

**GUIDE FOR DEVELOPING A BASIC  
BUSINESS PLAN  
FOR CHARTER SCHOOLS**

This guide may be used as a helpful tool when developing a business plan for the charter school. It not only may be used as a management tool for the school developers themselves, but may also be used when approaching the financial community while seeking traditional or non-traditional financing, or contributions and support.

Developed by the Charter Friends National Network  
Modified to Align with the Georgia Charter Schools Act of 1998

## **A Basic Business Plan for Charter Schools**

While some charter school developers have demonstrated considerable skill and acumen in developing the "business side" of their schools, others are sorely lacking in some basic financial planning and management experience. This brief guide provides some simple, yet important, suggestions for those developing and operating charter schools who want to demonstrate that their school is on a strong fiscal footing. An anonymous leading funder of charter schools developed it. It shows how charter schools can begin to make the case that their school is a prime candidate for a loan or grant by answering the following fundamental questions:

- Is our school's current year operating budget in balance?
- Does our school have adequate cash and "working capital" resources to meet our monthly expenses such as payroll, rent, and benefit costs?
- Is our school's long-term fiscal picture in focus and in balance?
- Has our school demonstrated (or has the school's development team demonstrated) that it has the capacity to implement (or establish) sound financial management practices?

Charter schools that have developed such a business plan are in a strong position to make the case to prospective lenders or donors that their loan will be repaid in a timely manner or grant will achieve its stated purpose.

The charter school business plan is a management tool. When developed and used properly, it is one of the most effective communication tools used to obtain grants or loans for your charter school whether it comes from traditional lenders or the philanthropic community. It also can assist the school developer(s) in achieving his/her goals by identifying financial needs and/or problems early in the school planning process. The charter school business plan should reflect the school's developers' ideas clearly and succinctly and/or could be a component of a larger school wide strategic plan that addresses the school's short and long-term plans in more detail.

Before you start developing your business plan you might ask yourself the following questions. Although some of these questions may seem too simple for some, they might be helpful to newer charter school developers. Do not attempt to answer these questions as part of your written Business Plan.

1. Have you worked in a school and/or educational setting similar to the one you want to start?
2. Have you had any business and/or education training in school?
3. Do you know how much money you will need to get the school started?
4. Have you decided on a marketing plan?

5. Have you talked with other school developers/operators about what they think of the school?
6. Can you determine the amount of money you should receive in terms of revenues per student?
7. Have you tried to find out how well schools similar to the one you want to open are doing in your community and in the rest of the country?
8. If you need to hire someone to help you, do you know where to look?
9. Do you know what benefits to provide?
10. Do you have a plan for training your employees?
11. Have you talked with the parents and schools (both public and private) in the area?
12. Have you determined the type of payment you intend to accept for student fees, etc.?
13. Have you talked with an insurance agent about what kind of insurance you need?
14. Do you know what equipment and supplies you will need and how much they will cost?
15. Can you save money by buying second hand equipment?
16. Have you compared the prices and credit terms of different suppliers?

## **FINANCIAL STATEMENTS TO INCLUDE IN YOUR BUSINESS PLAN**

When preparing projected financial statements for your charter school business plan you must start with basic assumptions for income and expenses. These assumptions for income and expenses should be detailed in your charter school business plan with supporting documentation derived from the market study and the market strategy. The projected financial statements should indicate financial changes in your revenue cycle. For instance, if your school receives fees and funds from the state during a specific time, i.e. quarterly, revenue during that period will be greater. Your financial projections should indicate the fluctuation in income and expenses.

There are three financial statements that are required to be part of your business plan.

1. An annual budget
2. A budget for the full term of the charter
3. A monthly cash flow projection detailing revenues and expenditures

In addition provide:

4. An estimate of all public and private dollars available per student
5. An itemized list of working capital and assets, including cash, bonds, and real estate
6. An itemized list of all potential sources of funding that you are actively pursuing

### Annual Operating Budget

The annual operating budget will take your income minus expenses and equal either a surplus or a deficit. The budget would show revenues by source (e.g., state aid, federal aid, grants, fees, etc.) and expenditure by object (e.g., salaries, benefits, rent, materials, books, services, professional training, utilities, insurance, etc.) for the first year of operations (or current fiscal year for a preexisting school). See Appendix A for an annual operating budget worksheet.

### Three- to Five-Year Projections of Income and Expenses

A three- or five-year projection of anticipated income and expenses will show the planned growth, development and needs of the school over time. See Appendix B for a five-year budget projection worksheet.

### Cash Flow Statement

The cash flow statement will show the cash generated and collected from school operations. This statement will utilize the same income and expense as the annual operating budget, however, it breaks the information down into monthly or quarterly columns showing whether the school will have enough money to pay its bills at the end of each month or quarter. Naturally, if the school's annual revenues arrive at the school later than its expenditures must be paid, the school will need "working capital" (e.g., a short-term loan) in order to pay its expenses on time. See Appendix C for a monthly cash flow projection worksheet.

### Financial Management and Audits

Develop a set of financial management policies. These policies would specify who is responsible for preparing and monitoring the school's budget and how the "powers of the purse" are distributed within their school among board members, staff, and others.

Develop a plan for how annual financial audits will be conducted.

## **SAMPLE BUSINESS PLAN OUTLINE**

(Suggested length: no more than 3 pages)

The questions outlined on page 2, along with the four financial statements described on page 3 are instrumental in developing your charter school business plan. Once you have formulated answers to the questions and have developed the necessary financial statements, you should begin developing your charter school business plan.

NOTE: The following section to the Business Plan is not required as part of your charter school grant application. However, it is encouraged that you develop such a plan for your school. Traditional lenders and others who are requested to support your school over time will be impressed with such a plan.

### I. Summary

#### A. School Description

##### *1. Name and address*

##### *2. School description (grade levels, etc.)*

##### *3. Mission statement*

##### *4. Instructional focus*

##### *5. Governance/Administrative structure*

- Charter accountability (describe briefly how your school plans to remain viable at renewal)
- Relationship with charter granting agency

### II. Market Analysis

#### A. Description of the area or market/ district(s) that the school will serve

- B. Target market/student population (what segment of district's population you plan to serve?)
- C. Competition - other school(s) seeking the same student population to include private, public, magnet, parochial and other charter schools

### III. Marketing Strategy

- A. Overall strategy (awareness for students and parents)
- B. Specific admission and recruiting plans and policies

### IV. Management Plan

- A. Form of business organization (e.g., for profit or nonprofit corporation)
- B. Board of Directors (Owners, partners, or governing board)
- C. Administrator(s): organization chart and responsibilities (if applicable)
- D. Resumes of key personnel (omit if included with your application)
- E. Staffing plan/number of employees.
- F. Facility plan/ planned capital improvements (omit if included with your application)
- G. Operating plan/schedule of work for next year.

### V. Financial Data

- A. The appropriate financial statements to include:
  - 1. An annual budget
  - 2. A budget for the full term of the charter
  - 3. A monthly cash flow projection detailing revenues and expenditures
- B. An estimate of all public and private dollars available per student
- C. An itemized list of working capital and assets, including cash, bonds, and real estate
- D. An itemized list of all potential sources of funding that you are actively pursuing

<b>Appendix A: Annual Operating Budget Worksheet</b>		
<b>ASSUMPTIONS:</b>		
Number of Students		Assuming ____, __ classes of __ per grade
Facility square footage		Assuming ____ square feet per student
Student teacher ratio		
Average teacher salary		
<b>REVENUES</b>		
State QBE formula earnings*		Assuming \$ _____ per student
Applicable QBE grants*		
Applicable nonQBE state grants*		
Applicable Federal grants*		
Local tax revenue**		
Grants & Fundraising		
<b>Total Revenues</b>		
<b>EXPENDITURES</b>		
<b>PERSONNEL</b>		
Director		
Teachers		___ at average salary of \$ _____
Instructional aides		___ at \$ _____ each
Clerical		
Nurse		
Custodian		
Retirement Benefits		Assume state retirement system at 10% of salaries
Health Benefits		Assume \$ <u>240</u> /month per employee
FICA		Assume Medicare only, exempt from social security
Other		Assume 2.5% of salaries for workers' comp, unemployment insurance, and other payroll costs
Total Personnel		
<b>INSTRUCTION</b>		
Textbooks		Assume \$ <u>200</u> per student
Classroom paper and supplies		Assume \$ <u>150</u> per student
Computers		Assume \$ ___ computers at \$ ___ each
Software		
Field Trips		
Instructional Equipment		
Library and media center		
Student assessment		Assume \$ <u>25</u> per student
Classroom Furniture		
Athletic Equipment		
Music Equipment		
Total Instruction		

<b>Appendix A: Annual Operating Budget Worksheet</b>		
<b>SERVICES &amp; SUPPLIES</b>		
Office Supplies		Assume \$ <u>300</u> per month
Office Furniture		
Bookkeeping & Audit		Assume \$ ____ per month bookkeeping, \$ ____ audit
Payroll Services		
Banking Fees		
Legal Services		Assume \$ <u>6,000</u> retainer, \$ <u>2,000</u> reserve
Liability & property insurance		
Staff development		Assume \$ ____/teacher plus director
Special education consultant		Assume \$ ____ per student average cost
Travel & conferences, board retreat		Assume \$ ____ per teacher, plus \$ ____ board retreat
Staff recruitment		
Internet service		Assume ____ accounts at \$ ____ /month
Food Service		
Transportation		
Health Supplies		
Pest Control		
Janitorial Supplies		Assume \$ <u>300</u> per month
Waste disposal		Assume \$ <u>150</u> per month
Total Services & Supplies		
<b>FACILITIES</b>		
Rent/lease/mortgage		Assume triple net lease at \$ ____ /sq. foot
Maintenance & Repair		Assume \$ <u>1,700</u> per month
Gas/electric		Assume \$ ____ per month
Phone		Assume \$ ____ per month
Fire & Security		Assume \$ ____ per month
Total Facilities		
<b>Total Expenditures</b>		
<b>Surplus (Deficit)</b>		

\*For Quality Basic Education (QBE) funding estimates contact:  
Ms. Deborah Collier, Budget Administrator  
Georgia Department of Education  
(404) 651-7581 or [dcollier@doe.k12.ga.us](mailto:dcollier@doe.k12.ga.us)

\*\*For local tax revenue estimates see the Charter Schools Act of 1998, O.C.G.A. 20-2-2068.1 (c), and contact the Chief Financial Officer for the local school system where your charter school will be located.

<b>Appendix B: Five-Year Budget Projection Worksheet</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ASSUMPTIONS</b>					
Number of Additional Students/Staff					
<b>REVENUES</b>					
State QBE formula earnings					
Applicable QBE grants					
Applicable nonQBE state grants					
Applicable Federal grants					
Local tax revenue					
Grants & Fundraising					
<b>Total Revenues</b>					
<b>EXPENDITURES</b>					
<b>PERSONNEL</b>					
Director					
Teachers					
Instructional aides					
Clerical					
Nurse					
Custodian					
Retirement Benefits					
Health Benefits					
FICA					
Other					
Total Personnel					
<b>INSTRUCTION</b>					
Textbooks					
Classroom paper and supplies					
Computers					
Software					
Field Trips					
Instructional Equipment					
Library and media center					
Student assessment					
Classroom Furniture					
Athletic Equipment					
Music Equipment					
Total Instruction					

<b>Appendix B: Five-Year Budget Projection Worksheet</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>SERVICES &amp; SUPPLIES</b>					
Office Supplies					
Office Furniture					
Bookkeeping & Audit					
Payroll Services					
Banking Fees					
Legal Services					
Liability & property insurance					
Staff development					
Special education consultant					
Travel & conferences, board retreat					
Staff recruitment					
Internet service					
Food Service					
Transportation					
Health Supplies					
Pest Control					
Janitorial Supplies					
Waste disposal					
Total Services & Supplies					
<b>FACILITIES</b>					
Rent/lease/mortgage					
Maintenance & Repair					
Gas/electric					
Phone					
Fire & Security					
Total Facilities					
<b>Total Expenditures</b>					
<b>Surplus (Deficit)</b>					



**Appendix C: Worksheet for a Monthly Cash Flow Projection**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
<b>SERVICES &amp; SUPPLIES</b>												
Office Supplies												
Office Furniture												
Bookkeeping & Audit												
Payroll Services												
Banking Fees												
Legal Services												
Liability & property insurance												
Staff development												
Special education consultant												
Travel & conferences, board retreat												
Staff recruitment												
Internet service												
Food Service												
Transportation												
Health Supplies												
Pest Control												
Janitorial Supplies												
Waste disposal												
<b>Total Services &amp; Supplies</b>												
<b>FACILITIES</b>												
Rent/lease/mortgage												
Maintenance & Repair												
Gas/electric												
Phone												
Fire & Security												
<b>Total Facilities</b>												
<b>(C) TOTAL DISPURSEMENTS</b>												
<b>(D) NET REVENUE (B-C)</b>												
<b>ENDING CASH (A+D)</b>												

