

J. Porter Studios

BUSINESS PLAN

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Executive Summary

The following business plan outlines the details of the first three years of operation for J. Porter Studios; a limited liability company that focuses on facilitating the needs of artists and students who desire to increase their knowledge and understanding of the musical arts. We will achieve this by providing music lessons, recording spaces, rehearsal rooms, and a venue for performances that will be available for booking to all artists within Northeast Ohio. Though this will be a multi-faceted and complex company in the future, this plan focuses on the first of three phases of operation for J. Porter Studios.

Phase One encompasses the development of the initial arts studio, which is the foundation for the rest of the company, establishing the culture and financial capital that will carry the company forward when expansion becomes feasible. An arts studio is essentially a center for music lessons, providing students with quality music instruction and foundational skills that equip them for further study at higher levels. Prior to opening for business, a diverse curriculum will be developed by myself and my musical mentors. This curriculum will focus on student centered learning, as well as tailoring each lesson to the individual wants and needs of clients, while still teaching essential, fundamental music skills. Phase One will provide a substantial amount of capital for the funding of Phase Two, which involves the construction of a new building to facilitate our business.

Our objective as a company is to equip and empower musicians to express themselves freely and with excellence. In the following sections, you will see the detailed plan for how the foundation of this company will be established and secured in its first three years.

I. Company Overview

1.1 Core Activity

The core activity of J. Porter Studios is housing various subsidiaries that facilitate the learning and preservation of music and the performing arts. More specifically, the first subsidiary of J. Porter Studios, The J. Porter Arts Studio, provides music instruction to learners of all ages, using a tailor-made curriculum and a creative atmosphere to enhance the students' learning results and overall experiences. This would be comparable to the structure of Starbucks, providing a quality product while simultaneously offering customers a helpful, comfortable space to operate in. The Arts Studio provides a similar experience, with our core product being a well-developed curriculum that accompanies a creative space that makes clients "feel" good. This is our key differentiator, because no other studio in Northeast Ohio is conducting business this way.

1.2 Name & Brands

Legal Name

- J. Porter Studios, LLC

Brands

- J. Porter Studios
- The J. Porter Arts Studio

J. Porter Studios is the umbrella that all brands will fall under. For example, J. Porter Studios will serve as the umbrella name for the entire company, as well as the branding for the recording studios, rehearsal studios, and live performance venue. The J. Porter Arts Studio will be the branding for the private music lessons offered within the shared space of the studios.

1.3 Mission Statement

To conveniently provide a multitude of quality musical services and resources, while simultaneously keeping the pursuit of excellence and positive energy at the center of everything we do.

1.4 Values/Mantra

Core Values - Excellence in EVERY Possible Way; Hospitality; Kindness; Positivity

Mantra – Good Vibes Only!

Our values are what they are because they provide the foundation for how we will execute the mission statement. If we prioritize excellence, our curriculum and lessons will be successful and life changing. If we prioritize hospitality, kindness, and positivity, clients' experiences will always "feel" good. Finally, the mantra will remind future employees of the key to giving great service; having a positive attitude and maintaining good vibrations.

1.5 Sector Codes

SIC Code - 8299 - Schools & Educational Services

NAICS Code - 611610 - Fine Arts Schools

Since our primary activity will be music lessons, these are the codes that best represent the company.

1.6 Legal form

Limited Liability Company

To eliminate personal liability and extend the timeline of the company past the life of the CEO, J. Porter Studios will be registered as an LLC.

1.7 State of registration

J. Porter Studios will be established in Ohio, USA. More specifically, Northeast Ohio. The J. Porter Arts Studio will be established first, since there is an untapped market segment (young adults and millennials) and a growing interest in music lessons in the area.

1.8 Visual Identity

Logo – One for J. Porter Studios and another for The J. Porter Arts Studio



Typography – A very mature and professional font; one that does not say “this is for kids only”

Color – Colors based around earthy, autumn tones. Mainly orange, grey, white, and black.

1.9 Communication

- Printed: Hot Cards & Fliers; Business Cards. These are very effective on church and school bulletin boards.
- Digital:
 - Social Media: ALL social media uses the tag **JPorterArts** for the arts studio and **JPorterStudios** for the future recording studio developments.
 - Website: www.jporterstudios.com (there will be tabs that direct visitors to different sections of the site representing different aspects of the company)
 - Video: Our online videos will showcase our major selling points; the learning space and the actual progress of students. It would be brief and well edited, getting straight to the point and linking viewers to the website. The color scheme would be like that of the website and all other major branding (Earth tones & warm colors)

II. Business Environment & Clients

2.1 Values Offered to Clients

Learning a Creative Skill

It is widely known that the mastery of a creative skill like music or visual art is tremendously beneficial for mental health and the general happiness of a person. J. Porter Studios is essentially offering clients a new way to relieve stress, express themselves creatively, and gain a sense of achievement. This could potentially lead to an increase in the overall mental wellbeing of the communities surrounding Northeast Ohio (like a domino effect).

Building Potential for Future Employment

Quality musicians are always in demand, mainly because professionalism in the industry is hard to come by. The J. Porter Studio aids clients in honing in on the skills that will set them apart from other musicians. Whether a student is improving their skills in preparation for a job as a church musician, or a producer wants to learn more chords & drum patterns for their tracks to submit to an artist, lessons at the studio will help them learn the professional skills necessary to make money as a musician in today's economy.

Comfortable & Creative Environment

This is the deal sweetener. Our future facility will not only house the music lessons, but will also cater to elements that aid in mental health and stability. Pleasant aromas, tasteful artwork, lots of natural sunlight, strategic decorating, and free water/coffee are some of the necessities that will be a large part of the Studio's success. We have all heard stories about mean old piano teachers spanking the hands of their students and forcing them to practice for long, grueling hours. That is usually the setup for a story explaining why someone quit music. We do not want to be harsh disciplinarians, but rather friendly coaches that pull the best out of clients through positive reinforcement and helpful guidance. This will eliminate the pain of taking lessons and put a spotlight on the benefits of sticking to a task as you reach new levels of achievement progressively.

Creation of a Diverse Environment for Adults AND Children

Most of the music lesson providers in Northeast Ohio are targeting small children as their clientele. But what about all the other people that may want to take lessons without feeling like a six-year-old? J. Porter Studios provides a space and curriculum that caters to the individual needs of each client, instead of taking a "one-size-fits-all" approach.

Booking Online

We live in a digital era that prioritizes ease of use and convenience. Booking lessons online is another way to ensure convenience is achieved, and we will do it by allowing clients and/or buyers to input their credit card information via secure online interfaces through our website. They can also book lessons in blocks and clearly see the availability for different teachers and time slots. This way, all booking and payment is done in one place with minimal complications.

2.2 Pricing Policy

As a new player in the Akron music lesson market, we plan to set our prices competitively low compared to the other major players in the region (See figure below). This way, we can attract an audience with our lower prices and build customer loyalty with our dynamic service and atmosphere. At first, we will allow a “pay as you go” system, where clients book one lesson at a time and pay for it as they go. However, as customer loyalty increases and our reputation improves, we will begin to offer block bookings, so customers can pay one price to book all lessons for a month at once. We do not want to start this way because customers don’t know us yet. We want them to understand our systems and know what they are getting themselves into before committing long term, and a pay as you go system makes that possible.

Studio Name	Hour Rate
J. Porter Studios	\$45
Firefly Music School	\$57.50
The JMLegrair Studio	\$60
Taylor Robinson Music Lessons	\$50
Dreams Academy	\$42.50

2.3 Client Segmentation & Demographics

Our target buyer can be described as teens and young adults looking to learn musical skills in a new, non-traditional way. Parents looking to expose their children to the arts are also a perfect buyer for J. Porter Studios. Buyers will likely prioritize excellence, convenience, affordability, and comfortability.

Ages

Our specific target ages are youth and young adults ages 12-30, as well as parents of children/teens ages 8-18. We are targeting these specific ages because that age range is the group that will:

1. Likely take interest in music lessons, and
2. Appreciate a more mature, creative atmosphere as opposed to a childish one. (Think Chuck-E-Cheese’s vs. Dave & Buster’s)

Location

We want to pull clients from the greater Akron area mainly, because the studio will be more accessible to those that live close. The experience of the studio is vital to our success, so we want to be sure that clients are able to travel to the lesson site in a reasonable amount of time

Economics

Our target economic class is the lower middle class and up. We, of course, would never turn away a student simply because of their class, but we do understand that most people who invest in music lessons have a certain amount of disposable income, a means of

transportation, and probably a musical instrument to practice on at home. These are things most poor families cannot afford to have typically, so we want to market toward families and individuals with at least a little bit of disposable income to invest in something that may yield more intellectual and personal gain for the future.

Psychographics

Ideal clients for the J. Porter Studio have a strong internal desire for:

- Musical improvement
- A new creative outlet
- Music as a career
- Music production skills
- Audition readiness
- Improvement in religious/spiritual music genres
- A sense of accomplishment
- More discipline
- A space to be creative in

Habits

- General interest in music
- Avid music listeners
- Attend church and/or want to be a part of a religious music staff
- Prioritize comfortable environments
- Identify as “creatives”

2.4 Key Stakeholders

Students & Parents; Music Instructors; Potential Property/Land Owners; Musical Instrument Suppliers; Banks (Lending/Credit); Akron & Cleveland School Systems; Akron & Cleveland Church Communities

As a small startup, the students (children AND adults), parents and teachers are the most imperative stakeholders. However, other factors such as the school system and churches' support directly affect our marketing and the demand for trained students.

III. Marketing

3.1 Major Trends

Social Media Dominates Marketing

Currently, social media is one of the top avenues for the reception of information, especially among millennials. Per the Pew Research Center, 78% of 18-24 year olds use Snapchat and 71% use Instagram. This shows that most my target clientele is active on social media. From my own personal experience and friend groups, I can honestly say that we get most of our information about world events, news, and new products from Facebook, Instagram, and Twitter. This shows that a new business targeting millennials will need to advertise heavily with social media, and failure to do so may result in a lack of the public knowing about a brand or company.

Learning Songs Instead of Technique

Many students are increasingly interested in learning their favorite songs from the radio, rather than learning the scales and arpeggios that are typically associated with traditional instrumental music lessons. Through my own endeavors as a musician, I've noticed that many online music instructors opt to teach pop songs rather than teaching the scales and chords that actually make up the songs they are demonstrating. This is a trend we would like to take advantage of, mainly by using pop songs to teach fundamental music principles; grabbing the attention of learners while also giving them substantial musical knowledge.

Paying for Lessons in Block Rates

This is not a new concept, but it is increasingly popular with private lesson providers. This greatly improves the business' cash flow cycle, while also making the client feel a sense of commitment. For example, a business may offer a full month's worth of lessons upfront for a slight discount. Clients take the deal because they trust the company and want to save a little money. This is widely popular with fitness gyms. This pricing method would allow J. Porter Studios to improve our accounting cycle while also building long term relationships with clients.

3.2 Market Size

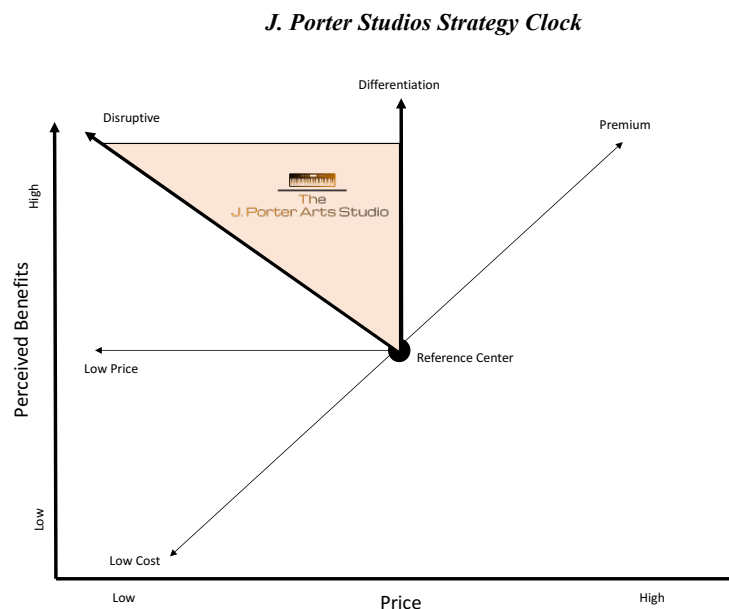
The market size for music instructors is rather difficult to determine because music lessons can easily go undocumented. Therefore, I must use general statistics and educated guesses to determine the market size, though it may be much greater or smaller than what I project. I am using the "bottom-up" approach to determine my potential market in order to bypass the possible miscalculation of the market from a "top-down" viewpoint. With this method, I will analyze the total amount of potential clientele my company will be able to handle, and use those numbers to identify the total projected market that my company can attain.

I will set my maximum personal student cap at fifteen students, since that is the maximum I could possibly teach at one time with sufficient attention being given to each client. At \$60 per hour (the final projected cost after becoming reputable and established), that makes my

market size \$43,200 per year. When I add another instructor as an employee for the studio in Year Three, that number will double to \$86,400 per year.

3.3 Market Positioning

J. Porter Studios sits right between the disruptive and differentiation sectors of the strategy clock. We are offering a high value to clients while keeping prices rather low. This will inevitably change as years go on, whereas we will move toward the focused differentiation “premium” sector in later years. But for now, our focus is gaining as many loyal customers as possible at a rate that is beneficial to us and our clients.



3.4 Business Competition

J. Porter Studios will only compete with one other studio closely (The JMLegrair Studio) mainly because all other instructors focus on children. JMLegrair does offer lessons to older students, but his lessons are limited to voice exclusively. Therefore, J. Porter Studios currently enjoys the luxury of being the only business of its kind in the quadrant that caters to adults at a mid-ranged price point.

3.5 Market Survey Data

I used social media (Instagram & Facebook) to conduct my survey, and I chose the method of story polls and free responses to get an understanding of whether there was a market for J. Porter Studios in the Akron area among the target clientele age bracket. Since most of my followers are teens, parents and under the age of thirty, almost all my feedback was from the target age range and demographic I mentioned earlier. The question I asked was “As a teenager or adult, would you want to take piano lessons, learning different styles of music, if the lessons were offered in your area?”

The results were extremely positive. From the total 74 individuals that responded across both platforms, 72 voted “Yes!”. I also got fourteen detailed responses of what people were looking to gain from taking lessons (See Appendix). This feedback leads me to hypothesize that if I were to start giving lessons in the Akron area, I would have no problem with gaining clients because there is clearly a demand. Also, my clientele would be diverse and not limited to children, since adults are the ones responding positively to the question.

Soon, I will be conducting more surveys using the same method but from different individuals’ social media pages. Those individuals may be friends of mine or associates who have a greater social media presence and contrasting friend groups, thus giving me a broader view of what the market looks like, and a peek at what the markets are like in different areas.

3.6 SWOT Analysis

Strengths

- Highly effective and appealing curriculum
- Atmosphere that caters to the senses and encourages creativity
- Clients gain a new music skills as well as a sense of accomplishment
- Professional, educated instructors
- Competitive, medium-low price point

Weaknesses

- New to the market
- Experimenting with a new curriculum that has not been fully tested
- Owning a music studio is expensive, as well as instruments and equipment

Opportunities

- Tapping into an uncharted marketing territory
- People are very interested in learning music for various reasons
- Expansion to major music hubs (cities) is very possible
- An online segment can be constructed and operated at a lower cost
- Could spark more business competition in the area
- If clients are consistent, profits are high and the company has the potential to expand and grow

Threats

- Online instructors could possibly take clientele
- Music lessons are considered nonessential expenses, so in the case of an economic downturn, they could be the first to go when times get hard for families
- People tend to change their minds often. This could lead to client inconsistency.

IV. Financial Projections

4.1 Required Capital

		Amount Per Month	For 12 Months	Amount Per Month (In Year Three)
Operating Expenses (OPEX)	Monthly Fixed Expenses:			
	Legal and Accounting	\$75.00	\$900.00	\$75.00
	Marketing and Advertising	\$200.00	\$2,400.00	\$200.00
	Rent	\$200.00	\$2,400.00	\$400.00
	Supplies/Stationary/Business Cards/Flyers	\$200.00	\$2,400.00	\$400.00
	Telephone & Utilities	\$0.00	\$0.00	\$0.00
	Internet & Web-Hosting	\$0.00	\$0.00	\$0.00
	Electricity	\$0.00	\$0.00	\$0.00
	Salaries (include owner) Payroll Taxes at 12%	\$0.00	\$0.00	\$1,627.20
	Monthly Fixed Expenses Sub-total (I)	\$675.00	\$8,100.00	\$2,702.20
Capital Expenses (CAPEX)	Asset Purchases:			
	Music & Sound Equipment	\$2,140.00	\$2,140.00	\$720.00
	Computers	\$0.00	\$0.00	\$0.00
	Furniture	\$1,000.00	\$1,000.00	\$600.00
	Asset Purchase Sub-Total (II)	\$3,140.00	\$3,140.00	\$1,320.00
	Startup Expenses You Pay Once:			
	Trademark & Business Registration	\$425.00	\$425.00	\$0.00
	Legal and Accounting Organization Costs	\$0.00	\$0.00	\$0.00
	Licenses and Permits (PRO Blanket Licenses & Stock Exchange)	\$0.00	\$0.00	\$0.00
Startup Expenses You Pay Once Sub-total (III)	\$3,565.00	\$3,565.00	\$1,320.00	
TOTAL EXPENSES (I+II+III)	\$4,240.00	\$11,665.00	\$4,022.20	
Contingency (10%)	\$4,664.00	\$12,831.50	\$4,424.42	
Total Estimated Cash Needed to Start For 12 Months (TOTAL EXPENSES +10%)			\$12,831.50	

Outlined above is the projected required capital for the first twelve months of operating J. Porter Studios, as well as the monthly expenses for year three. Year three is particularly accounted for because that will mark the beginning of the first additional employee's job. Therefore, he/she will incur a new payroll expense as well as more fixed expenses each month.

1. As a very small startup and a service based company, we would not need to hire a lawyer to handle legal issues each month. The CEO will handle all accounting in the first three years using QuickBooks. A QuickBooks subscription costs \$35 per month, and I added an additional \$40 per month to cover unforeseen circumstances that could arise.
2. The CEO will handle all social media/online marketing, as well as printing flyers and hot cards to be distributed around the city of Akron. The highest expense here would be the cost of having a photographer record and photograph private lessons for future social media posting and advertising. These expenses will be approximately \$200 per month in total.
3. The studio will be housed in Akron's Summit Art Space, which is a building that houses creative entrepreneurs in private studios that are priced according to size. A current tenant of Summit Art Space giving voice lessons told me his rent is \$185 per month, so I estimate that my rent will be roughly \$200/month since my space will only need to be slightly bigger than his. In year three, bringing on another teacher will require another separate studio, doubling the rental expense.
4. Supplies will include candy, bottled water, Keurig coffee, pencils, paper, and other typical office supplies. I will spend no more the \$200 on these items monthly. The supply expense is expected to double with the addition of another teacher in year three.
5. Utilities, Internet, and Electricity will be covered in the rent by Summit Art Space.
6. As the CEO, I will not take a salary for the first three years in an effort to increase retained earnings to invest in the future expansion of the company. However, year three will bring the first payroll expenses. Payroll taxes will be approximately 13% in Ohio.
7. This studio will require two keyboards (Yamaha P125) along with accompanying piano benches, sustain pedals, and keyboard stands. Those combinations will cost about \$720 each. A P.A. system is also needed, costing around \$700. These costs were pulled from www.sweetwater.com. Furniture costs include a couch, desk, office chair, Keurig coffee maker, and mini fridge. Furniture costs are from www.Ikea.com , and appliances from www.Walmart.com. The addition of another studio in year three will require a smaller investment of music equipment and furniture, as it will not be the premium studio but secondary. However, the teacher is welcome to invest his/her own funds into the studio as they wish, but J. Porter Studios will only provide a limited amount.
8. Registering a business as an LLC in Ohio costs \$125, and registering a trademark nationally costs \$300.

My invested capital of \$10,000 is based on the fact that the total estimated cash needed to start for twelve months is approximately \$12,832. So, investing \$10k would give me a very

nice starting point to handle the various expenses that will inevitably arise, as well as to jumpstart my cash flow cycle.

4.2 Pro-Forma Balance Sheet

*Year 1 accounts for six months

Balance Sheet				
		Year 1	Year 2	Year 3
ASSETS				
1	Current Assets			
	Cash	10,485.00	23,985.00	44,361.00
2	Equipment 2			1,320.00
	Accumulated Depreciation 2			(264.00)
	Equipment	3,140.00	2,826.00	2,198.00
	Accumulated depreciation	(314.00)	(628.00)	(628.00)
3	Intangibles	425.00	425.00	425.00
4	TOTAL ASSETS	13,736.00	26,608.00	47,412.00
LIABILITIES and OWNER'S EQUITY				
5	Current Liabilities			
6	Long-term Liabilities			
7	Owner's Equity			
	Invested Capital	10,000.00	10,000.00	10,000.00
	Accumulated retained earnings	3,736.00	16,608.00	37,412.00
	Total Owner's Equity	13,736.00	26,608.00	47,412.00
8	TOTAL LIABILITIES and EQUITY	13,736.00	26,608.00	47,412.00

1. The cash amounts expressed for all three years are reflected and explained in the cash flows statements and the cash burn rate below.
2. The music equipment is depreciated monthly over five years, with the initial equipment being depreciated over the first two years and the second equipment's depreciation being accounted for additionally in year three. (Year 1 is only six months, with every other year being twelve.)
3. The intangibles are the total trademark & business registration costs from section 4.1.
4. (Regarding box 7) The invested capital is \$10,000, and the retained earnings are reinvested into the company every year.

4.3 Pro-Forma Income Statement

*Year 1 accounts for six months

Income Statement				
		Year 1	Year 2	Year 3
1	Revenue	8,100.00	21,600.00	46,800.00
	- Cost of Sales / COGS			
2	GROSS PROFIT	8,100.00	21,600.00	46,800.00
	- Administrative Expense / SG&A	(4,050.00)	(8,100.00)	(25,104.00)
	- Depreciation Expenses	(314.00)	(628.00)	(892.00)
3	OPERATING PROFIT (EBIT)	3,736.00	12,872.00	20,804.00
	-/+ Dividends and Interest Income			
	- Interest Expense			
4	PROFIT BEFORE TAXES	3,736.00	12,872.00	20,804.00
	Taxes	-\$784.56	-\$2,703.12	-\$4,368.84
5	NET PROFIT	2,951.44	10,168.88	16,435.16

1. Revenue was calculated using the hypothesis that:
 - J. Porter Studios start Year 1 with five students at a rate of \$45 per lesson (four lessons per month), and grow to ten students at a rate of one student per month.
 - Once I reach my maximum of ten students, I will stop accepting new clients for a year (Year 2). This will allow me to build up a positive reputation and build demand while keeping a steady monthly revenue of \$1,800 (see section 4.5 – Month 6).
 - At Year 3, I will increase the rate to \$60 per hour as well as hire a second instructor to build the clientele to twenty students total, again at a rate of one student per month. The second instructor should have ten students of his/her own by month ten or eleven of Year 3.
2. Administrative expense for the first two years only consists of Supplies, Marketing, and Rent. However, Year 3 introduces payroll for the new employee. Equipment depreciation is detailed in section 4.2.
3. (Section 4) As an LLC I will elect for corporate taxation in the U.S., which makes my tax rate 21%.

4.4 Pro-Forma Cash Flow Statement

*Year 1 accounts for six months

Cash Flow Statement				
		Year 1	Year 2	Year 3
	INFLOW AND OUTFLOW			
1	Funds provided by:			
	Receipts #1	\$8,100.00	\$21,600.00	\$46,800.00
	Invested capital	\$10,000.00		
	TOTAL FUNDS IN	\$18,100.00	\$21,600.00	\$46,800.00
2	Funds used for:			
	SG&A	-\$6,415.00	-\$5,700.00	-\$8,100.00
	Interest expense			
	Rent	-\$1,200.00	-\$2,400.00	-\$4,800.00
	Building and Equipment			-\$1,320.00
	Payroll Expense			- \$12,204.00
3	NET CHANGE IN CASH POSITION (Total Funds In - Total Funds Out)	\$10,485.00	\$13,500.00	\$20,376.00
	CHANGES BY ACCOUNT			
4	Changes in Liquid Assets			
	Cash			
	Investment Portfolios			
	TOTAL CHANGES			
5	NET CHANGE IN CASH POSITION (Total Funds In - Total Funds Out)	\$10,485.00	\$23,985.00	\$44,361.00

This Cash-Flow Statement shows that the initial \$10,000 investment will help get J. Porter Studios get off to a good financial start, setting the company up for a nice financial cushion and large growth each year. Each part of this statement has been explained in previous sections.

4.5 Cash Burn Rate

*For Year 1 (Six Months)

	Pre-Startup	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
INFLOW AND OUTFLOW							
1 Funds provided by:							
Receipts #1		\$900.00	\$1,080.00	\$1,260.00	\$1,440.00	\$1,620.00	\$1,800.00
Invested capital	\$10,000.00						
TOTAL FUNDS IN	\$10,000.00	\$900.00	\$1,080.00	\$1,260.00	\$1,440.00	\$1,620.00	\$1,800.00
2 Funds used for:							
SG&A	-\$3,565.00	-\$475.00	-\$475.00	-\$475.00	-\$475.00	-\$475.00	-\$475.00
Interest expense							
Rent		-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00	-\$200.00
3 NET CHANGE IN CASH POSITION (Total Funds In - Total Funds Out)	\$6,435.00	\$225.00	\$405.00	\$585.00	\$765.00	\$945.00	\$1,125.00
CHANGES BY ACCOUNT							
4 Changes in Liquid Assets							
Cash	\$10,000.00						
Investment Portfolios							
TOTAL CHANGES							
5 NET CHANGE IN CASH POSITION (Total Funds In - Total Funds Out)	\$6,435.00	\$6,660.00	\$7,065.00	\$7,650.00	\$8,415.00	\$9,360.00	\$10,485.00

This chart shows how quickly I plan to escalate revenue by gaining new clients. Month 1 shows the revenue for five students, which will be acquired before the initial investment. Then, each month afterward shows the revenue for adding one more student. By Month 6, I will have reached my target number of students and will continue without increasing student numbers throughout Year 2.

4.6 Cash Burn Rate for Year 3

Here is another cash burn rate for year three. It shows how the same hypothesis of gaining one student per month would work with another teacher onboard. Month 1 shows revenues for eleven students, Month 2 accounting for twelve and so on until Month 10 when the studio reaches its maximum clientele of twenty students.

*For Year 3 (12 Months)

Cash-Flow Statement (For Year Three)													
	Pre Launch	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
1 Funds provided by:													
Receipts #1		\$2,640.00	\$2,880.00	\$3,120.00	\$3,360.00	\$3,600.00	\$3,840.00	\$4,080.00	\$4,320.00	\$4,560.00	\$4,800.00	\$4,800.00	\$4,800.00
TOTAL FUND S IN		\$2,640.00	\$2,880.00	\$3,120.00	\$3,360.00	\$3,600.00	\$3,840.00	\$4,080.00	\$4,320.00	\$4,560.00	\$4,800.00	\$4,800.00	\$4,800.00
2 Funds used for:													
SG&A		\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00	\$675.00
Payroll Expense		\$162.72	\$325.44	\$488.16	\$650.88	\$813.60	\$976.32	\$1,139.04	\$1,301.76	\$1,464.48	\$1,627.20	\$1,627.20	\$1,627.20
Rent		\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
Building and equipment	\$1,320.00												
3 NET CHANGE IN CASH POSITION	\$22,665.00	\$1,402.28	\$1,479.56	\$1,556.84	\$1,634.12	\$1,711.40	\$1,788.68	\$1,865.96	\$1,943.24	\$2,020.52	\$2,097.80	\$2,097.80	\$2,097.80
4 Changes in Liquid Assets													
Cash													
5 NET CHANGE IN CASH POSITION	\$22,665.00	\$24,067.28	\$25,546.84	\$27,103.68	\$28,737.80	\$30,449.20	\$32,237.88	\$34,103.84	\$36,047.08	\$38,067.60	\$40,165.40	\$42,263.20	\$44,361.00

V. Implementation Plan

5.1 Key Performance Indicators

- Five or more students should be enrolled prior to the initial launch of the studio
- The music curriculum should be fully developed and tested prior to the initial launch of the studio
- Ten or more students should be enrolled within year two
- Twenty or more students should be enrolled within year four
- The studio should be able to present a full student recital annually, beginning in year two
- Students should be responding positively to lessons, with the ability to showcase their newly learned skillsets within the first year of enrollment
- Parent and student surveys should reflect positive feelings and learning outcomes.

5.2 Evaluation Metrics & Control

Since the staff will be limited to one person (CEO) for the first two years, and two people for the next few years, we will rely on client feedback to gauge how well we are doing and what possibly needs to change. Surveys will be issued twice a year, because music education is a lengthy process and should be evaluated over long periods of time. This is also a very personal service we are providing, so we will be sure to prioritize weekly verbal updates on client satisfaction and musical progress.

5.3 Hypothetic Timeline

Pre-Launch

- Development of curriculum
- Acquisition of initial startup cash (\$10,000)
- Trial lessons (to improve curriculum)
- Marketing Campaign (“1st Lesson for FREE” promotion)
- Acquisition of the first five to ten committed students

Year 1

- Official Launch of the Arts Studio
- Build clientele using the “1st Lesson for FREE” promotion

Year 2

- Maintain steady clientele and build reputation via word of mouth

Year 3

- Add another teacher
- Increase lesson price from \$45 to \$60 an hour
- Use “1st Lesson for FREE” promotion to build clientele to at least twenty students total.

Year 5

- Apply for loans to build the official J. Porter Studio Facility.

Year 7

- Grand opening of J. Porter Studios (facility) which houses lessons, rehearsals, performances, and recording.

5.4 Next Steps

The capital gained from the J. Porter Arts Studio will be reinvested to fund the construction of a new, physical building that will house the Arts Studio as well as a new Recording Studio and multiple Rehearsal Studios. This investment will mark the departure from rented studio space and introduce new expenses and assets to the financial statements, including increased employee payroll, mortgage costs, utilities, equipment, insurance, and a large down payment. This step will be expensive and will take years to save/plan for, but the ultimate goal is to begin the company with a large capital investment that can be slowly grown over the years while we develop and mature. Consequently, when the time is right, we will be financially ready to leap into our second phase of operation.

Appendix

Responses to the question, “What would you want to gain from music lessons if you took them?”

“Patience and the ability to hear a song and reciprocate it or put my own mix on it.” - @gaedaa.b

“Knowing how to play an instrument.” - @itsjust_cap

“Learn to improve my runs/riffs. Know more chords and transitions.” - @damaestrolcj

“Another skill set that I could teach my students. How to read music, how to read notes.” - @_baezetaeducator4

“Melodic skills for songwriting” - @1kilowat

“The satisfaction of knowing I can do it” - @aye_myname_is

“Identifying progressions in numbers and chord qualities to a song I hear/wanna learn” - @jay_ive

“Chord progressions and the passing notes and ways to accompany” - @shchristine

“Mostly music theory and logistics of the instrument to help me play effectively” - @queennya21

“Just the ability to play for myself but not too complicated” - @_thebell

“The ability to play at least one song while I sing by the end of the lessons (months of them)” - @vivalamusiq

“Everything you know, duh lol” - @type_tee

“I just wanna read music fluently. I’d be even more dangerous haha” - @goldframemusic

“Better musical ear and understand chords and stuff” - @thisfatladysings