Community School of the Arts

Financial Projection Schedules - Income Tax Basis and Independent Accountant's Report

As of March 19, 2024
For the Period March 19, 2024
through December 31, 2058

CohnReznick
ADVISORY • ASSURANCE • TAX

Independent Accountant's Report

To the Members of:
Community School of the Arts,
Institute for the Creative Arts,
CCA Fort Smith Investment Fund, LLC,
Civic Builders Sub-CDE 22 LLC and
Center for the Creative Arts, Inc. (collectively, the "Companies")

Re: Community School of the Arts (the "Project")

Management is responsible for the accompanying projection of the Project, which comprises sources and uses of funds, projected cash flow, projected taxable income (loss) and other projected data as of March 19, 2024, and for the period March 19, 2024 through December 31, 2058 (the "Projection"), and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the Projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying Projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit substantially all the disclosures required by guidelines for the presentation of a projection established by the AICPA. If the omitted disclosures were included in the projection, they might influence the user's conclusions about the Project's financial position, results of operations, and cash flows for the projected period. Accordingly, this Projection is not designed for those who are not informed about such matters.

AICPA presentation guidelines require the projection to disclose that it is prepared in accordance with the income tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Management has not disclosed this matter.

The accompanying Projection and this report are intended solely for the information and use of the Members of the Companies and are not intended to be and should not be used by anyone other than these specified parties.

CohnReznick LLP

Baltimore, Maryland
March 19, 2024

Community School of the Arts

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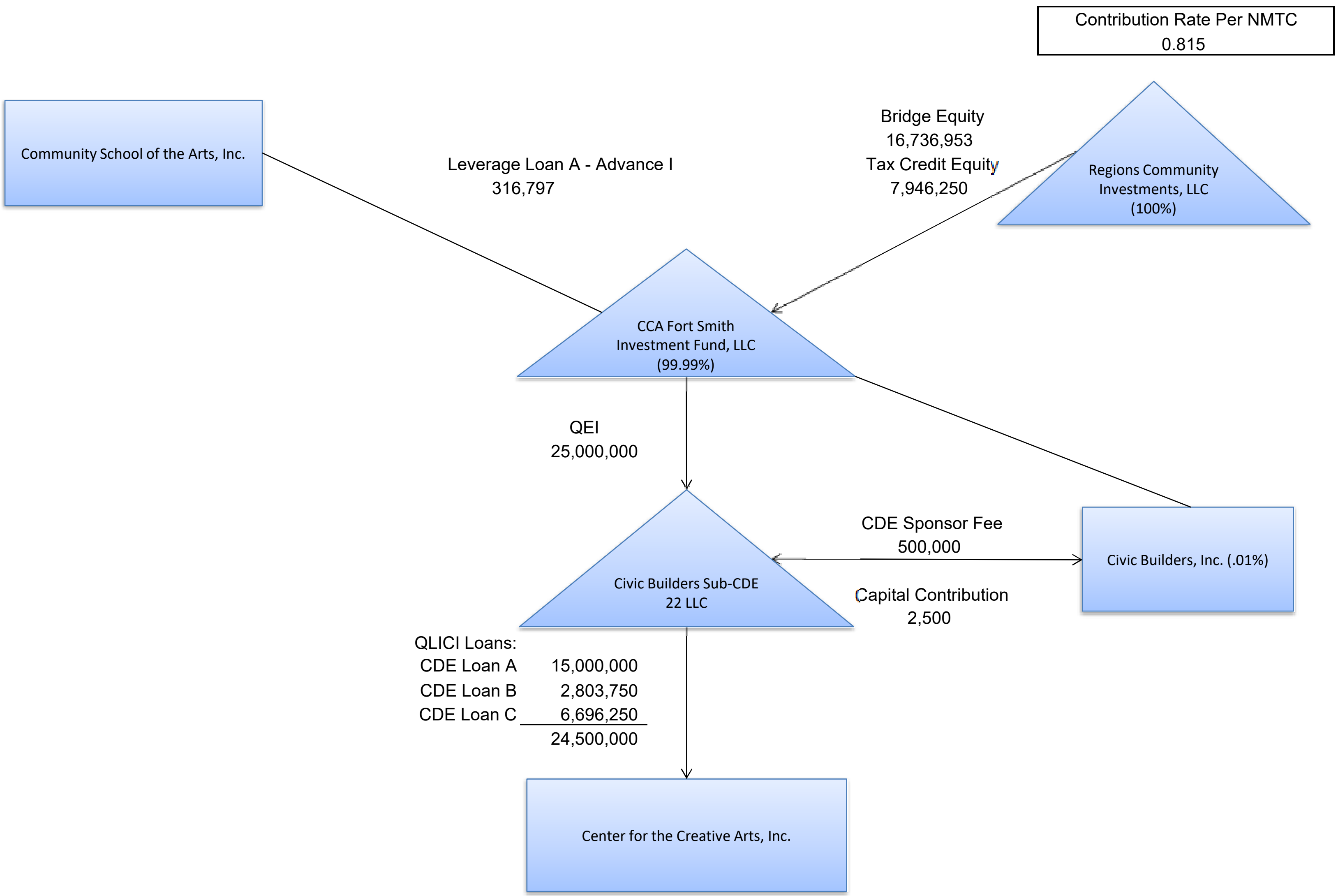
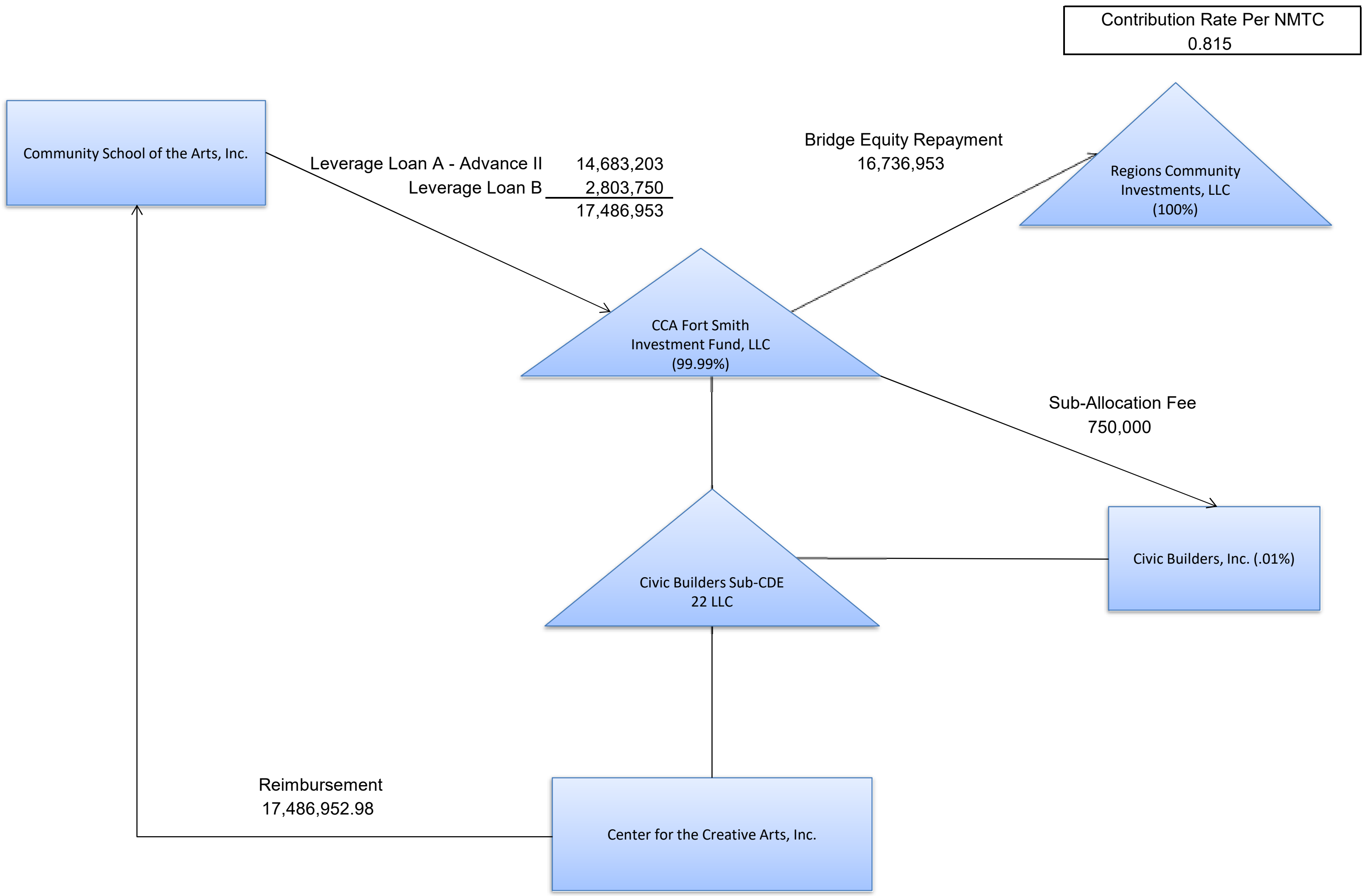


Community School of the Arts

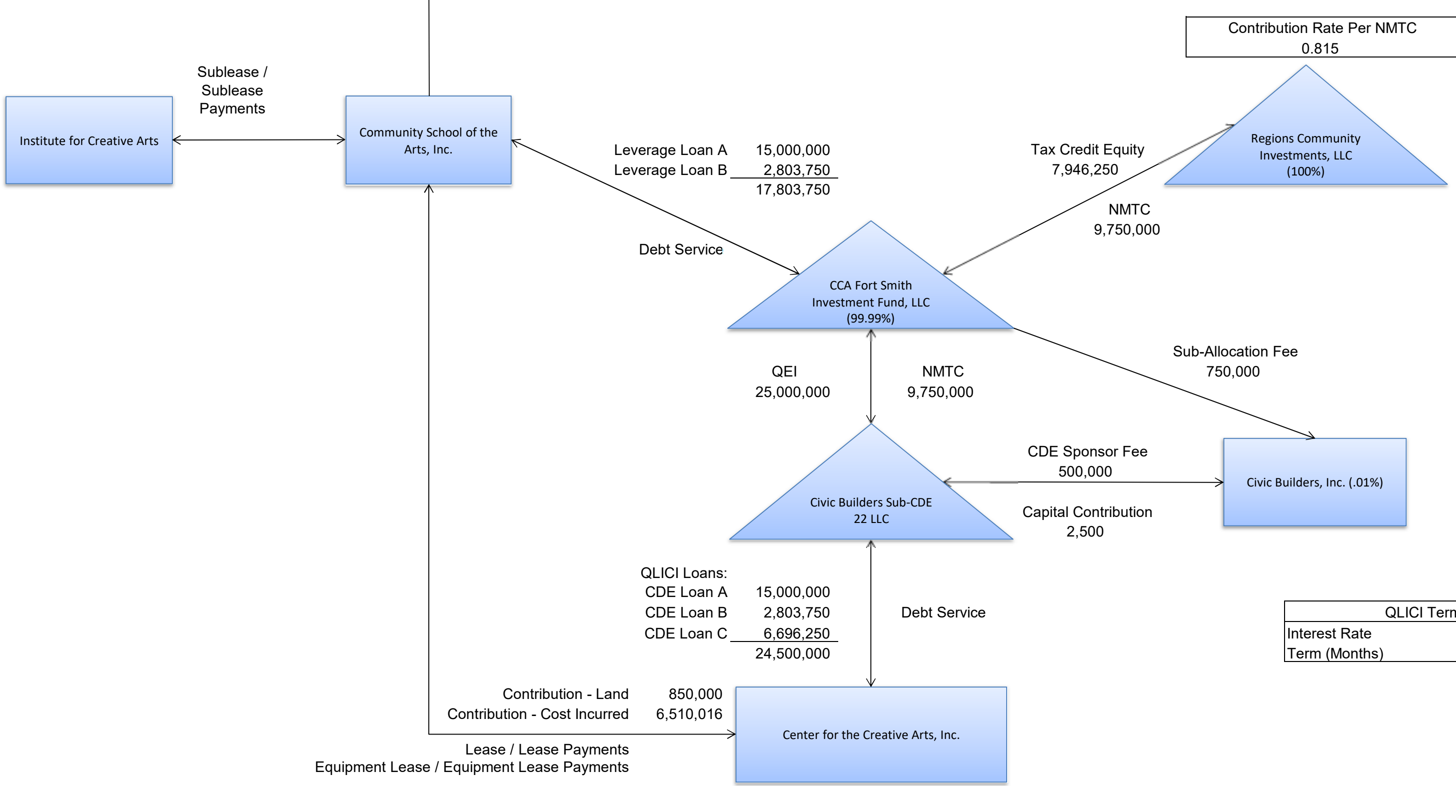
NEW MARKETS DIAGRAM - REIMBURSEMENT / SECOND LEVERAGE LOAN ADVANCE / BRIDGE EQUITY REPAYMENT



Community School of the Arts

NEW MARKETS DIAGRAM - SUMMARY

Community School of the Arts, Inc. Sources & Uses			
Sources		Uses	
Capital Campaign Funding	5,576,940	Loan A to CCA Fort Smith Investment Fund, LLC	15,000,000
HOPE Federal Credit Union Loan	15,000,000	Loan B to CCA Fort Smith Investment Fund, LLC	2,803,750
Land	850,000	Arvest Existing Construction Loan Interest Payment	249,345
Additional Fundraising	5,936,567	HOPE Federal Credit Union Loan Origination Fee	150,000
		HOPE Federal Credit Union Loan Legal	98,600
		HOPE Federal Credit Union Loan Interest Holdback	749,583
		HOPE Federal Credit Union Loan Debt Service Reserve	302,330
		Appraisal	16,650
		HOPE Federal Credit Union Loan Closing Costs	320
		Title Costs	32,913
		ICA Days on Hand Cash Reserve	300,000
		ICA Operating Reserve	300,000
		Contribution to Center for the Creative Arts, Inc. - Land	850,000
		Contribution to Center for the Creative Arts, Inc. - Costs Incurred / Cash	6,510,016
Total Sources	27,363,507	Total Uses	27,363,507



QLICI Terms	
Interest Rate	1.00%
Term (Months)	84.00

Notes:
1. At closing, Community School of the Arts, Inc. will donate the ICA Days on Hand Cash Reserve and the ICA Operating Reserve to Institute for Creative Arts
2. At closing, $591,535 is projected to remain in the Arvest Interest Reserve. At closing, Arvest will release this amount.

SUMMARY OF SIGNIFICANT ASSUMPTIONS

The projected schedules are based on the following assumptions which are presented on pages 8-72.

Note: This financial projection is presented on the income tax basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The projected schedules were prepared to assist the owners in analyzing the potential value of syndication of the project with a corporate investor. Accordingly, the projected schedules should not be used for other purposes. The assumptions contained herein are those that management believes are significant to the projections and are based on management's judgment at the time this projection was prepared. Management believes that the corporate investor will consummate the transaction. Furthermore, even if the corporate investor consummates the transaction, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

COMMUNITY SCHOOL OF THE ARTS, INC. PROJECTED SOURCES AND USES OF FUNDS

Sources:	
Capital Campaign Funding	5,576,940
HOPE Federal Credit Union Loan	15,000,000
Land	850,000
Additional Fundraising	5,936,567
Total:	27,363,507
Uses:	
Loan A to CCA Fort Smith Investment Fund, LLC	15,000,000
Loan B to CCA Fort Smith Investment Fund, LLC	2,803,750
Arvest Existing Construction Loan Interest Payment	249,345
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Contribution to Center for the Creative Arts, Inc. - Land	850,000
Contribution to Center for the Creative Arts, Inc. - Costs Incurred / Cash	6,510,016
Total:	27,363,507

Note: The HOPE Federal Credit Union Loan Interest Holdback will be held back from the initial loan advance.

COMMUNITY SCHOOL OF THE ARTS, INC. PROJECTED FLOW OF FUNDS

	Total	Prior to Closing	At Closing - Arvest Loan Payoff 3/19/2024	At Closing - Reimbursement / Leverage Loan Advance 3/19/2024	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Total
Capital Campaign Funding	5,576,940	5,289,153	287,787.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,576,940
HOPE Federal Credit Union Loan	15,000,000	-	14,250,417.00	-	36,022	83,338	86,618	84,329	87,648	88,177	85,847	89,226	86,868	21,512	-	-	-	-	-	-	15,000,000
Arvest Existing Construction Loan / (Repayment)	-	13,367,734	(13,367,734.41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	850,000	850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	850,000
Additional Fundraising	5,936,567	-	-	-	-	-	-	-	-	-	-	-	0	848,081	848,081	848,081	848,081	848,081	848,081	848,081	5,936,567
Total Sources	27,363,507	19,506,887	1,170,469.60	-	36,022	83,338	86,618	84,329	87,648	88,177	85,847	89,226	86,868	869,593	848,081	848,081	848,081	848,081	848,081	848,081	27,363,507
Loan A to CCA Fort Smith Investment Fund, LLC	15,000,000	-	316,797.02	14,683,202.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000,000
Loan B to CCA Fort Smith Investment Fund, LLC	2,803,750	-	-	2,803,750.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,803,750
Arvest Existing Construction Loan Interest Payment	249,345	-	249,345.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	249,345
Arvest Existing Construction Loan Interest Payment Reserve Prior to Closing / (Release)	-	591,535	(591,535.40)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HOPE Federal Credit Union Loan Origination Fee	150,000	4,950	145,050.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
HOPE Federal Credit Union Loan Legal	98,600	-	98,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,600
HOPE Federal Credit Union Loan Interest Holdback	749,583	-	-	-	36,022	83,338	86,618	84,329	87,648	88,177	85,847	89,226	86,868	21,512	-	-	-	-	-	-	749,583
HOPE Federal Credit Union Loan Debt Service Reserve	302,330	-	302,330.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	302,330
Appraisal	16,650	-	16,650.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,650
HOPE Federal Credit Union Loan Closing Costs	320	-	320.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320
Title Costs	32,913	-	32,912.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,913
ICA Days on Hand Cash Reserve	300,000	-	300,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,000
ICA Operating Reserve	300,000	-	300,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,000
Contribution to Center for the Creative Arts, Inc. - Land	850,000	850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	850,000
Contribution to / (Reimbursement from) Center for the Creative Arts, Inc. - Costs Incurred / Cash	6,510,016	18,060,402	-	(17,486,952.98)	-	-	-	-	-	-	-	-	0	848,081	848,081	848,081	848,081	848,081	848,081	848,081	6,510,016
Total Uses	27,363,507	19,506,887	1,170,469.60	-	36,022	83,338	86,618	84,329	87,648	88,177	85,847	89,226	86,868	869,593	848,081	848,081	848,081	848,081	848,081	848,081	27,363,507

Notes:
1. At closing, Community School of the Arts, Inc. will donate the ICA Days on Hand Cash Reserve and the ICA Operating Reserve to Institute for Creative Arts
2. At closing, $591,535 is projected to remain in the Arvest Interest Reserve. At closing, Arvest will release this amount.

INSTITUTE FOR CREATIVE ARTS PROJECTED OPERATING CASH FLOW

For the Year Ending 6/30	2024	2025	2026	2027	2028	2029	2030	2031	2032
Charter School Enrollment	-	250	359	432	500	500	500	500	500
Revenue									
Tuition									
Institute for the Arts	-	2,668,410	3,946,403	4,732,270	5,575,753	5,676,117	5,778,287	5,882,296	5,999,942
Sponsorships & Ads	-	15,000	20,000	25,000	25,500	26,010	26,530	27,061	27,602
Performance Tickets	-	30,000	40,000	50,000	51,000	52,020	53,060	54,122	55,204
Merchandise	-	2,000	4,000	6,000	6,120	6,242	6,367	6,495	6,624
Professional Development	-	5,000	5,000	10,000	10,200	10,404	10,612	10,824	11,041
Event Rental	-	5,000	5,000	10,000	10,200	10,404	10,612	10,824	11,041
Grants	-	-	25,000	35,000	35,700	36,414	37,142	37,885	38,643
Operations Gifts	-	50,000	50,000	50,000	51,000	52,020	53,060	54,122	55,204
Capital Fundraising for Operations	-	375,000	600,000	675,000	-	-	-	-	-
CSP Grant	100,000	-	-	-	-	-	-	-	-
Total Revenue	100,000	3,150,410	4,695,403	5,593,270	5,765,473	5,869,631	5,975,672	6,083,629	6,205,301
Expenses									
Administrative Salaries Full-Time	-	790,000	955,000	983,056	1,011,954	1,041,718	1,072,376	1,093,824	1,115,700
Clerical Salaries Full-Time	-	30,000	64,000	65,920	67,898	69,935	72,033	73,474	74,943
Faculty Salaries Full-Time	-	360,000	1,032,000	1,261,845	1,425,864	1,457,313	1,536,924	1,567,662	1,599,016
Payroll Taxes and Benefits	-	306,800	533,260	600,813	612,829	625,086	637,588	650,339	663,346
Start Up Expenses	100,000	-	-	-	-	-	-	-	-
Accounting	-	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487
Marketing	-	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487
Insurance	-	24,000	24,480	24,970	25,469	25,979	26,498	27,028	27,569
Computer Network Services	-	32,000	32,640	33,293	33,959	34,638	35,331	36,037	36,758
Telephone/Internet	-	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743
Performances Licensing and Rentals	-	15,000	45,000	45,900	46,818	47,754	48,709	49,684	50,677
Outside Technical Services	-	2,000	2,040	2,081	2,123	2,165	2,208	2,253	2,298
Supplies/Materials	-	150,000	153,000	156,060	159,181	162,365	165,612	168,924	172,303
Curriculum & Licenses	-	70,000	71,400	72,828	74,285	75,770	77,286	78,831	80,408
Food Service	-	193,500	277,866	334,368	341,055	347,876	354,834	361,931	369,169
Utilities	-	103,800	105,876	107,994	110,154	112,357	114,604	116,896	119,234
Custodial	-	21,600	25,000	37,000	37,740	38,495	39,265	40,050	40,851
Grounds Keeping	-	25,500	26,000	27,000	27,540	28,091	28,653	29,226	29,810
Maintenance and Repair	-	16,000	20,000	20,400	20,808	21,224	21,649	22,082	22,523
Other	-	5,000	5,000	5,000	5,100	5,202	5,306	5,412	5,520
Building Rent	-	25,000	-	-	-	-	-	-	-
Portable Buildings	-	219,000	-	-	-	-	-	-	-
Sublease Payments to Community School of the Arts, Inc.	-	648,500	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,458,600
Total Expenses	100,000	3,062,700	4,828,062	5,234,538	5,459,307	5,553,029	5,696,477	5,781,807	5,897,443
Net Income Before Interest and Depreciation	-	87,710	(132,659)	358,732	306,166	316,602	279,194	301,822	307,858
(Deposit to) / Release from ICA Operating Reserve	-	9,117	132,659	-	-	-	-	-	-
(Deposit to ICA Days on Hand Cash Reserve)		(96,827)	-	(33,409)	(18,474)	(7,703)	(11,790)	(7,013)	(9,504)
Net Cash Flow	-	-	-	325,323	287,692	308,899	267,404	294,808	298,354
Lease Service Coverage Ratio			1.39	1.66	1.64	1.65	1.63	1.65	1.65

Notes:

1. Revenue and expense projections through 6/30/2027 provided by Community School of the Arts, Inc.. Thereafter, per Community School of the Arts, Inc., assumption is revenues and expenses escalate annually at 2%.
2. The term of the lease between Institute for Creative Arts and Community School of the Arts, Inc. is 30 years.
3. Deposits into the ICA Days on Hand Cash Reserve are made annually such that the reserve balance equals 30 days worth of the current years total operating expenses.
4. Hope Federal Credit Union Lease Service Coverage Ration Formula is equal to Net Income plus Depreciation plus Lease Service, plus balance of operating and days of cash reserve accounts, divided by lease service. See Exhibit F in the HOPE Federal Credit Union Loan Agreement for the definition of Lease Service Coverage Ratio.
5. Hope Federal Credit Union (HFCU) Minimum Days of Cash (DOC) Requirement is 30 days. HFCU DOC Formula is Cash and Cash Equivalents for Current Fiscal Year, divided by Total Operating Expenses plus Lease Payments for Current Fiscal Year, divided by 365 days.