplus Furniture)
- 8 teacher/staff chairs at $160 ($20 per chair from ASU Surplus Furniture)
- 5 staff work desks at $500 ($100 per desk from ASU Surplus Furniture)
- 8 vertical file cabinets for storage at $400 ($50 per cabinet from ASU Surplus Furniture)

Student Technology Equipment

Assumes total cost of $0 as all student technology will be purchased in August 2014 with Y1 funds.

Office Technology Equipment

Assumes total cost of $3,200 for staff computers ($400 per computer x 8 staff). While we have budgeted to purchase computers, the co-founders and board members will actively pursue technology donations and we anticipate being able to secure donated laptops for staff.

Other Leases (Security, Copiers, etc.)

Assumes $1,200 lease for two large black and white copiers, with faxing and scanning capabilities at approximately 20,000 copies per month. Based on a quote from Fourtech and Fitex, Inc., in total this would cost $200 per month x 6 months.

Loan Repayment

Assumes no loan repayment based on our ability to pay all lease costs.

Other

Assumes no other costs.