

Little Friends of Living Faith Business Plan

Living Faith Lutheran Church

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Prepared by:



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Executive Summary

Who We Are



Little Friends of Living Faith (LFLF) is an extension of the Christian Ministry of Living Faith Lutheran Church, located at 2180 NW 142nd Street, Clive, Iowa. Promoting Christian education isn't new to Little Friends, as they have been operating a traditional half-day preschool program for over 17 years serving children ranging between two and five years of age. Given the changes in early learning education, the number of two-income households, and the number of young families moving to Clive, Little Friends is ready to establish an early learning center on the existing church property. It is the intention of Little Friends to construct a new facility with nine classrooms, giving the school a capacity of 120 students with a projected start-date of October 2022.

The operation of the school is held under the supervision of the Living Faith Church Council. This council consists of members of the Living Faith Church and is diverse demographically and brings a range of professional experience. Members currently on the council come from a variety of professional backgrounds including, financial, business management, legal, educational, and medical services. This council has and continues to provide oversight and support for in the ministry of Little Friends. The Pastor meets with this council on a monthly basis and shares updates from the Director. Annually, the Director participates in a council meeting with the council for a ministry review and to discuss goals for the future at least once annually.

Programs Offered

Little Friends is a non-profit ministry dedicated to providing a Christian education for children ages two through Pre-Kindergarten. Our passion is to provide a high-quality

early learning environment that is designed to nurture children and support families. As a general rule, the school will offer both full and part time educational programs for the following:



Two's (24 Months to 36 Months): In the two's classrooms, teachers actively work to provide children an amazing foundation for their educational journey. Teachers provide engaging hands on learning and social interaction that help children develop a love for exploring new skills and information. As a normal part of the preschool environment, children are introduced to the concept of center play. Teachers engage with small groups in learning activities that foster deeper levels of learning. Furthermore, the curriculum provides a strong vocabulary enriched base so that literary skills may be introduced to children.



Preschool/Pre-K (3-5 Years): Our Preschool and Pre-K curriculum introduces many varied learning concepts such as literacy, math, science, social interactions, and critical thinking skills. Vocabulary development is very important at this stage too, as children will begin to experiment with the art of writing. The classrooms are organized into learning centers such as reading, science, block play, dramatic play, math, and writing. Furthermore, children are exposed to a print-rich environment, which allows students to associate written language to oral language. Parents are fully aware of their child's academic progress through quarterly assessment tools and parent- teacher conferences.



School Aged(Kindergarten-2nd grade): Little Friends will be able to accept students after school from the local school district.

Transportation will be provided by the school district as well. This has been a request from

current families who have attended Little Friends and want their school aged student to continue receiving the small class size and high-quality engagement that we offer.



Inclusive Services(All ages): Little Friends partners with community service providers to provide support to students who have developmental and behavioral support needs.

The local school district, private clinicians, and therapists are engaged to assist students who require services to be successful in their early learning journey. These students remain in their classroom and learn along with their peers and have a designated classroom to go out for support services. In house Student Support therapists are included as a part of the staffing plan for Little Friends as well. All staff also go through training in how to encourage learning in all students regardless of their ability level.

Who We Serve

Little Friends customers are made up of primarily young married couples who have children ages two years through Pre-Kindergarten. From a demographic standpoint, we will attract dual income families that are career focused and possess a college degree. As a result, our customers are seeking out an academic program that will set their child up for success within the K-12 school system. Based upon the demographic study, the median income is significantly above the \$70,000 threshold of families who can afford childcare. While in-home care is commonly used due to its affordability, the study would indicate the fact that a very specific demographic (68.99% of the households with children) can not only afford a formal childcare program but these families are looking for a high-quality education for their children. Therefore, the market strategy must be specifically focused on this demographic. our customers have a combined annual income greater than \$70,000 and are able to afford the tuition that is associated with a full-time child care program such as Little Friends of Living Faith.

Financial Summary

Once the school is given the green light to move forward with the Business Plan, the management team will launch an aggressive marketing plan to grow the school to approximately 79 Full-time equivalents (FTE's) within the first year of operation.

Facility construction, design, and set-up is currently underway. With that said, the facility will need start-up capital to set up the current facility and equip the school with new furniture and supplies that adhere to child care licensing and regulations. Little Friends has recently received a grant for roughly 320,000 dollars for the equipping of the classrooms and to assist with a small portion of the construction costs. It is expected that the remainder of the amount required will be secured through a business loan through Lutheran Church Extension Fund (LCEF). Enrollments are expected to realize and increase steadily through the end of the first year of operation. Estimates are extremely conservative in the budgeting process.

Organization

Organization Overview

Little Friends is a direct ministry of Living Faith Lutheran Church and is registered as a non-profit corporation in the state of Iowa. The Federal Government will grant 501(c)3 status for the school, as the parent organization has already obtained 501(c)3 status.

Management Team

The management team will consist of the Director who will report to the Pastor and church council. The Director has been with Little Friends since the opening in 2003. There is also a Assistant Director and two On-Site Supervisors that are involved in the day to day management of the Little Friends operations.

Advisors

The childcare business can be tough to navigate through, especially in the beginning when you are wading through all of the licensing and permit requirements. Luckily for us, there is a wealth of knowledge and support found in our advisors.

On the business side, the organization will seek counsel from Early Learning Consultation Services, LLC a consulting firm that specializes in the Child Care business. They have a solid track record for running financially successful child care centers and providing support towards our quality initiatives by assisting with the curriculum and assessment implementation process.

Pastor Luke Timm with Living Faith Lutheran Church will serve as a mentor as we lock arms in ministry with the school. Together, we will brainstorm innovative ideas as to how to draw families to the church and enrich our faith-based curriculum.

Mission

To provide Christian education, guidance, and inspiration to young children and families, using the example of Jesus Christ.

Core Values

Fearlessly Faithful

We are not ashamed of the Gospel of Jesus Christ and proclaim that good news in its fullness by relying solely on the Bible and the Lutheran interpretation as given in our Confessions. What we do is not shaped by our culture or popular sentiments. Instead, we believe that what God does through our church is able to shape our culture and the way in which we all live. We do not shrink under pressure from the world or back down in the face of adversity, rather, we believe that the promise of Christ to overcome the world is already at work in our midst.

Relationally Oriented

We are a church that loves to get to know each other. We actively break down barriers of formality and ritual that add separation between people. We are not a 'spectator' or 'anonymous' style congregation where people easily fade into the background. We desire to do this life together as Jesus himself did with his disciples. Jesus did the messy work of redeeming the world by his death and resurrection and putting us back into relationship with our Father. We choose relationships over expediency even when that means doing the difficult, messy work that comes with it.

Devoted to Discipleship

Living Faith is a place to receive AND give. We recognize that our participation is beneficial to strengthening and maturing our own faith as well as strengthening and maturing the faith of others. We have an innate desire to grow in our faith and see the same potential in others - and take responsibility for assisting each other in our personal and corporate discipleship.

Passionate about Honesty

There are no hidden agendas at Living Faith and we strive that all voices are heard and affirmed on any and every matter. Leadership will certainly make decisions and change will occur that not everyone agrees with, but we will all have an opportunity to make our opinion known. We are not afraid of taking bold action and making mistakes because we are honest with each other when we fail and gracefully forgive each others' shortfalls as Christ has forgiven us.

Educational Philosophy

We believe that all children are a gift from God. This gift brings with it many responsibilities. Each child entrusted to our care deserves to receive the best care and educational experience that is available. To accomplish this, our program adheres to the following beliefs:

We believe that each child deserves a safe, loving, and consistent environment where they can learn. Daily schedules are maintained as much as possible so children know what to expect during the day.

We believe that each child has unique qualities as learning styles, personalities, and family backgrounds that need to be respected. Children are encouraged to accept who they are and to take pride in themselves.

We believe that as each child grows there are predictable changes that occur in all areas of development; physical, spiritual, cognitive, and social-emotional. Knowledge of this process helps teachers prepare the environment and activities so the child can enjoy creative and stimulating hands on learning experiences.

We believe that discipline plays an important part in the educational process. By using positive guidance techniques, teachers and parents work together to help each child learn the value of self-control.

We believe that parents should be able to choose an environment for their child that supports their family's Christian beliefs. Children are introduced to age appropriate, Bible based curriculum, music, and hands on activities to encourage each child as they build their faith. These activities are interwoven in the lesson plans, in addition to time at Chapel and prayer before meals.

Most importantly, we believe that it is important to maintain an atmosphere of teamwork between school and home. This allows the child to make a smooth transition to school and keeps the family involved in each step of the child's education.

Target Market

Market Overview

Our target market consists of young married couples who possess a college education with a combined annual income of \$70,000 or greater. The feasibility study area indicated a strong residential foundation suitable for a child development center with neighborhoods surrounding the four corners of the site. According to our research, there is a positive growth of families with young children. Furthermore, over half of the population has an annual income over \$75,000, which is a positive indicator, as these families typically value early education and are able and willing to pay for higher tuition costs.

The average household income is greater than \$75,000 per year. Furthermore, the average household income is projected to grow by 13.79% to \$83,713 by 2024. These residents place great value on their education, especially that of their child's. Higher-income customers are happy to pay for a high-quality education that is supplemented with curriculum enhancements that are conveniently provided for each child while their parents are at work. Because we are centrally located, parents can send their children to a school where their friends will likely be attending private or public school.

Market Needs

A Problem Worth Solving

Significant changes have taken place over the last 40 years within the childcare industry, as the focus has shifted from monitoring schools for health and safety issues by state health departments, to the emphasis being quality education provided for children from birth to five years of age. For an example, Iowa's Governor signed "Executive Order 8" in March 2021 launching two quality initiative grant programs totaling \$13,053,372 and contributing the creation of more than 4,000 new childcare slots across Iowa.

The statistics speak for themselves regarding the significance of Early Education. Educators readily all agree: 75%-80% of a child's success in Kindergarten through 12th grade is indicative of the learning experiences they had during the first five years of life. Therefore, one can conclude the need for high functioning early child development centers is great.

Given the demands from the Department of Education, quality initiatives, and the cost associated with these initiatives, schools struggle, as most do not have access to support mechanisms typically found in corporate- run child care facilities. Therefore, many centers struggle financially and lack the resources needed to drive quality within the classroom setting. Statistics show that five centers close every day due to financial mismanagement. The issue is not whether or not the business is viable; the issue is the lack of support and training.

There is no doubt that the childcare industry plays a significant role in our economy. The childcare industry generates an estimated \$60 billion in annual revenues, supports more than 3.7 million jobs, and directly employs more people than the public secondary school systems. As more and more families have both parents working outside of the home, the need for childcare continues to grow.

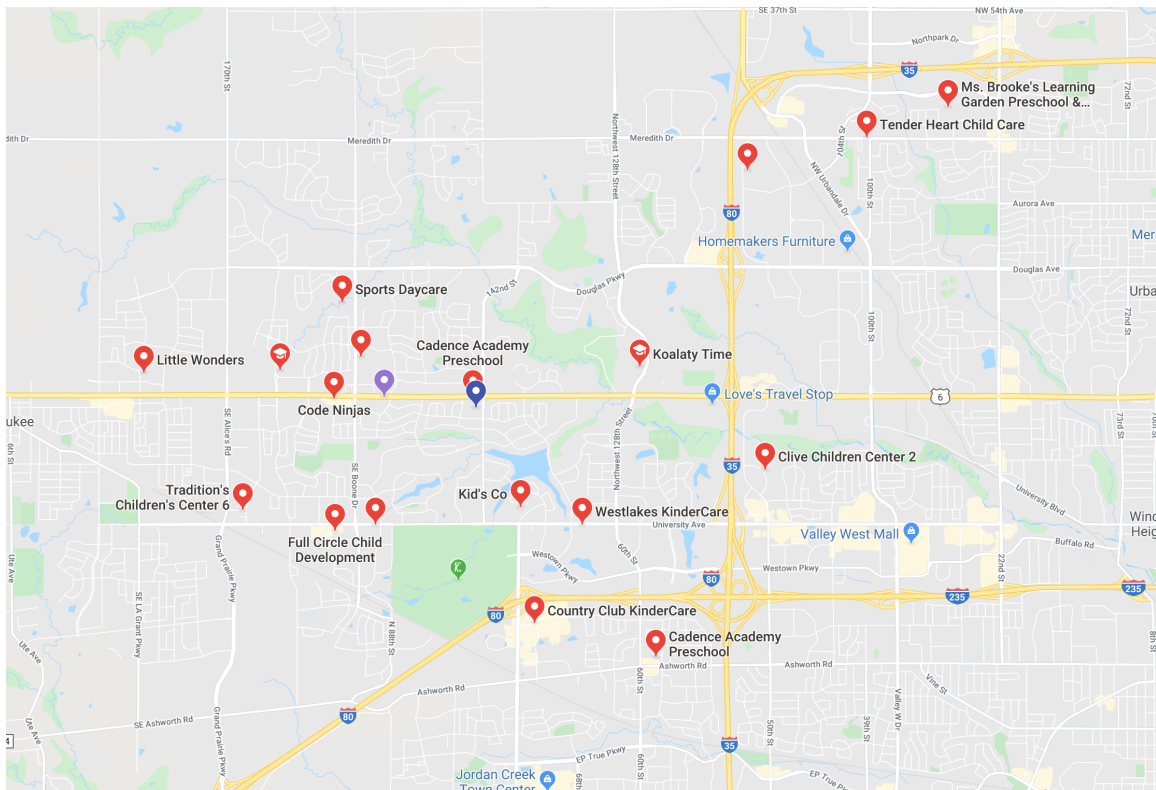
Our Solution

Our solution is simple. We will construct a new high-quality Early Learning Center on our current campus that will double our capacity and provide expanded hours of operation, enabling Little Friends of provide care for more families within the community. Improvements in health and safety, additional areas designed specifically for those with special needs and school aged children will be unique to our center and will help to set a high standard in the early childhood field. All classrooms will be designed and equipped according to the standards of quality established by the National Association for the Education Young Children (NAEYC).

Competition

Current Alternatives

The market study conducted identified a limited number of childcare providers within the Clive area that consist of both centers and residential providers. The baseline data purposely sought out competitors that fit within the following profile: full time childcare programs located in a facility specifically designed for a child care center that is licensed for 70+ full time equivalents. Given our size, mission, and vision, our primary competitors are as licensed child care centers.



Our primary competitors include the following:



Traditions Children's Center

2555 NW 156th Street

Clive, Iowa

Office: 515.987.7467

Traditions Children's Centers offer a full-time childcare program for children ages infants through Pre-Kindergarten. They also provide a half-day program for preschool and pre-k students. The curriculum has a strong emphasis on academics and kindergarten readiness. The website is very professional and conveys a message of high quality. Internet reviews indicate a four-star rating indicating high parent satisfaction. With that said, the school is listed as a four-star quality-rated school.



Clive's Children's Center

8250 Harbach Blvd.

Clive, Iowa

Office: 515.223.8989

Clive's Children Center is associated with the Traditions Children's Center mentioned above. As with the Traditions Children's Centers, this facility offers a full-time childcare program for children ages infants through Pre-Kindergarten. They also provide a half-day program for preschool and pre-k students. The curriculum has a strong emphasis on academics and kindergarten readiness. The website is very professional and conveys a message of high quality. Internet reviews indicate a five-star rating indicating high parent satisfaction. With that said, the school is listed as a five-star quality-rated school.



KinderCare

15200 Hickman Rd

Clive, Iowa 50325

Office: 515.987.5755

KinderCare is a corporate childcare chain that has been in the Clive community for over 50 years.

KinderCare facilities are fully equipped and are designed to serve children birth through

Kindergarten. They offer after school programs and transportation to and from school. Employee benefits typically offer full medical benefits,

retirement, and tuition reimbursement incentives for teachers who seek a degree within the field of early education.

Strategy and Implementation

Marketing Plan

Within our current school population, we hope to launch an aggressive marketing plan that will encourage our parents to spread the word about our new location. Beyond that, we plan on reaching the community through social media such as Facebook and Pinterest. Furthermore, we will develop a high-quality website that points families directly to the new center.

In the coming days, we will continue to promote an aggressive marketing plan in the following ways:

- Promote the website through search engine optimization and search engine marketing tools
- Create, promote, and maintain current pages through social media pages such as Facebook and LinkedIn
- Create a variety of brochures to include the services and programs offered
- Produce monthly email campaigns announcing the new and ongoing services and programs to all past and current clients
- Create and send press kits with information and details on the new business to key clients and press
- Promote and attend conferences nationwide associated with the Early Learning industry
- Network with Early Childhood Education professionals at the state-level

Little Friends will be very intentional about locking arms in ministry with Living Faith Lutheran Church. We utilize a cross-marketing approach when working with the church by agreeing to promote each other's ministries. We accomplish this in several ways. Our websites will have hyperlinks to each website. Through the use of social media, we will also be positioned to promote the events associated with each organization. As part of our

curriculum, the pastors will conduct chapel, positioning our schools to serve as a means of resource and referral for our families in regards to church ministries and programs available to them.

Ministry Outreach

There are several ways for Little Friends to partner with the church so that families are drawn to the ministries of Living Faith Lutheran Church.

- Every quarter invite entire classrooms to come sing during the church services
- The Pastor can do a meet-n-greet with families in the morning with coffee and donuts
- Church Council can do an ice cream social for the staff to encourage them
- Church Members can adopt a teacher or family to pray over them
- The director should have a monthly newsletter highlighting special events at the church
- The director should write a paragraph about the exciting events and activities taking place at the school for the church newsletter, website, and social media pages
- Have the director speak at congregational meetings
- Have the pastor and director attend a chamber meeting on a quarterly basis
- Include general brochures with a list of church ministries in the enrollment packet

Pricing

Given the number of children in the Clive community, there not enough childcare centers to meet the need. We have isolated childcare programs by selecting centers that were classified as a licensed “center” with a capacity over 70 children. The weekly tuition rates for our competitors are as follows:

School Name Address and Phone Number	Reg Fee	Infant	1's	2's	3's	Pre- K	PM Care	Sch Age
Traditions Children's Center 2555 NW 156th st Clive, Iowa (515) 987-7467 Hours: 6:00am-6:30pm	*** Var	\$229	\$229	\$224	\$206	\$200	\$90	\$160
Clive Children's Center 8250 Harbach Blvd Clive, Iowa 50323 (515) 223-8989 Hours: 6:30am-6:30pm	*** Var	\$229	\$229	\$224	\$206	\$200	\$90	\$160
KinderCare 15200 Hickman RD Clive, IA 50325 (515) 987-5755 Hours: 6:00am-6:00pm	\$100	\$325	\$325	\$300	\$270	\$260		
Cadence Academy 14300 Hickman Rd Clive, IA 50325 (515) 987-2137 Hours: 6:30am-6:00pm	\$100	\$344	\$344	\$315	\$282	\$267		
Clive Children's II 1445 NW 81st st Clive, IA 50325 (515)223-9292 Hours: 6:00am-6:00pm	\$50	\$229	\$229	\$224	\$206	\$200	\$90	\$160

*** Var: means variable rates. In this area the research indicated that the registration fee was \$50 for an individual child and \$100 for a family.

Little Friends will offer both full-time childcare services and a half-day preschool program. Based on the quality initiatives and competitive analysis conducted, our proposed pricing strategy is as follows:

Age	Tuition Rate
Two's	\$300/week
Three's (Preschool)	\$275/week
Four's (Pre-K)	\$275/week
B/A Extended Care	\$50/week
Summer Camp	\$125/week
Preschool Program (3 yrs)	\$510/month
Preschool Program (4 yrs)	\$510/month
Kindergartens	\$400/month

SWOT Analysis

Little Friends notable strengths begin with our established reputation of quality known throughout the Clive community. This positive reputation will naturally attract new enrollments to the school. Secondly, our Management Team not only possesses a passion for Christian Education, but they come with the skillsets required to run an early learning center.

As with any new venture, we have opportunities and challenges set before us. While Little Friends has offered the community a half-day program, we still have the challenge of persuading current families to transition over to the full-time program. Given the fact

that there isn't very much competition, now is the time to transition to the full-time program, as the demographic study indicates that there are sufficient number of children in the community that come from families who are looking for a high-quality program and willing to invest in their child's education at the preschool level. We are confident that we will quickly and easily overcome this challenge as we come in with a name and image that will not only promote a high-quality education, but one that is built upon a Biblical foundation. Our faith-based program is our unique indicator that will attract new families

Operations

Little Friends will be located inside of the newly constructed facility attached to Living Faith Lutheran Church. The facility has just over 5,000 square-feet of classroom space with 9 classrooms that are very spacious, making it possible to have a facility licensed up to approximately 120 children.

There will be four age-appropriate playgrounds on the property that will provide the school with 4,800 square feet of outdoor learning and play space. Each age group will be able to play separately with gates between playgrounds for open access if desired. These natural play areas will be designed to have areas for discovery along with vigorous physical activity. Collaboration with the design team will be used to finalize these plans and ensure that children have a protected space to explore and develop their physical skills.

Facility Equipment and Furnishings

We will need to equip 9 classrooms with the appropriate furniture, technology, and supplies required to establish a high-quality learning environment. Additionally, we will need to purchase some commercial-grade maintenance equipment, office furniture, equipment, and supplies. The approximate cost of the classroom equipment and furnishings is \$168,000.

Regulatory Requirements

Little friends will submit an application to the Iowa Department of Human Services (DHS) to begin the process of obtaining the necessary license to open the school in the Fall 2022.

Milestone and Metrics

Milestone Chart

Milestone	Projected Due Date
Launch Marketing Campaign	January 2022
Complete Enrollment Packets	January 2022
Complete Employee Hire Packets	February 2022
Host Career Day	February 2022
Plan Grand Opening	Ongoing
Construction Ends	August 2022
Obtain final approval from Fire Marshall, Health Department, and Licensing	September 2022
Host Teacher Orientation and Training	September 2022
First Day of School	October 2022
Grand Opening Celebration	October 2022

Key Metrics

In order for the school to be self-sustaining, it is recommended that the school maintain the following metrics:

- Labor: 44%-52%
- Food Costs: 5%
- Supplies: 3%
- Repairs and Maintenance: 4%

During the first three years, the labor costs are intentionally higher than industry norms to account for the anticipated low enrollment numbers. With time, enrollment will increase at a level where labor will be easier to manage.

Above and beyond that, we will also measure "churn" which is a measurement of the enrollments gained vs. those lost. Additionally, we will measure "flow-through" which measures the way we spend money against the growth of our revenues. Lastly, we will constantly evaluate our Full-time Equivalent (FTE). We want to maintain an FTE over 75 students to ensure we have a positive cash flow.

Financial Plan

Forecast

Key Assumptions

Upon opening the school, we will focus on promoting the full-time program within the Clive area, placing an emphasis on the high-quality learning environment, educated teachers, and technology enhancements throughout the school to attract new families. Based upon the market trends, we expect to experience a steady growth giving the school the 79 fulltime enrollments and 58 part-time enrollments shortly after the first year of operation.

Projected Fulltime Enrollment Trends

	October 2022 After 1 Year	October 2023 After 2 Years	October 2024 After 3 years
2 years	12	16	16
3 Years	14	16	16
4 Years	14	16	16
B/A Care	14	16	18
Summer	25	30	35
TOTAL	79	94	101

Projected Part-time Enrollment Trends

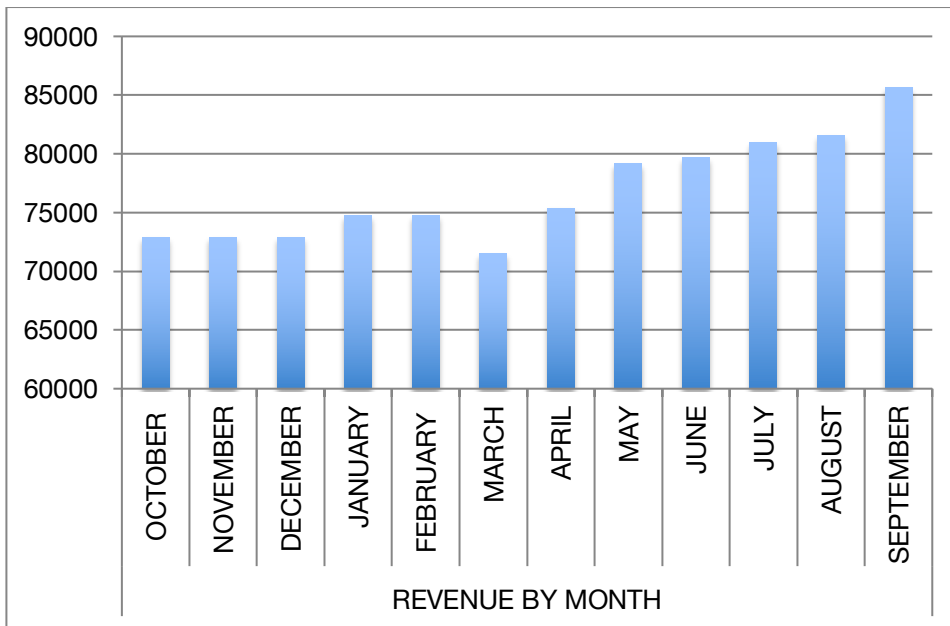
	October 2022 After 1 Year	October 2023 After 2 Years	October 2024 After 3 years
2-3 Years	28	32	32
4 Years	14	16	16
Pre-K	16	18	18
TOTAL	58	66	66

Should the projections hold true, we anticipate a loss of \$58,911 during the first six months of operation, but from there on, we expect to realize a positive cash flow. It is imperative that labor costs stay at or below 60% of revenue. Additionally, we will need to keep food at 5% and supplies around 4%, and 3% in repairs and maintenance. By the end of the first full year of operation, we hope to have a positive net income of approximately \$127,185. While the net income will produce a positive cashflow over time, the labor costs are significantly higher than industry norms. Should Early Learning Consultation Services continue work with the school, the appropriate level of support would be provided, positioning the school to meet the necessary benchmarks to establish a stable financial for future growth and development.

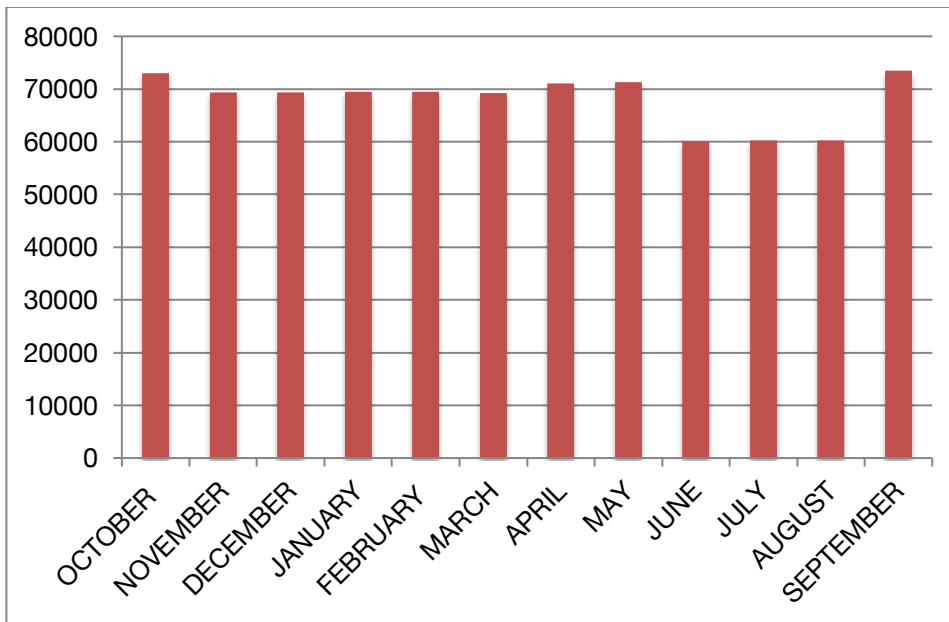
Revenue Forecast

Revenue	Sep 2023	Sep 2024	Sep 2025
Registration Fees	21,500	25,875	27,750
Tuition	922,249	1,159,339	1,321,217
TOTAL INCOME	943,749	1,185,214	1,348,967

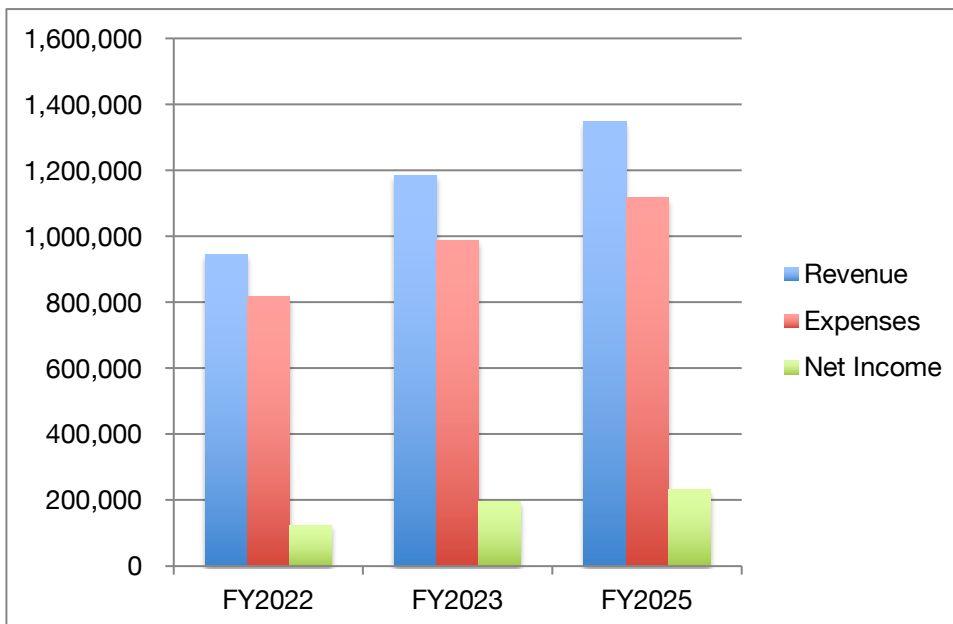
Revenue by Month (First 12 months of operation)



Expenses by Month (First 12 months of operation)



Net Profit (or Loss) by Year



Financing

Use of Funds

Initially, the biggest expense will be the classroom furniture, playground equipment, kitchen supplies and office supplies totaling \$285,000. The early learning center is just one part of the construction projected. The total amount financed will be \$2,676,022, making the monthly mortgage payment \$11,239.

Source of Funds

We are requesting funding from the Lutheran Church Extension Fund in the amount of \$2,707,800. Our interest rate is projected to be 2.97% for a period of 30 years, making the monthly mortgage payment \$11,239. With exception to the first six months, the financial reports show that we can afford the mortgage payments.

Appendix

Profit & Lost (3 Year Projection)

3-Year Profit and Loss Projection

INCOME	2023	% of OI	2024	% of OI	2025	% of OI
Operating Income						
Registration Fees	21,500	2.3%	25,875	2.2%	27,750	2.1%
Tuition	922,249	97.7%	1,159,339	97.8%	1,321,217	97.9%
Other	-	-	-	-	-	-
Total Operating Income (OI)	\$ 943,749	100.0%	\$1,185,214	100.0%	\$1,348,967	100.0%
Non-Operating Income						
Interest Income						
Donations						
Other						
Total Non-Operating Income	\$ -		\$ -		\$ -	
Total INCOME	\$ 943,749	100.0%	\$1,185,214	100.0%	\$1,348,967	100.0%
EXPENSES						
Operating Expenses						
Food	23,136	2.5%	29,630	2.5%	33,724	2.5%
Kitchen Equipment & Replacem	-	-	-	-	-	-
Office & Classroom Equipment	1,020	0.1%	1,020	0.1%	1,020	0.1%
Learning Materials	18,875	2.0%	23,704	2.0%	26,979	2.0%
Professional Fee/Trainig	3,000	0.3%	-	-	-	-
Office/Cleaning Supplies	-	-	5,000	0.4%	7,000	0.5%
Janitorial Service	14,156	1.5%	17,778	1.5%	20,235	1.5%
Repairs and Maintenance	6,000	0.6%	6,000	0.5%	6,000	0.4%
Insurance (liability)	-	-	-	-	-	-
Payroll	572,308	60.6%	727,025	61.3%	844,440	62.6%
Mortgage	134,868	14.3%	134,868	11.4%	134,868	10.0%
Utilities	37,200	3.9%	37,200	3.1%	37,200	2.8%
PR Marketing	6,000	0.6%	6,000	0.5%	6,000	0.4%
Misc.	-	-	-	-	-	-
Other	-	-	-	-	-	-
ELCS	-	-	-	-	-	-
Total Operating Expenses	\$ 816,563	86.5%	\$ 988,225	83.4%	\$1,117,466	82.8%
Total EXPENSES	\$ 816,563	86.5%	\$ 988,225	83.4%	\$1,117,466	82.8%
NET INCOME	\$ 127,186		\$ 196,989		\$ 231,501	