Financial Performance Narrative

Response with Supporting Documentation

Prepared by
Desert Rose Academy and Rose Management Group

Submitted to
Arizona State Board for Charter Schools

February 6, 2015

Desert Rose Academy (DRA) is contracted with an education service provider, Rose Management Group, Inc., (RMG). RMG, an education management organization, provides funding, comprehensive educational and business services to Canyon Rose Academy, Desert Rose Academy, Mountain Rose Academy, and Pima Rose Academy, four charter high schools in Tucson, Arizona. Rose Management Group and the four charter high schools are for-profit Sub-chapter S Corporations with common ownership.

RMG provides ongoing financial support, which includes short term loans for working capital through an active line of credit and arranging equipment leasing agreements. RMG is able to provide a significant cost savings to all four schools through bulk purchases of equipment, software, supplies, and professional services.

Education Service Provider Relationship

RMG was established to provide consolidated management and financial resources to the ROSE academies. The primary managerial functions include the CEO, Superintendent, COO, Financial Officer, and Research, Innovation and Outreach. Fiscal services include short-term cash loans, equipment purchases, and equipment & furniture leases.

RMG has an operating agreement with Desert Rose Academy to provide the following services.

R.O.S.E®	Curriculum unique to the ROSE academies
Management fee	Includes Executive Admin Services, Fiscal Services, Purchasing Services, Human Resource Services, Legal and tax services, Payroll, Computing support, Maintenance, printing and publications
Capital leases	RMG provides computers, furniture and fixtures (student & admin desks, chairs)
Operating lease	Building rent
Administrative fee	Includes the following administrative costs; advertising, general supplies, insurance, repairs & maintenance, postage, telephone, utilities and vehicle expense

A Billing Schedule is used to compute the amount for each service. The services are billed each month in the following format through an invoice:

RMG Billing Schedule	
	Billed Costs
	DRA
R.O.S.E. ®	12,670.35
Management Fee*	32,586.52
Equip & Furniture lease	8,970.00
Building Lease	22,500.00
Administrative Support	26,858.32
Billed Costs	103,585.19

*The Management fee is adjusted monthly to accommodate student count, revenue, and cash flow needs of the school.

An invoice has been provided to show how RMG bills DRA and the adjusted management fee based on the current student count as illustrated in the attached invoice.

The other services are not adjusted on a monthly basis except under extreme circumstances during the school year (e.g., a significant decrease in state funding). The other services are reviewed and adjusted on an annual basis.

Rose Management Group, Inc.

Tucson, AZ 85741

Invoice

Date	Invoice #
7/1/2013	461

PAID 07/01/2013

Bill To
Desert Rose Academy, Inc.

Description	Amount
DRA - Administrative fee	26,858.00
DRA - Management fee	27,538.52
DRA - Equip & furniture lease	8,970.00
DRA - Building lease	22,500.00
DRA - ROSE fee	12,670.00
Total	$98,536.52

Fiscal Performance:

The financial performance of the combined entities, RMG and the four schools stated above, Meets the Standards in all areas except the 3-Year Cumulative Cash Flow. The individual financial performance of Desert Rose Academy assessed as of June 30, 2013 has required supporting documentation for not meeting the standards in net income and fixed charge ratio. Desert Rose Academy was able to improve its performance on the Financial Performance Framework in the areas of Unrestricted Days Cash and Cash Flow from FY12 to FY13. The FY14 Audit resulted in meeting the Board's financial performance expectations.

Net Income

Desert Rose Academy's net income was negative, ($9,165), as of June 30, 2013. DRA expects a slight increase in revenue due to the increase in the state funding model without an increase in expenses.

The state funding model comprised of the base level amount and additional assistance that is used to calculate the equalization payment, per student amount, reflects an increase from FY13 to FY14. The data provided below is contained on the Arizona Department of Education CHAR55-1 reports contained in **Exhibit A**.

School Year	FY2012-2013	FY2013-2014	Increase from FY13 to FY14
Base Level amount	$3,267.72	$3,326.54	$58.82
Additional Assistance per student amount	$1,928.19	$1,962.90	$34.71

We also considered the reduction in the Additional Assistance reduction pursuant to S.B 1523, Section 29, page 19, paragraph 1 that is reflected in the CHAR64-1 report by Arizona Department of Education **Exhibit B**.

School Year	ADM	Total Reduction	Reduction per student
2012-2013	220.875	-$26,580.23	$120.34
2013-2014	210.921	-$23,053.83	$109.30

This equals an $11.04 per student decrease in the reduction.

Classroom Site Fund per pupil amount as stated in the Classroom Site Fund Memos by the Arizona Department of Education reflects an increase in per pupil amount from FY13 to FY14. See **Exhibit C**.

School Year	FY2012-2013	FY2013-2014	Increase from FY13 to FY14
Per pupil amount	$227.00	$310.00	$83.00

Although we experienced a decrease in average daily membership, we considered the increase in per student funding to determine that we would not experience a significant decrease in revenue. DRA would try to decrease or at least maintain the same level of expenses; therefore, this would enable us to meet our goal of a positive net income in the future.

DRA has demonstrated a decrease in total expenses from the FY13 to FY14 audit as shown below. The expenses were obtained from the Audit report's Combining Statement of Activities for DRA on page 4.

School Year	Total expenses
2012-2013	$1,623,463
2013-2014	$1,548,843
Change in total expenses from FY13 to FY14	($74,620)

DRA chose to upgrade the small group classrooms that increased expenses for FY13 and resulted in a negative net income. This was a non-recurring event as to expand three small group classrooms as show in the drawings in **Exhibit D**. This facility upgrade was necessary to enhance the functionality of the small group classrooms to provide adequate space and resources for teachers. The small group classrooms are an integral piece to our educational program. The cost of the renovations without including our maintenance personnel was $11,808 that is contained in the expense report in **Exhibit D.**

We do not anticipate any major facility upgrades for the duration of the lease that expires in 2017 as discussed by the Executive Team, an excerpt from the meeting notes as shown below.

Executive Team Meeting Notes	Date: 8/1/13	Participants: CEO, COO, Superintendent
Facilities: • DRA-	Discussion: The increased size of the small group classrooms made a positive impact to the program. The facilities are adequate and meet our standards.	Action: We don't anticipate any upgrades in the near future, FY14-FY16.

The facilities and management fees assessed by RMG were based on higher average daily membership in FY12 than what DRA experienced for FY13 and FY14. DRA's monthly management fee was reduced based on the decline in average daily membership. There is flexibility in the management fee to adjust for the changes throughout the school year in membership and payments.

Desert Rose Academy's average daily membership has declined from FY13 to FY14 as shown in the Arizona Department of Education Finance Reports, CHAR. The management fees have also decreased as show in the Combining Statement of Activities on page 4 of the Audit Documents from FY13 to FY14. The data shows the following:

School Year	ADM	Management fees
2012-2013	220.875	$638,285
2013-2014	210.921	$509,412

DRA will continue to negotiate lower management fees based on their current student counts.

The FY14 Audit reflects a positive net income of $45,527.

Fixed Charge Coverage Ratio

On June 30, 2013 Desert Rose Academy's fixed charge coverage ratio was 0.97 which was 0.13 less than the required standard. DRA's facilities expense was $274,282; therefore, DRA needed an additional $36,593 net income to obtain a fixed charge coverage ratio of 1.10. In FY14 DRA received an increase in per student funding and no increase in the base rent expense to meet the Standard. There is a substantial increase in the net income for year end June 30, 2014.

The annual base rent will not increase for the duration of the lease that expires in 2017 as shown in the lease agreement contained in **Exhibit E**. Desert Rose Academy leases the building from Oracle Ft. Lowell, LLC and the Lease Amendment #1 outlines the schedule of the Base Monthly Rent. The Base Monthly Rent for months 85-134 that translates to May 1, 2013 through May 31, 2017 will remain at $16,625.00. This does not include CAM and sales tax.

DRA does not anticipate any significant increases to negatively impact the fixed charge coverage ratio because DRA has access to better financing options through their education service provider RMG. Desert Rose Academy has access to a line of credit that RMG has through JPMorgan Chase Bank in the amount of $400,000 as reflected in the Audit report for FY14, Note H- Notes Payable on page 12. RMG also secured a loan on January 24, 2012 to purchase software that was necessary for DRA to manage their attendance. This loan is also listed in the Audit report for FY14 on page 12.

In conclusion, the results of the FY14 Audit reflect a positive net income of $45,527 and a facilities expense of 268,038; therefore, the fixed charge ratio is 1.17, thus meeting the standard.

Desert Rose Academy has shown improvement in their Financial Performance Framework from four Does Not Meets in FY12 to two Does Not Meets in FY13. The FY14 Audit resulted in meeting the Board's financial performance expectations.

Desert Rose Academy and Rose Management Group are very aware of Arizona State Board for Charter School's Financial Performance Framework requirements. We actively monitor the financial performance of all our entities to ensure current and future stability as verified by our auditor's continued attestations for DRA's financial management.

Exhibit A.

SAIS CHAR55-1

Arizona Department Of Education
Basic Calculations For Equalization Assistance For Charter Schools
FY 2013-14

Run Date: 09/10/2014

10-87-87 Desert Rose Academy,Inc.

Student Counts		Weighted Student		Weighted Add-On		
Non-AOI Student Counts		319.334	+	7.581	=	326.915
AOI Full Time Student Counts	(	0.000	+	0.000) x 0.95	=	0.000
AOI Part Time Student Counts	(	0.000	+	0.000) x 0.85	=	0.000
						326.915

Base Support Level	
Total Weighted Student Count	326.915
Base Level Amount	$3,326.54
Base Support Level	$1,087,495.82
Base Support Level Adjustments	$10,016.00
Adjusted Base Support Level	$1,097,511.82

Base Support Level Adjustments	
Audit Service Expense	$10,016.00
	$10,016.00

Additional Assistance	K-8	9-12
Student Count	0.000	210.921
Additional Assistance Per Student	$1,684.19	$1,962.90
Additional Assistance	$0.00	$414,016.83
Total Additional Assistance	$414,016.83	

Equalization Assistance	
Adjusted Base Support Level	$1,097,511.82
Total Additional Assistance	$414,016.83
Equalization Base/Assistance	$1,511,528.65

Arizona Department Of Education
Basic Calculations For Equalization Assistance For Charter Schools
FY 2013-14

10-87-87 Desert Rose Academy,Inc.

Non-AOI Student Counts	K-8	9-12	Total
FY 2012-13 Average Daily Membership (100th Day)	0.000	220.875	220.875
FY 2013-14 Estimated Student Count	0.000	219.000	219.000
40th Day Actual	0.000	203.028	203.028
* 100th Day Actual	0.000	210.921	210.921
Enrollment Cap			500

**** Student count used to calculate equalization assistance***

Weighted Student Counts	Student Count		Support Level Weight		Weighted Student Count
K-8	0.000	X	0.000	=	0.000
9-12	210.921	X	1.514	=	319.334
SubTotal	**210.921**				**319.334**

Add-Ons	Estimated 40th Day FY 2013-14 ADM	40th Day FY 2013-14 ADM	*	*100th Day FY 2013-14 ADM		Support Level Weight		Estimated Student Count	40th Day Student Count	100th Day Student Count		Total Student Count Add-On
K-3 Reading	0.000	0.000		0.000	X	0.040	=	0.000	0.000	0.000	=	0.000
K-3	0.000	0.000	*	0.000	X	0.060	=	0.000	0.000	0.000	=	0.000
ELL	1.000	2.200	*	1.760	X	0.115	=	0.115	0.253	0.202	=	0.202
HI	0.000	0.000		0.000	X	4.771	=	0.000	0.000	0.000	=	0.000
MD-R,A-R,SID-R	0.000	1.000		1.170	X	6.024	=	0.000	6.024	7.048	=	7.048
MD-SC,A-SC,SID-SC	0.000	0.000		0.000	X	5.833	=	0.000	0.000	0.000	=	0.000
MDSSI	0.000	0.000		0.000	X	7.947	=	0.000	0.000	0.000	=	0.000
OI R	0.000	0.000		0.070	X	3.158	=	0.000	0.000	0.221	=	0.221
OI SC	0.000	0.000		0.000	X	6.773	=	0.000	0.000	0.000	=	0.000
DD,ED,MIID,SLD,SLI,OHI	15.000	34.192		36.786	X	0.003	=	0.045	0.103	0.110	=	0.110
EDP	0.000	0.000		0.000	X	4.822	=	0.000	0.000	0.000	=	0.000
MOID	0.000	0.000		0.000	X	4.421	=	0.000	0.000	0.000	=	0.000
VI	0.000	0.000		0.000	X	4.806	=	0.000	0.000	0.000	=	0.000
Total Weighted Add-On Count												**7.581**

Arizona Department Of Education
Basic Calculations For Equalization Assistance For Charter Schools
FY 2012-13

10-87-87 Desert Rose Academy,Inc.

Student Counts		Weighted Student		Weighted Add-On		
Non-AOI Student Counts		333.521	+	6.461	=	339.982
AOI Full Time Student Counts	(	0.000	+	0.000) x 0.95	=	0.000
AOI Part Time Student Counts	(	0.000	+	0.000) x 0.85	=	0.000
						339.982

Base Support Level	
Total Weighted Student Count	339.982
Base Level Amount	$3,267.72
Base Support Level	$1,110,965.98
Base Support Level Adjustments	$9,995.00
Adjusted Base Support Level	$1,120,960.98

Base Support Level Adjustments	
Audit Service Expense	$9,995.00
	$9,995.00

Additional Assistance	K-8	9-12
Student Count	0.000	220.875
Additional Assistance Per Student	$1,654.41	$1,928.19
Additional Assistance	$0.00	$425,888.97
Total Additional Assistance	$425,888.97	

Equalization Assistance	
Adjusted Base Support Level	$1,120,960.98
Total Additional Assistance	$425,888.97
Equalization Base/Assistance	**$1,546,849.95**

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Arizona Department Of Education
Basic Calculations For Equalization Assistance For Charter Schools
FY 2012-13

10-87-87 Desert Rose Academy,Inc.

Non-AOI Student Counts	K-8	9-12	Total
FY 2011-12 Average Daily Membership (100th Day)	0.000	261.140	261.140
FY 2012-13 Estimated Student Count	0.000	240.000	240.000
40th Day Actual	0.000	222.669	222.669
* 100th Day Actual	0.000	220.875	220.875
Enrollment Cap			500

Student count used to calculate equalization assistance

Weighted Student Counts	Student Count		Support Level Weight		Weighted Student Count
K-8	0.000	X	0.000	=	0.000
9-12	220.875	X	1.510	=	333.521
SubTotal	**220.875**				**333.521**

Add-Ons	Estimated 40th Day FY 2012-13 ADM	40th Day FY 2012-13 ADM	*	*100th Day FY 2012-13 ADM		Support Level Weight		Estimated Student Count	40th Day Student Count	100th Day Student Count		Total Student Count Add-On
K-3 Reading	0.000	0.000		0.000	X	0.040	=	0.000	0.000	0.000	=	0.000
K-3	0.000	0.000	*	0.000	X	0.060	=	0.000	0.000	0.000	=	0.000
ELL	9.000	6.375	*	5.670	X	0.115	=	1.035	0.733	0.652	=	0.652
HI	0.000	0.000		0.000	X	4.771	=	0.000	0.000	0.000	=	0.000
MD-R,A-R,SMR-R	1.000	1.175		0.950	X	6.024	=	6.024	7.078	5.723	=	5.723
MD-SC,A-SC,SMR-SC	0.000	0.000		0.000	X	5.833	=	0.000	0.000	0.000	=	0.000
MDSSI	0.000	0.000		0.000	X	7.947	=	0.000	0.000	0.000	=	0.000
OI R	0.000	0.000		0.000	X	3.158	=	0.000	0.000	0.000	=	0.000
OI SC	0.000	0.000		0.000	X	6.773	=	0.000	0.000	0.000	=	0.000
DD,ED,MIMR,SLD,SLI,OHI	19.000	26.500		28.637	X	0.003	=	0.057	0.079	0.086	=	0.086
EDP	0.000	0.000		0.000	X	4.822	=	0.000	0.000	0.000	=	0.000
MOMR	0.000	0.000		0.000	X	4.421	=	0.000	0.000	0.000	=	0.000
VI	0.000	0.000		0.000	X	4.806	=	0.000	0.000	0.000	=	0.000
Total Weighted Add-On Count												**6.461**

Exhibit B

SAIS CHAR64-1

Arizona Department Of Education
Equalization Assistance Payment Schedule Detail
FY 2012-2013

10-87-87 Desert Rose Academy,Inc.

Run Date: 8/15/2013

Equalization Assistance

2012-13 Calculated Equalization Assistance	$1,546,849.95
Equalization AdjustmentsEqualization Adjustment (detail on last page)	($26,580.23)
Current Adjusted Equalization Assistance Base	$1,520,269.72

Equalization Assistance Payment Detail

Ln #	Month	Equalization Assistance Base	YTD Payment %	Equalization Assistance To Be Paid YTD	Calculated Current Month Payment	Adjustment To Payment	Current Month Payment	Actual Equalization Assistance Paid YTD
1	AUG	$1,672,029.96	8.33	$139,280.10	$139,280.10		$139,280.10	$139,280.10
2	SEP	$1,609,949.54	16.67	$268,378.59	$129,098.49		$129,098.49	$268,378.59
3	OCT	$1,642,199.84	25.00	$410,549.96	$142,171.37	$26,635.12	$168,806.49	$437,185.08
4	NOV	$1,642,199.84	33.33	$547,345.21	$136,795.25		$136,795.25	$573,980.33
5	DEC	$1,535,387.90	41.67	$639,796.14	$92,450.93		$92,450.93	$666,431.26
6	JAN	$1,515,376.48	50.00	$757,688.24	$117,892.10		$117,892.10	$784,323.36
7	FEB	$1,506,082.79	58.33	$878,498.09	$120,809.85		$120,809.85	$905,133.21
8	MAR	$1,515,000.70	66.67	$1,010,050.97	$131,552.88		$131,552.88	$1,036,686.09
9	APR	$1,528,949.74	75.00	$1,146,712.30	$136,661.33		$136,661.33	$1,173,347.42
10	MAY	$1,519,720.07	83.33	$1,266,382.73	$119,670.43		$119,670.43	$1,293,017.85
11	JUN A	$1,519,528.83	91.67	$1,392,952.08	$126,569.35		$126,569.35	$1,419,587.20
12	JUN B	$1,520,442.09	100.00	$1,520,442.09	$127,490.01		$127,490.01	$1,547,077.21
13	13	$1,520,269.72	100.00	$1,520,269.72	($172.37)		$0.00	$1,547,077.21

SAIS CHAR64-1

Arizona Department Of Education
Equalization Assistance Payment Schedule Detail
FY 2013-2014

10-87-87 Desert Rose Academy,Inc.

Run Date: 9/10/2014

Equalization Assistance

2013-14 Calculated Equalization Assistance	$1,511,528.65
Equalization AdjustmentsEqualization Adjustment (detail on last page)	($23,053.83)
Current Adjusted Equalization Assistance Base	$1,488,474.82

Equalization Assistance Payment Detail

Ln #	Month	Equalization Assistance Base	YTD Payment %	Equalization Assistance To Be Paid YTD	Calculated Current Month Payment	Adjustment To Payment	Current Month Payment	Actual Equalization Assistance Paid YTD
1	AUG	$1,530,938.86	8.33	$127,527.21	$127,527.21		$127,527.21	$127,527.21
2	SEP	$1,530,888.96	16.67	$255,199.19	$127,671.98		$127,671.98	$255,199.19
3	OCT	$1,513,270.43	25.00	$378,317.61	$123,118.42		$123,118.42	$378,317.61
4	NOV	$1,513,098.06	33.33	$504,315.58	$125,997.97		$125,997.97	$504,315.58
5	DEC	$1,442,854.88	41.67	$601,237.63	$96,922.05		$96,922.05	$601,237.63
6	JAN	$1,447,588.80	50.00	$723,794.40	$122,556.77		$122,556.77	$723,794.40
7	FEB	$1,440,421.29	58.33	$840,197.74	$116,403.34		$116,403.34	$840,197.74
8	MAR	$1,437,585.18	66.67	$958,438.04	$118,240.30		$118,240.30	$958,438.04
9	APR	$1,489,788.89	75.00	$1,117,341.67	$158,903.63		$158,903.63	$1,117,341.67
10	MAY	$1,481,211.25	83.33	$1,234,293.33	$116,951.66		$116,951.66	$1,234,293.33
11	JUN A	$1,485,708.90	91.67	$1,361,949.35	$127,656.02		$127,656.02	$1,361,949.35
12	JUN B	$1,486,999.49	100.00	$1,486,999.49	$125,050.14		$125,050.14	$1,486,999.49
13	13	$1,488,474.82	100.00	$1,488,474.82	$1,475.33		$1,475.33	$1,488,474.82

ADE79441

Arizona Department of Education

Equalization Assistance Payment Schedule Detail

Fiscal Year 2013 - 2014

Apportionment Date : 11/11/2010
Run Date: 09/10/2014

10 87 87 Desert Rose Academy,Inc.

Equalization Adjustments

Adjustment Type	Description	Amount
Equalization Assistance	Laws 2013, 1st Special Session, Chapter 3, Section 54 (HB2003)	($27,206.43)
Equalization Assistance	FY2013 Statewide Recalculation Payment Adjustment	($172.37)
Equalization Assistance	Laws 2013, 1st Special Session, Chapter 3, Section 54 (HB2003)	$4,741.17
Equalization Assistance	Additional Assistance Reduction per Laws 2013, 1st Special Session, Chapter3, Section 54 (HB2003)	($416.20)

Exhibit C

State of Arizona
Department of Education

SCHOOL FINANCE MEMORANDUM 13-042

TO: **Superintendents, Business Managers, Administrators, and Head Teachers**

FROM: **Lyle Friesen, Director of School Finance**

DATE: **May 16, 2013**

SUBJECT: **Classroom Site Fund Allocation**

The FY 2013 Classroom Site Fund (CSF) payment #10 has been completed. Actual distribution is scheduled for Thursday, May 16, 2013.

FY 2013 CSF payments are based on the $227 per weighted student count factor set by the Joint Legislative Budget Committee (JLBC) for FY 2013. Revenues in excess of the amount necessary to fund CSF distributions at the $227 level have been distributed to school districts and charter schools which had prior year CSF shortfall balances. A list of shortfall distributions may be viewed at http://www.azed.gov/finance/files/2013/04/fy2013-csf-shortfall-payment2.pdf

The report detailing the counts and weights used to determine the Classroom Site Fund allocation will be available on Thursday, May 16, 2013 at http://www.ade.az.gov/districts. Each district and charter will have received a proportionate share of FY 2013 revenues.

If you have questions concerning your calculated payment, please contact Chelsea Jemison via email at Chelsea.Jemison@azed.gov or by phone at (602)542-8244.

1535 West Jefferson Street, Bin 13, Phoenix, Arizona 85007 • schoolfinance@azed.gov

State of Arizona
Department of Education

SCHOOL FINANCE MEMORANDUM 14-058

TO: **Superintendents, Business Managers, Administrators, and Head Teachers**

FROM: **Lyle Friesen, Director of School Finance**

DATE: **June 30, 2014**

SUBJECT: **Classroom Site Fund Allocation**

The FY 2014 Classroom Site Fund (CSF) revenues are projected to be $310.00 per weighted attending student count by the Joint Legislative Budget Committee (JLBC).

School Finance has completed the FY 2014 CSF payment #12 calculations. Actual distribution of the CSF payment is scheduled for Monday, June 30, 2014.

The report detailing the counts and weights used to determine the Classroom Site Fund allocation will be available on Monday, June 30, 2014 at http://www.ade.az.gov/districts. Each school district and charter school will have received 12/12ths of its FY 2014 annual CSF, which is based on the per weighted attending student count amount.

The Classroom Site Fund per weighted student count set by the Joint Legislative Budget Committee for Fiscal Year 2014 is $310 for new FY 2014 budget capacity.

Please remember that Classroom Site Fund monies must be expended pursuant to A.R.S §15-977(A) and (H)

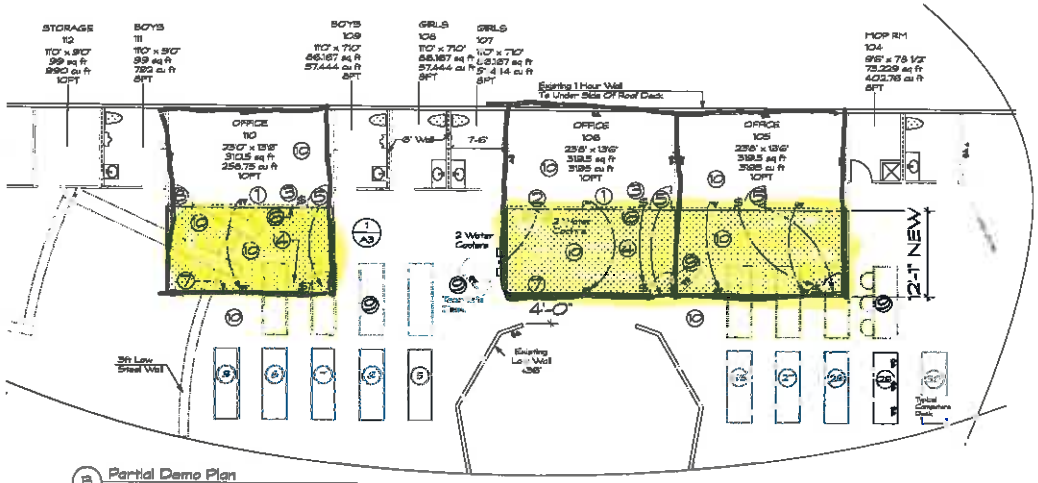
Each school district or charter school shall allocate:

* 40% of the monies for teacher compensation increases based on performance and employment related expenses
* 20% of the monies for teacher base salary increases and employment related expenses
* 40% of the monies for maintenance and operation purposes as prescribed in subsection H of this section.

1. Class size reduction.
2. Teacher compensation increases.
3. AIMS intervention programs.
4. Teacher development.
5. Dropout prevention programs.
6. Teacher liability insurance premiums.

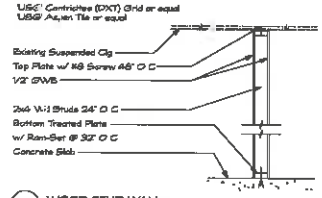
http://www.azleg.gov/FormatDocument.asp?inDoc=/ars/15/00977.htm&Title=15&DocType=ARS

1535 West Jefferson Street, Bin 13, Phoenix, Arizona 85007 • schoolfinance@azed.gov

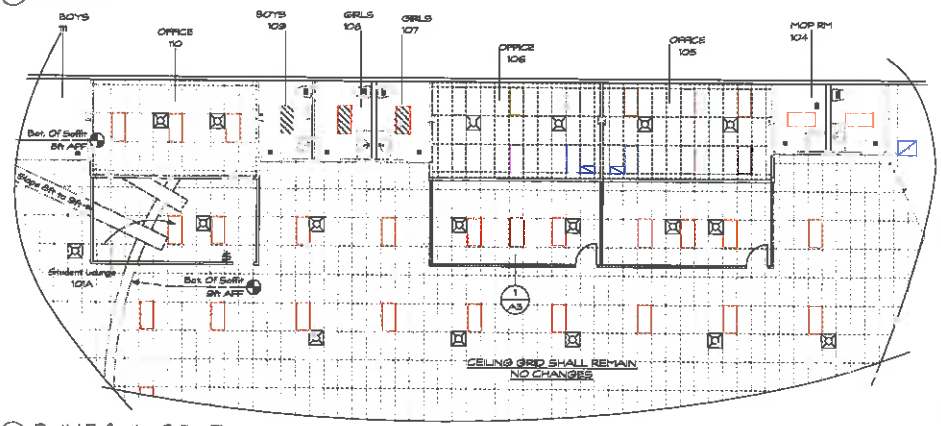


B Partial Demo Plan
Scale: 1/8" = 1'-0"

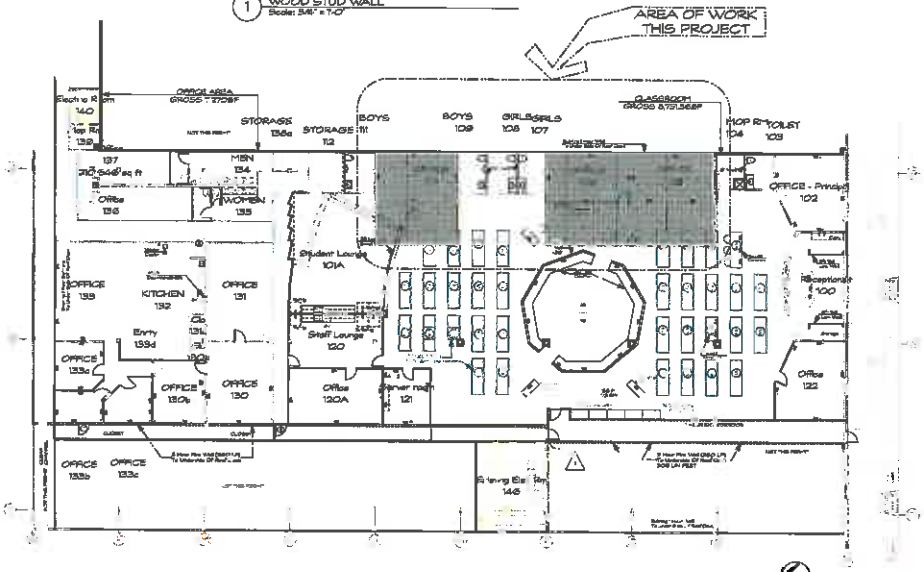
DEMO NOTES	
1	RELOCATE OUTLET AND DATE
2	RELOCATE OUTLET FOR WATER COOLERS
3	RELOCATE SWITCH
4	CEILING GRIDE SHALL REMAIN
5	RELOCATE DOOR AND FRAME
6	REMOVE WALL
7	NEW 2x4 WOOD FRAME WALL AT 24" O.C.W/ 1/2 GWB EACH SIDE
8	REMOVE DOOR AND FRAME
9	REMOVE DESK CAP ELECTRICAL / DATE
10	HVAC NO WORK - SHALL REMAIN.



1 WOOD STUD WALL
Scale: 3/4" = 1'-0"



C Partial Reflective Ceiling Plan
Scale: 1/8" = 1'-0"



A EXISTING FLOOR PLAN FOR PREFERENCE
Scale: 1/16" = 1'-0"

CHAUNCEY MEYER ARCHITECT

J. CHAUNCEY MEYER ARCHITECT INC
1717 NORTH SHANN ROAD
TUCSON, AZ. 85715
520 325 6202
www.chauncey-meyer.com
chauncey@cfgplanet.com

REGISTERED ARCHITECT
CERTIFICATE NO. 26340
JAMES CHAUNCEY MEYER
DATE EXPIRES 12/31/2013
CERTIFIED ARCHITECT
CERTIFICATE NO. CA-5202
DATE EXPIRES 12/31/2013
STATE OF ARIZONA

REVISIONS
1
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ROSE MANAGEMENT GROUP
REMODEL DESERT ROSE ACADEMY
326 W. FT LOWELL
Tucson, AZ 85705
PLANS

JUNE 21, 2012
120806
02 of 05

Exhibit D

1:07 PM
02/04/15
Accrual Basis

Rose Management Group, Inc.
DRA Renovations- Small Group Classrooms
May 1 through August 1, 2012

	Date	Vendor	Service	Amount
DRA Renovation				
	07/02/2012	Border Construction Specialities	supplies	21.77
	06/22/2012	Reproductions	print	144.01
	05/31/2012	Command Center Inc.	labor	648.00
	06/22/2012	Flynn Electric, Inc.	electric	988.85
	06/25/2012	Flynn Electric, Inc.	electric	988.85
	06/25/2012	Flynn Electric, Inc.	electric	847.60
	06/07/2012	Home Depot	supplies	26.09
	06/07/2012	Home Depot	supplies	235.47
	06/07/2012	Home Depot	supplies	244.86
	07/11/2012	Home Depot	supplies	941.18
	06/26/2012	J. Chauncey Meyer	architect	915.00
	06/26/2012	J. Chauncey Meyer	architect	2,400.00
	07/09/2012	Lowe's	supplies	20.69
	07/11/2012	SimplexGrinnell	fire/sprinkler	875.00
	07/19/2012	SimplexGrinnell	fire/sprinkler	400.00
	07/19/2012	SimplexGrinnell	fire/sprinkler	625.00
	05/30/2012	Winroc Corporation of Arizona	supplies	296.05
	05/30/2012	Winroc Corporation of Arizona	supplies	717.88
	07/02/2012	Winroc Corporation of Arizona	supplies	274.06
	07/11/2012	Winroc Corporation of Arizona	supplies	198.56
Total DRA Renovation				11,808.92
TOTAL				**11,808.92**

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Exhibit E

LEASE AMENDMENT #1

THIS LEASE AMENDMENT #1 (the "1st Amendment") is made this 28 day of July, 2006 by and between Rose Management Group Inc., an Arizona corporation, ("Tenant") and Oracle Ft. Lowell, LLC an Arizona limited liability company ("Landlord"), for the premises located at 326 W. Ft. Lowell Tucson, Arizona (the "Premises"). The Landlord and Tenant are sometimes referred to herein as the "Party" or "Parties".

RECITALS

WHEREAS, Landlord and Tenant entered into a lease (the "Lease"), dated October 25, 2005 for an approximately 19,000 sq.ft. Premises at 326 W. Ft. Lowell, a copy of which is incorporated herein and made a part hereof by this reference; and

WHEREAS, revised City of Tucson building codes now require that a three hour firewall be constructed within the Premises, the cost of which was not anticipated by the Parties; and

WHEREAS, Landlord and Tenant have agreed to divide the cost of the design, installation, materials, and labor costs to construct a three hour firewall (collectively the "Firewall Improvements") at the Premises, with the Landlord paying fifty percent (50%) of the total cost of the Firewall Improvements and Tenant paying fifty percent (50%) of the total cost of the Firewall Improvements; and

WHEREAS, Landlord and Tenant now desire to amend the Lease to establish a revised Lease term, Tenant Improvement allowance, reimbursement schedule, Lease expiration date and Monthly rent;

NOW THEREFORE, for a valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to amend the Lease as follows:

1. Notwithstanding the provisions contained in Exhibit F of the Lease, Landlord shall pay its fifty percent (50%) of the costs associated with the Firewall Improvements by paying Tenant an additional Tenant Improvement Allowance (the "Additional TI Allowance") of up to a maximum of $80,000.00. The Additional TI Allowance shall be paid in one or more monthly draws as construction is completed by Tenant's contractor (subject to Landlord's receipt and approval of contractor's documented costs, as a series of one or more construction draw requests), with the final installment of twenty thousand dollars ($20,000.00) of said Additional TI Allowance payable when the Tenant has provided Landlord with a copy of its Certificate of Occupancy and a final lien waiver from Tenant's contractor for all tenant improvements within the Premises. Tenant and its project architect shall be responsible for hiring and supervising a licensed contractor to complete the Firewall Improvements. Landlord shall obtain consent from the adjacent tenant (Patio Connection) for the modifications required in said adjacent tenant's space.

2. The Lease term(s) shall be amended as follows: the initial Lease term shall be extended from a term of one hundred twenty-two (122) months to a term of one hundred thirty four (134) months. The Lease Expiration Date shall be changed to May 31, 2017. The Option Term (if exercised) shall expire on May 31, 2027.

7/26/06
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3. The Parties agree that, notwithstanding the provisions of Section 1.j. of the Lease, monthly rent for the Premises shall be amended as follows:

LEASE MONTHS	BASE MONTHLY RENT*
1-17**	$ 6,333.32
18-60	$ 14,250.00
61-84	$ 15,041.67
85-134	$ 16,625.00 5/1/13

* Base rent does not include CAM Expenses and Rental Tax, which are in addition.
** The initial Lease month was April 2006.

3. Except as set forth herein, all other terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this 1st Amendment on the date set forth by each Party's signature.

TENANT: MOUNTAIN ROSE GROUP, INC., an Arizona corporation

By:_____ Date: 7/28/06

By:_____

By:_____

LANDLORD: ORACLE FT. LOWELL LLC, an Arizona limited liability company

By: DM & AD Date: 7/26/06

By:_____

Its: MEMBERS

CONSENT OF PERSONAL GUARANTORS:

By:_____
Dr. Eugene Kinghorn

By:_____
Catherine Kinghorn

By:_____
Ian Shalek

7/26/06 21

Financial Performance Narrative

Prepared by
Desert Rose Academy and Rose Management Group

Submitted to
Arizona State Board for Charter Schools

January 22, 2015

Desert Rose Academy (DRA) is contracted with an education service provider, Rose Management Group, Inc., (RMG). RMG, an education management organization, provides funding, comprehensive educational and business services to Canyon Rose Academy, Desert Rose Academy, Mountain Rose Academy, and Pima Rose Academy, four charter high schools in Tucson, Arizona. Rose Management Group and the four charter high schools are for-profit Sub-chapter S Corporations.

RMG provides ongoing financial support, which includes short term loans for working capital through an active line of credit and arranging equipment leasing agreements. RMG is able to provide a significant cost savings to all four schools through bulk purchases of equipment, software, supplies, and professional services.

The financial performance of the combined entities, RMG and the four schools stated above, Meets the Standards in all areas except the 3-Year Cumulative Cash Flow. The individual financial performance of Desert Rose Academy assessed as of June 30, 2013 has required supporting documentation for not meeting the standards in net income and fixed charge ratio. Desert Rose Academy was able to improve its performance on the Financial Performance Framework in the areas of Unrestricted Days Cash and Cash Flow from FY12 to FY13.

Fiscal Performance:

Net Income

Desert Rose Academy's net income was negative, ($9,165), as of June 30, 2013. DRA expects a slight increase in revenue from the student counts without an increase in expenses. The total revenue would exceed the total expenses to Meet the Standard of a positive net income of $1 or greater.

- There was a non-recurring event that occurred during FY13 to expand three small group classrooms. This facility upgrade was necessary to enhance the functionality of the small group classrooms to provide adequate space and resources for teachers. The small group classrooms are an integral piece to our educational program. The school will not require any major facility upgrades for the duration of the lease that expires in 2017.
- The facilities and management fees assessed by RMG are based on higher average daily membership than what DRA experienced for FY13 and FY14. DRA will continue to negotiate lower facilities and management fees based on their current student counts.

The FY14 Audit reflects a positive net income of $45,527.

Fixed Charge Coverage Ratio

On June 30, 2013 Desert Rose Academy's fixed charge coverage ratio was 0.97 which was 0.13 less than the required standard. DRA's facilities expense was $274,282; therefore, DRA needed an additional $36,593 net income to obtain a fixed charge coverage ratio of 1.10. In FY14 DRA received an increase in revenue from student counts and no increase in the base rent expense to meet the Standard.

- There is a substantial increase in the net income for year end June 30, 2014.
- The annual base rent will not increase for the duration of the lease that expires in 2017.
- DRA has access to equipment leasing and line of credit agreements through RMG that provide better financing options.
- Desert Rose Academy has access to a line of credit through their education service provider Rose Management Group, Inc.

The results of the FY14 Audit reflect a positive net income of $45,527 and a facilities expense of 268,038; therefore, the fixed charge ratio is 1.17, thus meeting the standard.

Desert Rose Academy has shown improvement in their Financial Performance Framework from four Does Not Meets in FY12 to two Does Not Meets in FY13. The results of the FY14 Audit are projected to correct the areas noted above, net income and fixed charge ratio.

Desert Rose Academy and Rose Management Group are very aware of Arizona State Board for Charter School's Financial Performance Framework requirements. We actively monitor the financial performance of all our entities to ensure current and future stability as verified by our auditor's continued attestations for DRA's financial management.