

Edkey, Inc. dba Arizona Conservatory for Arts and Academics – Entity ID 79981

School(s): Arizona Conservatory for Arts and Academics and Arizona Conservatory for Arts and Academics Middle School

Renewal Executive Summary

I. Performance Summary

Renewal application requirements are based upon the Charter Holder’s past performance as measured by the Board’s Academic, Financial, and Operational¹ Performance Frameworks. The table below identifies areas for which the Charter Holder demonstrated acceptable performance. For “Acceptable” academic performance, the Charter Holder was waived from submission requirements for the renewal application. For “Not Acceptable” financial performance, the Charter Holder was required to submit additional information as part of the renewal application.

While the Charter Holder demonstrated acceptable overall operational performance (see below), at the time of renewal notification, the Charter Holder’s officers and directors, as identified in information publicly available through the Arizona Corporation Commission (ACC), did not align with its officers and directors as identified in the charter contract. Therefore, the Charter Holder was required to submit additional information as part of the renewal application. The Charter Holder submitted a Charter Holder Governance Request to the Board in October 2015 and an Officer/Director Change to ACC in December 2015 to remove Michael Fontaine as a Director, bringing the Charter Holder into alignment.

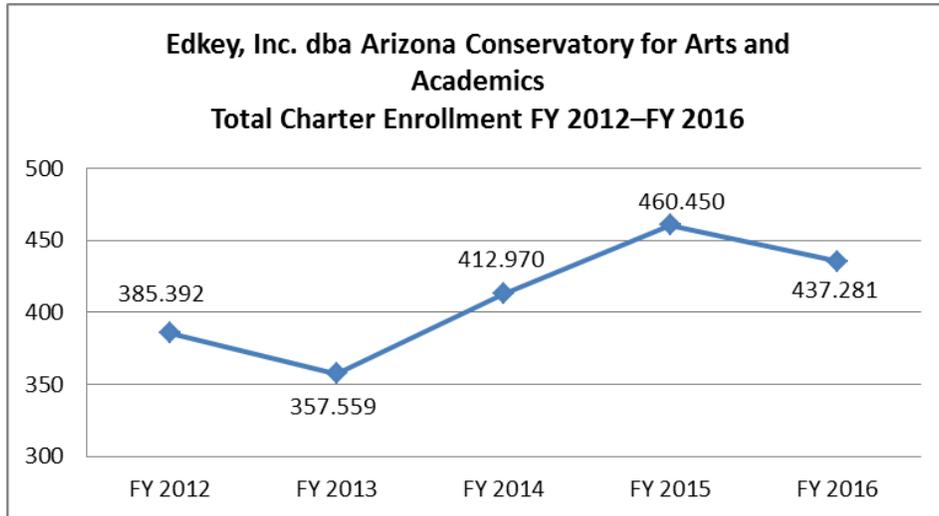
Area	Acceptable	Not Acceptable
Academic Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Financial Framework	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>

II. Profile

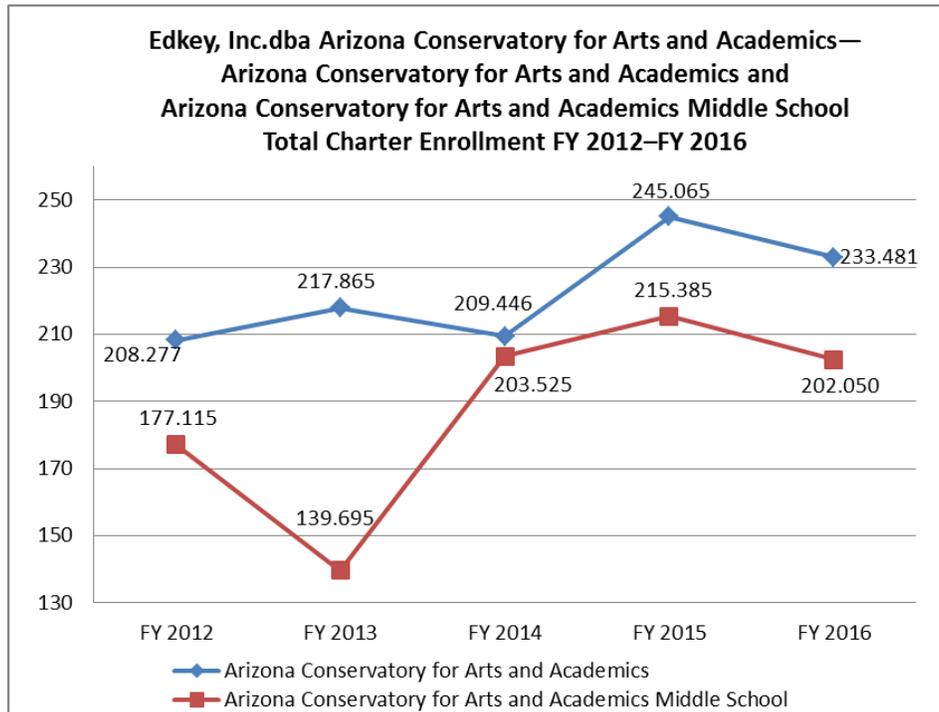
Edkey, Inc. dba Arizona Conservatory for Arts and Academics operates two schools, Arizona Conservatory for Arts and Academics, serving grades 9–12 and Arizona Conservatory for Arts and Academics Middle School, serving grades 6–8, both in Phoenix. The graph on the subsequent page shows the Charter Holder’s actual 100th day average daily membership (ADM) for fiscal years 2012–2016.

¹ The Operational Performance Framework does not require additional submissions for charter holders that have “Not Acceptable” operational performance.





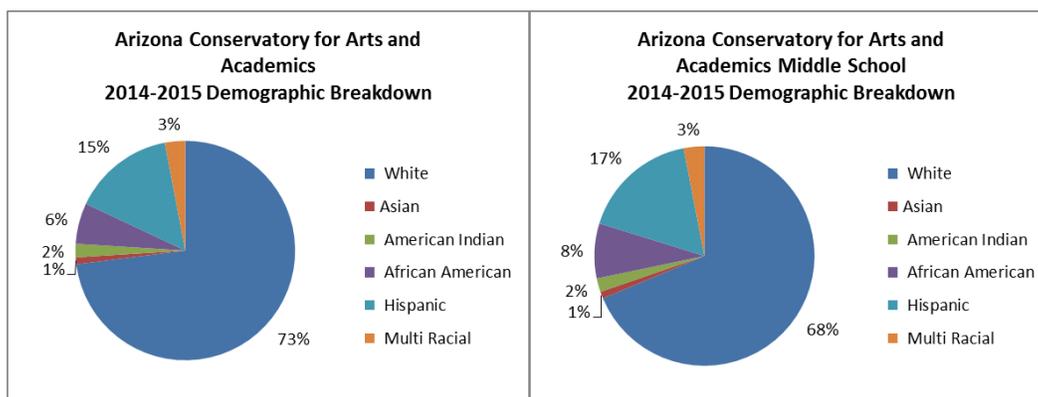
The graph below shows the Charter Holder’s actual 100th day ADM for fiscal years 2012–2016 broken down by school site.



The academic performance of Arizona Conservatory for Arts and Academics and Arizona Conservatory for Arts and Academics Middle School is represented in the table below. The Academic Dashboards for the schools can be seen in appendix: B. Academic Dashboards.

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Arizona Conservatory for Arts and Academics	09/09/2002	9–12	83.44/ A	75/ B	84.38/ A
Arizona Conservatory for Arts and Academics Middle School	08/10/2009	6–8	88.44/ A	76.88/ A	68.75/ B

The demographic data for Arizona Conservatory for Arts and Academics and Arizona Conservatory for Arts and Academics Middle School from the 2014–2015 school year is represented in the charts below.²



The percentage of students who were eligible for Free and Reduced Lunch, classified as English Language Learners, and classified as students with disabilities in the 2014–2015 school year is represented in the table below.³

Category	Arizona Conservatory for Arts and Academics	Arizona Conservatory for Arts and Academics Middle School
Free and Reduced Lunch	46%	61%
English Language Learners	*	*
Special Education	5%	6%

Edkey, Inc. dba Arizona Conservatory for Arts and Academics has not been brought before the Board for any items or actions in the past 12 months.

² Information provided by the Research and Evaluation Division of the ADE.

³ Information provided by the Research and Evaluation Division of the ADE. If the percentage of students in a non-ethnicity-based demographic group is not reported or is 0% or 100%, the percentage for that demographic group was redacted.



III. Success of the Academic Program

The academic performance of the schools operated by the Charter Holder meets the Board's Academic Performance Expectations set forth in the Performance Framework adopted by the Board. Therefore, the Charter Holder was not required to submit a Demonstration of Sufficient Progress.

IV. Viability of the Organization

The Charter Holder did not meet the Board's Financial Performance Expectations based on the fiscal year 2013 and 2014 audits and was required to submit a Financial Performance Response. The table below includes the Charter Holder's financial data and financial performance for the last three audited fiscal years and reflects the ten charter contracts the Board has with Edkey, Inc. ("Edkey").

Financial Data				
Statement of Financial Position	2015	2014	2013	2012
Cash	\$3,238,403	\$2,939,625	\$3,367,275	\$2,721,073
Unrestricted Cash	\$2,138,195	\$1,861,396	\$2,859,619	
Other Liquidity	\$932,073	\$1,636,993	\$1,628,996	
Total Assets	\$90,842,322	\$93,785,443	\$85,298,542	
Total Liabilities	\$92,316,935	\$93,994,108	\$83,762,489	
Current Portion of Long-Term Debt & Capital Leases	\$1,190,804	\$524,119	\$8,493,870	
Net Assets	(\$1,474,613)	(\$208,665)	\$1,536,053	
Statement of Activities	2015	2014	2013	
Revenue	\$43,338,666	\$39,015,367	\$31,223,956	
Expenses	\$44,604,614	\$40,760,085	\$32,060,241	
Net Income	(\$1,265,948)	(\$1,744,718)	(\$836,285)	
Change in Net Assets	(\$1,265,948)	(\$1,744,718)	(\$836,285)	
Financial Statements or Notes	2015	2014	2013	
Depreciation & Amortization Expense	\$3,112,301	\$2,573,247	\$1,841,109	
Interest Expense	\$5,051,895	\$3,913,539	\$2,965,826	
Lease Expense	\$559,723	\$511,710	\$585,415	
Financial Performance				
	2015	2014	2013	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity	25.12	31.33	51.10	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	(\$1,265,948)	(\$1,744,718)	(\$836,285)	N/A
Cash Flow	\$298,778	(\$427,650)	\$646,202	\$517,330
Fixed Charge Coverage Ratio	1.10	1.06	0.38	N/A



The Charter Holder's Financial Performance Response has been provided in the meeting materials (appendix: D. Supplemented Financial Response).⁴ Staff's final evaluation of the Financial Performance Response resulted in two "Acceptable" and one "Not Acceptable" determinations (appendix: C. Financial Response Evaluation). An analysis of Edkey's financial performance, focusing on those measures where Edkey failed to meet the Board's target and using information from the Charter Holder's Financial Performance Response and related documents, is provided below.

Net Income

Edkey indicated the net loss was the "direct result of our continued expansion during this period." For 2017, Edkey is refinancing its 2006 Bond, which will result in a savings of approximately \$400,000 per year. Based on pro forma financial information, Edkey anticipates improved performance from 2015 to 2017.⁵

Fixed Charge Coverage Ratio (FCCR)

Edkey indicated the net loss impacted its performance on the FCCR. For 2015, Edkey meets the Board's FCCR target.

Cash Flow

Property and equipment purchases of approximately \$16.5 million from continued expansion impacted Edkey's cash flow. Edkey indicates, "As we grow our enrollment due to our increased capacity, we will see that net loss decrease, and we will reduce our capital spending program, thus improving our cash flow position." For 2015, Edkey has positive cash flow.

V. Adherence to the Terms of the Charter

For fiscal year 2015, the Charter Holder meets the Board's Operational Performance Standard set forth in the Performance Framework adopted by the Board and, to date, has no measures rated as "Falls Far Below Standard" for the current fiscal year (appendix: A. Renewal Summary Review).

VI. Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language provided for consideration:

Renewal is based on consideration of academic, fiscal and contractual compliance of the Charter Holder. With that taken into consideration as well as all information provided to the Board for consideration of this renewal application package and during its discussion with representatives of the Charter Holder, I move to approve the request for charter renewal and grant a renewal contract to Edkey, Inc. dba Arizona Conservatory for Arts and Academics

Option 2: The Board may deny the renewal. The following language is provided for consideration:

Based upon a review of the information provided by the representatives of the Charter Holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder over the charter term, I move to deny the request for charter renewal and to not grant a renewal contract for Edkey, Inc. dba Arizona

⁴ On March 21, 2016, Board staff emailed a copy of staff's initial evaluation and provided a deadline by which the Charter Holder could supplement its Financial Performance Response to address areas evaluated as "Not Acceptable". By the deadline, the Charter Holder submitted supplemental information.

⁵ For more information, see appendix: C. Financial Response Evaluation.



Conservatory for Arts and Academics. Specifically, the Charter Holder, during the term of the contract, failed to meet the obligations of the contract or failed to comply with state law when it: (Board member must specify reasons the Board found during its consideration.)



APPENDIX A
RENEWAL SUMMARY REVIEW

Five-Year Interval Report

[Back to reports list](#)

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

Renewal Summary Review

Interval Report Details

[Hide Section](#)

Report Date:	04/21/2016	Report Type:	Renewal
---------------------	------------	---------------------	---------

Charter Contract Information

[Hide Section](#)

Charter Corporate Name:	Edkey, Inc. dba Arizona Conservatory for Arts and Academics		
Charter CTDS:	07-89-71-000	Charter Entity ID:	79981
Charter Status:	Open	Contract Effective Date:	05/28/2002
Number of Schools:	2	Contractual Days:	<ul style="list-style-type: none"> Arizona Conservatory for Arts and Academics: 144 Arizona Conservatory for Arts and Academics Middle School: 144
Charter Grade Configuration:	6-12	Contract Expiration Date:	05/27/2017
FY Charter Opened:	—	Charter Signed:	05/28/2002
Charter Granted:	05/13/2002	Charter Enrollment Cap	896
Corp. Type	Non Profit		

Charter Contact Information

[Hide Section](#)

Mailing Address:	1460 S. Horne Mesa, AZ 85204	Website:	—
Phone:	480-461-3200	Fax:	480-649-0747
Mission Statement:	Arizona Conservatory for Arts and Academics is a public charter arts school serving grades six through twelve. Arizona Conservatory is dedicated to providing students who demonstrate desire, interest, and talent in the arts with the choice to pursue a rigorous and innovative curriculum fostering a balance between fine arts and a dynamic academic program of student centered instruction in a college preparatory setting.		
Charter Representatives:	Name:	Email:	FCC Expiration Date:
	1.) Mr. Douglas Pike	doug.pike@edkey.org	—

Academic Performance - Arizona Conservatory for Arts and Academics Middle School

[Hide Section](#)

School Name:	Arizona Conservatory for Arts and Academics Middle School	School CTDS:	07-89-71-002
School Entity ID:	90349	Charter Entity ID:	79981
School Status:	Open	School Open Date:	08/10/2009
Physical Address:	2820 W. Kelton Lane Phoenix, AZ 85053	Website:	—
Phone:	602-266-4278	Fax:	602-978-2764
Grade Levels Served:	6-8	FY 2014 100th Day ADM:	203.525

Academic Performance Per Fiscal Year

[Hide Section](#)

Arizona Conservatory for Arts and Academics Middle School

2012
Traditional2013
Traditional2014
Traditional

		Elementary School (6 to 8)			Elementary School (7 to 8)			Elementary School (6 to 8)		
1. Growth		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1a. SGP	Math	70	100	12.5	56	75	12.5	50	75	12.5
	Reading	56	75	12.5	46.5	50	12.5	46.5	50	12.5
1b. SGP Bottom 25%	Math	81	100	12.5	65	75	12.5	63	75	12.5
	Reading	69.5	100	12.5	63.5	75	12.5	42	50	12.5
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
2a. Percent Passing	Math	82 / 60.2	75	11.25	81.4 / 61.8	75	7.5	72.7 / 61.4	75	7.5
	Reading	95 / 78.4	100	11.25	94.1 / 79.4	100	7.5	89.6 / 78.5	75	7.5
2b. Composite School Comparison	Math	14.9	75	11.25	10.6	75	7.5	6.1	75	7.5
	Reading	11.5	75	11.25	7.4	75	7.5	5.6	75	7.5
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2c. Subgroup FRL	Math	NR	0	0	83.9 / 51.3	100	7.5	70 / 50.8	75	7.5
	Reading	NR	0	0	90.3 / 71.4	75	7.5	85 / 70.9	75	7.5
2c. Subgroup SPED	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		A	100	5	A	100	5	B	75	5
Overall Rating		Overall Rating			Overall Rating			Overall Rating		
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		88.44			76.88			68.75		

Academic Performance - Arizona Conservatory for Arts and Academics

[Hide Section](#)

School Name:	Arizona Conservatory for Arts and Academics	School CTDS:	07-89-71-001
School Entity ID:	79982	Charter Entity ID:	79981
School Status:	Open	School Open Date:	09/09/2002
Physical Address:	2820 West Kelton Lane Phoenix, AZ 85053	Website:	—
Phone:	602-266-4278	Fax:	602-978-2764
Grade Levels Served:	9-12	FY 2014 100 th Day ADM:	209.445

Academic Performance Per Fiscal Year

[Hide Section](#)

Arizona Conservatory for Arts and Academics

		2012 Traditional High School (9 to 12)			2013 Traditional High School (9 to 12)			2014 Traditional High School (9 to 12)		
1. Growth		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1a. SGP	Math	55	75	15	41	50	7.5	52	75	7.5

	Reading	61	75	15	44	50	7.5	54	75	7.5	
1b. SGP Bottom 25%	Math	NR	0	0	50	75	7.5	69	100	7.5	
	Reading	NR	0	0	64.5	75	7.5	51.5	75	7.5	
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
2a. Percent Passing	Math	69 / 55.4	75	13.75	61.4 / 56.8	75	10	66.2 / 58	75	10	
	Reading	94 / 76.4	100	13.75	89.2 / 80.6	75	10	94.2 / 82.2	100	10	
2b. Composite School Comparison	Math	9.2	75	11.25	4.1	75	7.5	7.4	75	7.5	
	Reading	12.9	75	11.25	5.9	75	7.5	8.5	75	7.5	
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0	
	Reading	NR	0	0	NR	0	0	NR	0	0	
2c. Subgroup FRL	Math	NR	0	0	64.7 / 48.1	75	3.75	63.9 / 49.1	75	7.5	
	Reading	NR	0	0	87.1 / 73.6	75	3.75	94.1 / 76.1	75	7.5	
2c. Subgroup SPED	Math	NR	0	0	23.1 / 11.1	75	7.5	NR	0	0	
	Reading	NR	0	0	NR	0	0	NR	0	0	
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
3a. State Accountability		A	100	5	B	75	5	A	100	5	
4. Graduation		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
4a. Graduation		90	100	15	90	100	15	96	100	15	
Overall Rating		Overall Rating			Overall Rating			Overall Rating			
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		83.44			100	75			100	84.38	

Financial Performance

[Hide Section](#)

Charter Corporate Name:	Edkey, Inc. dba Arizona Conservatory for Arts and Academics		
Charter CTDS:	07-89-71-000	Charter Entity ID:	79981
Charter Status:	Open	Contract Effective Date:	05/28/2002

Financial Performance

[Hide Section](#)

Edkey, Inc. dba Arizona Conservatory for Arts and Academics

Near-Term Measures	Fiscal Year 2014		Fiscal Year 2015	
	Going Concern	No	Meets	No
Unrestricted Days Liquidity	31.33	Meets	25.12	Does Not Meet
Default	No	Meets	No	Meets
Sustainability Measures (Negative numbers indicated by parentheses)				
Net Income	(\$1,744,718)	Does Not Meet	(\$1,265,948)	Does Not Meet

Fixed Charge Coverage Ratio	1.06	Does Not Meet	1.10	Meets		
Cash Flow (3-Year Cumulative)	\$6,619	Does Not Meet	\$517,330	Meets		
Cash Flow Detail by Fiscal Year	FY 2014	FY 2013	FY 2012	FY 2015	FY 2014	FY 2013
	(\$427,650)	\$646,202	(\$211,933)	\$298,778	(\$427,650)	\$646,202

Does Not Meet Board's Financial Performance Expectations

Operational Performance

[Hide Section](#)

Charter Corporate Name:	Edkey, Inc. dba Arizona Conservatory for Arts and Academics		
Charter CTDS:	07-89-71-000	Charter Entity ID:	79981
Charter Status:	Open	Contract Effective Date:	05/28/2002

Operational Performance

[Hide Section](#)

Click on any of the measures below to see more information.

Measure	2015	2016
1.a. Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?	Meets	--
Educational Program - Essential Terms	No issue identified	--
1.b. Does the charter holder adhere with applicable education requirements defined in state and federal law?	Meets	--
Services to Student with Disabilities	No issue identified	--
Instructional Days/Hours	No issue identified	--
Data for Achievement Profile	No issue identified	--
Mandated Programming (State/Federal Grants)	No issue identified	--
2.a. Do the charter holder's annual audit reporting packages reflect sound operations?	Meets	--
Timely Submission	Yes	Yes
Audit Opinion	Unqualified	Unqualified
Completed 1st Time CAPs	No issue identified	--
Second-Time/Repeat CAP	No issue identified	--
Serious Impact Findings	No issue identified	--
Minimal Impact Findings (3+ Years)	No issue identified	--
2.b. Is the charter holder administering student admission and attendance appropriately?	Meets	--
Estimated Count/Attendance Reporting	No issue identified	--
Tuition and Fees	No issue identified	--
Public School Tax Credits	No issue identified	--
Attendance Records	No issue identified	--
Enrollment Processes	No issue identified	--
2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?	Meets	--
Facility/Insurance Documentation	No issue identified	--
Fingerprinting	No issue identified	--
2.d. Is the charter holder transparent in its operations?	Meets	--
Academic Performance Notifications	No issue identified	--
Teacher Resumes	No issue identified	--
Open Meeting Law	No issue identified	--

Board Alignment	No issue identified	Inconsistency in Reporting
2.e. Is the charter holder complying with its obligations to the Board?	Meets	--
Timely Submissions	No issue identified	Charter Governance Notification
Limited Substantiated Complaints	No issue identified	--
Favorable Board Actions	No issue identified	--
2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?	Meets	--
Arizona Corporation Commission	No issue identified	--
Arizona Department of Economic Security	No issue identified	--
Arizona Department of Education	No issue identified	--
Arizona Department of Revenue	No issue identified	--
Arizona State Retirement System	No issue identified	--
Equal Employment Opportunity Commission	No issue identified	--
Industrial Commission of Arizona	No issue identified	--
Internal Revenue Service	No issue identified	--
U.S. Department of Education	No issue identified	--
3. Is the charter holder complying with all other obligations?	Meets	--
Judgments/Court Orders	No issue identified	--
Other Obligations	No issue identified	--
OVERALL RATING	Meets Operational Standard	--

Last Updated: 2016-04-21 15:02:23

APPENDIX B

ACADEMIC DASHBOARDS

Academic Performance

[Edit this section.](#)

Arizona Conservatory for Arts and Academics Middle School

		2012 Traditional Elementary School (6 to 8)			2013 Traditional Elementary School (7 to 8)			2014 Traditional Elementary School (6 to 8)				
1. Growth		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight		
1a. SGP	Math	70	100	12.5	56	75	12.5	50	75	12.5		
	Reading	56	75	12.5	46.5	50	12.5	46.5	50	12.5		
1b. SGP Bottom 25%	Math	81	100	12.5	65	75	12.5	63	75	12.5		
	Reading	69.5	100	12.5	63.5	75	12.5	42	50	12.5		
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight		
2a. Percent Passing	Math	82 / 60.2	75	11.25	81.4 / 61.8	75	7.5	72.7 / 61.4	75	7.5		
	Reading	95 / 78.4	100	11.25	94.1 / 79.4	100	7.5	89.6 / 78.5	75	7.5		
2b. Composite School Comparison	Math	14.9	75	11.25	10.6	75	7.5	6.1	75	7.5		
	Reading	11.5	75	11.25	7.4	75	7.5	5.6	75	7.5		
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0		
	Reading	NR	0	0	NR	0	0	NR	0	0		
2c. Subgroup FRL	Math	NR	0	0	83.9 / 51.3	100	7.5	70 / 50.8	75	7.5		
	Reading	NR	0	0	90.3 / 71.4	75	7.5	85 / 70.9	75	7.5		
2c. Subgroup SPED	Math	NR	0	0	NR	0	0	NR	0	0		
	Reading	NR	0	0	NR	0	0	NR	0	0		
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight		
3a. State Accountability		A	100	5	A	100	5	B	75	5		
Overall Rating		Overall Rating			Overall Rating			Overall Rating				
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		88.44			100	76.88			100	68.75		100

Academic Performance

[Edit this section.](#)

Arizona Conservatory for Arts and Academics

		2012 Traditional High School (9 to 12)			2013 Traditional High School (9 to 12)			2014 Traditional High School (9 to 12)		
		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1. Growth										
1a. SGP	Math	55	75	15	41	50	7.5	52	75	7.5
	Reading	61	75	15	44	50	7.5	54	75	7.5
1b. SGP Bottom 25%	Math	NR	0	0	50	75	7.5	69	100	7.5
	Reading	NR	0	0	64.5	75	7.5	51.5	75	7.5
2. Proficiency										
2a. Percent Passing	Math	69 / 55.4	75	13.75	61.4 / 56.8	75	10	66.2 / 58	75	10
	Reading	94 / 76.4	100	13.75	89.2 / 80.6	75	10	94.2 / 82.2	100	10
2b. Composite School Comparison	Math	9.2	75	11.25	4.1	75	7.5	7.4	75	7.5
	Reading	12.9	75	11.25	5.9	75	7.5	8.5	75	7.5
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2c. Subgroup FRL	Math	NR	0	0	64.7 / 48.1	75	3.75	63.9 / 49.1	75	7.5
	Reading	NR	0	0	87.1 / 73.6	75	3.75	94.1 / 76.1	75	7.5
2c. Subgroup SPED	Math	NR	0	0	23.1 / 11.1	75	7.5	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		A	100	5	B	75	5	A	100	5
4. Graduation		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
4a. Graduation		90	100	15	90	100	15	96	100	15
Overall Rating		Overall Rating			Overall Rating			Overall Rating		
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		83.44			75			84.38		

APPENDIX C
FINANCIAL RESPONSE
EVALUATION

Financial Performance Response Evaluation Instrument

Charter Holder Name: Edkey, Inc. dba Arizona Conservatory for Arts and Academics
Charter Holder Entity ID: 79981

Required for: Renewal
Audit Year: 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for the Board in its consideration of applicable requests made by the charter holder. “Not Acceptable” answers may adversely affect the Board’s decision regarding a charter holder’s request.

Measure	Reason(s) for “Not Acceptable” Rating
1a. Going Concern Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
1b. Unrestricted Days Liquidity Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
1c. Default Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
2a. Net Income Acceptable <input type="checkbox"/> Not Acceptable <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/>	In the response, Edkey describes events at three campuses that contributed to a net loss in 2015. <ul style="list-style-type: none"> • <u>Sequoia Pathfinder at Eastmark (“Eastmark”) and Children First Academy Phoenix (“Children First”) –</u> According to the response, the building of new homes slowed down in the development where Eastmark was located, which reduced the number of students within the attendance area. For Eastmark, Edkey indicates a loss of revenue based on the budgets of approximately \$1,100,000, but reduced to \$600,000 after certain efforts by Edkey to mitigate the net loss. For Children First, Edkey indicates a loss of revenue of \$280,000, which was reduced to \$150,000 after certain efforts by Edkey to mitigate the net loss. The response does not provide the Eastmark or Children First budgets and the 2015 budgets submitted to the Arizona Department of Education (ADE) do not show information specific to each charter school. Therefore,



Measure	Reason(s) for "Not Acceptable" Rating
	<p>while Board staff was generally able to support the drops in enrollment and their effect on state equalization for both campuses, Board staff was unable to identify budgeted expenses for Eastmark or Children First and compare them to Eastmark's and Children First's expenses identified in the 2015 Annual Financial Report documents submitted to ADE for these two charters. Had Edkey provided the Eastmark and Children First budgets, these would have been considered in Board staff's evaluation.</p> <ul style="list-style-type: none"> • <u>Pathfinder Academy ("Pathfinder")</u> – According to the response, issues with the contractor and being able to get a certificate of occupancy resulted in Pathfinder having to start the year in a rented facility three miles away. Edkey indicates Pathfinder lost approximately 40 students, which reduced revenues by approximately \$280,000. In addition, Edkey indicates it had "to incur additional costs of renting the temporary facilities for the five months of the school year. This with other additional expenses, added approximately \$50,000 to the company's cost." Edkey's audits show that lease costs generally increased in 2015 by approximately \$50,000. However, the response does not support the costs if Pathfinder had been able to begin the year in its new building. Had Edkey provided the Pathfinder school budget and internal management reports to support the extra lease costs vs. starting the school year in the new building, these would have been considered in Board staff's evaluation. • Using the information included in the response, the total financial impact of the events described above would be \$1,080,000, which falls short of addressing the entire \$1,265,948 net loss in 2015. Had Edkey provided further explanation, along with supporting documentation, this would have been considered in Board staff's evaluation. <p>Edkey indicates, but does not support, "The results of all of increase in enrolments, reconsolidation of sites and refinancing of the 2006 bond will result in an approximate net income of \$400,000 for the 2016-2017 fiscal year." Edkey provides an "Edkey, Inc. Proforma Financial Information" document that includes revenues and expenses for 2017-2022 and also shows the impact of the refinancing of the 2006 bond. The document shows an increase in net assets of \$4,523,334. However, after taking into account the \$4,746,395 in interest on the debt service, the result is a net loss of approximately \$223,000 for 2017. While the Proforma document appears to show a net loss in 2017, Edkey projects net income of approximately \$130,000 in 2018 after bond interest is deducted from the "Increase in Net Assets".</p>
<p>2b. Cash Flow</p> <p>Acceptable <input checked="" type="checkbox"/></p> <p>Not Acceptable <input type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	
<p>2c. Fixed Charge Coverage Ratio</p> <p>Acceptable <input checked="" type="checkbox"/></p> <p>Not Acceptable <input type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	



APPENDIX D
FINANCIAL RESPONSE

Financial Response

Edkey, Inc. Ended the June 30, 2015 fiscal year with a net loss of \$1,266,000. This loss was attributed to a number of factors. Specifically:

Sequoia Pathfinder at Eastmark: This school opened in August 2014 with a projected enrollment of 300 students. The ADM for this school for the year ended June 30, 2015 was 135 a difference of 175 students. This was a result of the development where the school was built slowed down the building of new homes which reduced the number of students within a reasonable attendance area of the school. This resulted in a loss of revenues based upon budgets of approximately \$1,100,000 while the school was able to mitigate the loss in revenues by not hiring all of the projected staff the direct cost of the building and its operation and depreciation was not covered by those changes. This school's loss for that fiscal year was approximately \$600,000.

Pathfinder Academy: This school had been open a number of years and a new building was built to open in August 2014 with a budgeted enrollment of 290 students. Due to issues with the contractor and being able to get a certificate of occupancy we had to open this school in a rented facility three miles away from the new building and the previous site where the school had operated. The loss of student was approximately 40 students which reduced our revenues by approximately \$280,000. In addition we had to incur additional costs of renting the temporary facility for the five months of the school year. This with other additional expenses, added approximately \$50,000 to the company's cost.

Children First Academy Phoenix: This school had a loss of approximately 50 students in the 2015 school year. This created an additional loss in revenues of \$280,000. While we were able to mitigate the loss of these revenues by reducing other expenses this still results in an approximate \$150,000 loss in the 2015 fiscal year.

Current

Sequoia Pathfinder Eastmark: In the current year we have been able to increase the enrollments at Sequoia Pathfinder Academy Eastmark from the 135 to 289 and for the coming 2017 school year the current enrollments are approximately 400 which will provide an additional \$1,600,000 in revenues.

Pathfinder Academy: We were able to move into the new building in late December of 2014 and have the enrollments for the 2016 school year were 280 and we have enrollments for the 2017 school year for 310. The increase in enrollments will provide an additional \$400,000 in revenues with an additional increase in expenses of approximately \$200,000 providing a \$200,000 reduction in the net loss.

In addition to the increase in enrollment at these two schools the company had determined that it will consolidate the Children First Academy Tempe students to the Sequoia Charter School site in Mesa. This will provide a net reduction in expenses of approximately \$500,000 from reduced rents, utilities, duplication of staff and other expenses. We also have elected to end the lease for the facility at Gilbert and University in Mesa that houses the Sequoia Choice Arizona Distance Learning School. This school will be moved to the same site as the Sequoia Lehi School in north Mesa. This will result in a reduction of \$250,000 in expenses related to that site in rents and utilities as well as making the use of the Lehi site more efficient.

The Company is also in the process of refinancing its 2006 Bond which will result in a saving of approximately \$400,000 per year.

The results of all of increase in enrolments, reconsolidation of sites and refinancing of the 2006 bond will result in an approximate net income of \$400,000 for the 2016-2017 fiscal year. We are attaching copies of the letters terminating the two leases discussed above as well as the Proforma budgets that is being used for the refinancing of the 2006 bond to reflect the enrollments and the net effect of the cost savings for the next 5 years.

Edkey, Inc.

**1460 S Horne
Mesa, Arizona 85204
480-461-3200
FAX 480-649-0747**

January 12, 2016

Earnest Rose, Superintendent
Elyssa Dear, Business Manager
Maricopa County Regional School District No 509
3409 W Whitton Ave
Phoenix, AZ 85017

RE: Lease 1938 E Apache Blvd.
Tempe, Arizona
NOTICE OF LEASE TERMINATION

We have appreciated the ability to lease the school and after deliberation regarding the renewal of the lease going forward we have made a determination that we will not be renewing the lease. We have enjoyed our relationship with the district and the lease of the building. This was not an easy decision to make however we feel that it is in the best interest of our students that we transfer them to an existing school that is closer for a large majority of them than this site.

We will be ending our lease and moving out by June 30, 2016. After we move out we would like to walk through the school with you when you do your move-out inspection. We will be in contact with you to set up the date and time of that walk through close to the termination date. We will arrange for all of the utilities to be TURNED-OFF when we move out. If you would like us to transfer the accounts to your name, please tell the power company and let me know. If we do not hear from you about the utilities, we will have them turned-off.

Again thank you for the great relationship which we have had over the last six years.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patric R. Greer', with a long horizontal line extending to the right.

Patric R. Greer CFO/Secretary
Edkey, Inc.

Edkey, Inc.

1460 S Horne
Mesa, Arizona 85204
480-461-3200
FAX 480-649-0747

February 23, 2016

Gilbert Square Shopping Center LLC
MBP Reality Services, Inc.
1450 E Indian School Road Suite 104
Phoenix, AZ 85014

RE: Lease 323 North Gilbert Road Suites 104-113
Mesa, AZ

NOTICE OF LEASE TERMINATION

We have appreciated the ability to lease the school and after deliberation regarding the renewal of the lease going forward we have made a determination that we will not be renewing the lease. We have enjoyed our relationship with you and the lease of the building. This was not an easy decision to make however we feel that it is in the best interest of our students that we transfer them to an existing school that is closer for a large majority of them than this site.

We will be ending our lease and moving out by June 30, 2016. After we move out we would like to walk through the school with you when you do your move-out inspection. We will be in contact with you to set up the date and time of that walk through close to the termination date. We will arrange for all of the utilities to be TURNED-OFF when we move out. If you would like us to transfer the accounts to your name, please tell the utility companies and let me know. If we do not hear from you about the utilities, we will have them turned-off.

Again thank you for the great relationship which we have had over the last nine years.

Sincerely,



Patric R. Greer CFO/Secretary
Edkey, Inc.

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
American Heritage Academy Cottonwood						
Revenues						
Enrollment Elementary	201	205	203	208	213	219
Enrollment High school	93	93	107	118	115	118
PPOR Elementary	6,010	6,191	6,378	6,378	6,378	6,378
PPOR High School	7,585	7,813	8,049	8,049	8,049	8,049
State Equalization	1,926,660	2,012,042	2,153,327	2,332,400	2,417,111	2,557,937
Classroom Site Fund	119,620	124,921	133,693	144,811	150,070	158,814
Instructional Improvement	12,912	13,484	14,431	15,631	16,199	17,143
Federal Entitlements	30,396	31,743	33,972	36,797	38,134	40,355
Interest	250	261	279	303	314	332
Miscellaneous	47,563	49,671	53,159	57,579	59,671	63,147
Total Revenues	2,137,401	2,232,123	2,388,861	2,587,522	2,681,498	2,837,728
Expenses						
Salaries and Benefits	1,339,140	1,398,486	1,496,687	1,621,153	1,680,032	1,777,914
Purchase Services	77,307	80,733	86,402	93,587	96,986	102,637
Supplies	71,539	74,709	79,955	86,605	89,750	94,979
Facility Operations and Maintenance	79,315	82,830	88,646	96,018	99,505	105,303
Miscellaneous	6,050	6,318	6,762	7,324	7,590	8,032
Fixed Assets	0	0	0	0	0	0
Depreciation	115,000	120,096	128,529	139,218	144,274	152,680
Total Expenses	1,688,351	1,763,172	1,886,982	2,043,905	2,118,138	2,241,545
Increase in Net Assets	449,050	468,950	501,880	543,617	563,360	596,183
Depreciation	115,000	120,096	128,529	139,218	144,274	152,680
Net Revenue available for Debt Service	564,050	589,047	630,409	682,835	707,635	748,863

Edkey, Inc.

Proforma Financial Information

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
<u>Fiscal Year</u>					
<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>

American Heritage Academy Camp Verde

Enrollment Elementary	164	180	192	202	208	216
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,081	6,263	6,451	6,451	6,451	6,451
PPOR High School						
Revenues						
State Equalization	981,090	1,109,855	1,219,360	1,321,355	1,401,421	1,498,981
Classroom Site Fund	62,507	70,711	77,688	84,186	89,287	95,503
Instructional Improvement	6,802	7,695	8,454	9,161	9,716	10,393
Federal Entitlements	48,727	55,122	60,561	65,627	69,603	74,449
Interest	0	0	0	0	0	0
Miscellaneous	30,052	33,996	37,351	40,475	42,927	45,916
Total Revenues	1,129,178	1,277,379	1,403,413	1,520,803	1,612,955	1,725,241

Expenses

Salaries and Benefits	820,681	928,393	1,019,994	1,105,312	1,172,288	1,253,897
Purchase Services	18,910	21,392	23,503	25,468	27,012	28,892
Supplies	29,954	33,885	37,229	40,343	42,787	45,766
Facility Operations and Maintenance	69,280	78,373	86,106	93,308	98,962	105,851
Miscellaneous	1,000	1,131	1,243	1,347	1,428	1,528
Fixed Assets	1,000	1,131	1,243	1,347	1,428	1,528
Depreciation	113,000	127,831	140,444	152,191	161,413	172,650
Total Expenses	1,053,825	1,192,136	1,309,760	1,419,316	1,505,318	1,610,111
Increase in Net Assets	75,353	85,243	93,653	101,487	107,637	115,130
Depreciation	113,000	127,831	140,444	152,191	161,413	172,650
Net Revenue available for Debt Service	188,353	213,074	234,097	253,678	269,050	287,780

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Arizona Conservatory for the Arts and Academics						
Enrollment Elementary	200	203	207	211	215	219
Enrollment High school	235	248	252	256	260	264
PPOR Elementary	6,169	6,355	6,545	6,545	6,545	6,545
PPOR High School	7,786	8,020	8,260	8,260	8,260	8,260
Revenues						
State Equalization	2,928,016	3,126,785	3,277,716	3,434,889	3,598,543	3,768,925
Classroom Site Fund	187,386	200,107	209,766	219,825	230,298	241,202
Instructional Improvement	20,410	21,796	22,848	23,943	25,084	26,272
Federal Entitlements	206,467	220,483	231,126	242,209	253,749	265,763
Interest	0	0	0	0	0	0
Miscellaneous	111,177	114,512	117,948	121,486	125,131	128,885
Total Revenues	3,453,456	3,683,682	3,859,403	4,042,352	4,232,805	4,431,046
Expenses						
Salaries and Benefits	1,999,548	2,059,534	2,121,320	2,184,960	2,250,509	2,318,024
Purchase Services	46,967	48,376	49,827	51,322	52,862	54,448
Supplies	103,613	106,721	109,923	113,221	116,617	120,116
Facility Operations and Maintenance	159,886	164,683	169,623	174,712	179,953	185,352
Miscellaneous	6,500	6,695	6,896	7,103	7,316	7,535
Fixed Assets	2,000	2,060	2,122	2,185	2,251	2,319
Depreciation	160,000	164,800	169,744	174,836	180,081	185,484
Total Expenses	2,478,514	2,552,869	2,629,456	2,708,339	2,789,589	2,873,277
Increase in Net Assets	974,942	1,130,813	1,229,948	1,334,013	1,443,215	1,557,769
Depreciation	160,000	164,800	169,744	174,836	180,081	185,484
Net Revenue available for Debt Service	1,134,942	1,295,613	1,399,692	1,508,849	1,623,297	1,743,253

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Arizona Conservatory for the Arts and Academics Elementary School						
Enrollment Elementary	320	326	333	340	347	350
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,497	6,692	6,893	6,894	6,895	6,896
PPOR High School						
Revenues						
State Equalization	1,884,182	1,977,096	2,080,135	2,187,578	2,299,594	2,389,060
Classroom Site Fund	118,948	124,814	131,318	138,101	145,173	150,821
Instructional Improvement	12,434	13,047	13,727	14,436	15,175	15,766
Federal Entitlements	179,866	188,736	198,572	208,828	219,522	228,062
Interest	0	0	0	0	0	0
Miscellaneous	37,624	39,479	41,537	43,682	45,919	47,706
Total Revenues	2,233,054	2,343,171	2,465,290	2,592,626	2,725,383	2,831,414
Expenses						
Salaries and Benefits	1,263,730	1,326,048	1,395,157	1,467,219	1,542,349	1,602,354
Purchase Services	16,560	17,377	18,282	19,227	20,211	20,997
Supplies	126,163	132,384	139,284	146,478	153,979	159,969
Facility Operations and Maintenance	114,068	119,693	125,931	132,436	139,217	144,633
Miscellaneous	5,268	5,528	5,816	6,116	6,429	6,680
Fixed Assets	0	0	0	0	0	0
Depreciation	179,000	184,370	189,901	195,598	201,466	207,510
Total Expenses	1,704,789	1,785,399	1,874,371	1,967,073	2,063,651	2,142,143
Increase in Net Assets	528,265	557,772	590,919	625,552	661,732	689,271
Depreciation	179,000	184,370	189,901	195,598	201,466	207,510
Net Revenue available for Debt Service	707,265	742,142	780,820	821,151	863,198	896,781

Edkey, Inc.

Proforma Financial Information

Children First Academy Phoenix

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Enrollment Elementary	250	258	265	273	281	290
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,415	6,600	6,789	6,789	6,789	6,789
PPOR High School	8,096	8,329	8,568	8,568	8,568	8,568
Revenues						
State Equalization	1,726,257	1,831,386	1,942,917	2,061,241	2,186,771	2,319,945
Classroom Site Fund	96,015	101,862	108,066	114,647	121,629	129,036
Instructional Improvement	12,526	13,289	14,098	14,957	15,868	16,834
Federal Entitlements	627,169	665,364	705,884	748,873	794,479	842,863
Interest	0	0	0	0	0	0
Miscellaneous (Note A)	245,840	260,812	276,695	293,546	311,423	330,388
Total Revenues	2,707,807	2,872,712	3,047,661	3,233,263	3,430,169	3,639,066
Expenses						
Salaries and Benefits	1,356,197	1,438,789	1,526,411	1,619,370	1,717,989	1,822,615
Purchase Services	100,128	106,226	112,695	119,558	126,839	134,564
Supplies	227,161	240,995	255,672	271,242	287,761	305,285
Facility Operations and Maintenance	167,908	178,134	188,982	200,491	212,701	225,654
Miscellaneous	7,260	7,702	8,171	8,669	9,197	9,757
Fixed Assets	5,050	5,358	5,684	6,030	6,397	6,787
Depreciation	272,000	280,160	288,565	297,222	306,138	315,323
Total Expenses	2,135,704	2,257,363	2,386,180	2,522,581	2,667,022	2,819,984
Increase in Net Assets	572,103	615,349	661,481	710,682	763,147	819,082
Depreciation	272,000	280,160	288,565	297,222	306,138	315,323
Net Revenue available for Debt Service	844,103	895,509	950,046	1,007,904	1,069,285	1,134,404

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Children First Academy Tempe						
Enrollment Elementary	0	0	0	0	0	0
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	5,911	6,088	6,271	6,272	6,273	6,274
PPOR High School						
Revenues						
State Equalization	0	0	0	0	0	0
Classroom Site Fund	0	0	0	0	0	0
Instructional Improvement	0	0	0	0	0	0
Federal Entitlements	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Miscellaneous (Note A)	0	0	0	0	0	0
Total Revenues	0	0	0	0	0	0
Expenses						
Salaries and Benefits	0	0	0	0	0	0
Purchase Services	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Facility Operations and Maintenance	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Fixed Assets	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Total Expenses	0	0	0	0	0	0
Increase in Net Assets	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Net Revenue available for Debt Service	0	0	0	0	0	0
Site closed 6/30/2016 students moved to Sequoia Charter Elementary						

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Revenues						
Em	600	610	615	622	627	632
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	5,759	5,932	6,110	6,111	6,112	6,113
PPOR High School	7,632	7,861	8,097	8,340	8,590	8,848
Revenues						
State Equalization	4,080,290	4,272,744	4,436,999	4,622,127	4,799,061	4,982,451
Classroom Site Fund	219,279	229,622	238,449	248,398	257,907	267,762
Instructional Improvement	23,980	25,111	26,076	27,164	28,204	29,281
Federal Entitlements	671,781	703,467	730,510	760,989	790,120	820,313
Interest	0	0	0	0	0	0
Miscellaneous	68,328	71,551	74,301	77,402	80,364	83,435
Total Revenues	5,063,658	5,302,494	5,506,336	5,736,080	5,955,655	6,183,243
Expenses						
Salaries and Benefits	2,446,970	2,562,385	2,660,890	2,771,912	2,878,020	2,988,000
Purchase Services	70,329	73,646	76,477	79,668	82,718	85,879
Supplies	309,771	324,382	336,852	350,907	364,339	378,262
Facility Operations and Maintenance	190,880	199,883	207,567	216,228	224,505	233,084
Miscellaneous	14,500	15,184	15,768	16,426	17,054	17,706
Fixed Assets	8,160	8,545	8,873	9,244	9,597	9,964
depreciation	257,744	280,411	304,207	329,177	355,373	382,843
Total Expenses	3,298,354	3,464,437	3,610,634	3,773,561	3,931,606	4,095,738
Increase in Net Assets	1,796,345	1,838,057	1,895,701	1,962,518	2,024,049	2,087,505
Depreciation	257,744	280,411	304,207	329,177	355,373	382,843
Net Revenue available for Debt Service	2,054,089	2,118,468	2,199,908	2,291,696	2,379,421	2,470,348

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Sequoia Charter Secondary School						
Enrollment Elementary (Note A)	170	168	172	177	178	187
Enrollment High school (Note A)	287	292	292	292	300	299
PPOR Elementary	6,202	6,389	6,580	6,580	6,580	6,580
PPOR High School	7,828	8,062	8,304	8,304	8,304	8,304
Revenues						
State Equalization	3,547,046	3,677,441	3,820,701	3,977,729	4,175,682	4,372,935
Classroom Site Fund	192,805	199,893	207,680	216,215	226,975	237,697
Instructional Improvement	19,941	20,674	21,479	22,362	23,475	24,584
Federal Entitlements	489,879	507,888	527,673	549,360	576,699	603,942
Interest	0	0	0	0	0	0
Miscellaneous	204,767	212,295	220,565	229,630	241,057	252,445
Total Revenues	4,454,438	4,618,190	4,798,098	4,995,296	5,243,889	5,491,603
Expenses						
Salaries and Benefits	2,003,916	2,077,583	2,158,518	2,247,232	2,359,066	2,470,505
Purchase Services	120,755	125,194	130,071	135,417	142,156	148,871
Supplies	217,393	225,385	234,165	243,789	255,921	268,010
Facility Operations and Maintenance	201,265	208,664	216,793	225,703	236,935	248,127
Miscellaneous	20,000	20,735	21,543	22,428	23,545	24,657
Fixed Assets	10,200	10,575	10,987	11,438	12,008	12,575
Depreciation	284,844	308,324	332,957	358,790	385,874	414,260
Total Expenses	2,858,373	2,976,460	3,105,034	3,244,797	3,415,504	3,587,005
Increase in Net Assets	1,596,065	1,641,730	1,693,064	1,750,499	1,828,385	1,904,597
Depreciation	284,844	308,324	332,957	358,790	385,874	414,260
Net Revenue available for Debt Service	1,880,909	1,950,054	2,026,021	2,109,289	2,214,259	2,318,857

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Enrollment Elementary	39	37	40	41	41	42
Enrollment High school	24	27	25	25	26	26
PPOR Elementary (Note C)	21,920	22,270	22,921	22,921	22,921	22,921
PPOR High School (Note C)	27,664	28,105	28,927	28,927	28,927	28,927
Revenues						
State Equalization	1,640,876	1,690,102	1,740,805	1,793,030	1,846,820	1,902,225
Classroom Site Fund	26,462	27,256	28,074	28,916	29,783	30,677
Instructional Improvement	2,820	2,905	2,992	3,081	3,174	3,269
Federal Entitlements	6,905	7,112	7,326	7,545	7,772	8,005
Interest	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	1,677,063	1,727,375	1,779,196	1,832,572	1,887,549	1,944,176

Expenses						
Salaries and Benefits	854,367	879,998	906,398	933,590	961,598	990,446
Purchase Services	50,035	51,536	53,082	54,675	56,315	58,004
Supplies	17,064	17,576	18,103	18,646	19,206	19,782
Facility Operations and Maintenance	10,700	11,021	11,352	11,692	12,043	12,404
Miscellaneous	1,100	1,133	1,167	1,202	1,238	1,275
Fixed Assets	1,500	1,545	1,591	1,639	1,688	1,739
Depreciation	8,000	8,240	8,487	8,742	9,004	9,274
Total Expenses	942,766	971,049	1,000,180	1,030,186	1,061,091	1,092,924
Increase in Net Assets	734,297	756,326	779,016	802,386	826,458	851,251
Depreciation	8,000	8,240	8,487	8,742	9,004	9,274
Net Revenue available for Debt Service	742,297	764,566	787,503	811,128	835,462	860,526

Edkey, Inc.

Proforma Financial Information

Sequoia Pathway Academy

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Enrollment Elementary	793	812	812	812	812	812
Enrollment High school	309	343	343	343	343	343
PPOR Elementary	5,784	5,953	6,131	6,131	6,131	6,131
PPOR High School	7,299	7,513	7,738	7,738	7,738	7,738
Revenues						
State Equalization	6,943,385	7,495,642	7,720,512	7,952,127	8,190,691	8,436,412
Classroom Site Fund	429,987	464,187	478,113	492,456	507,230	522,447
Instructional Improvement	48,187	52,020	53,580	55,188	56,843	58,549
Federal Entitlements	662,098	714,759	736,202	758,288	781,037	804,468
Interest	0	0	0	0	0	0
Miscellaneous	165,456	178,616	183,974	189,494	195,178	201,034
Total Revenues	8,249,113	8,905,224	9,172,381	9,447,553	9,730,979	10,022,909
Expenses						
Salaries and Benefits	4,134,783	4,463,652	4,597,561	4,735,488	4,877,553	5,023,879
Purchase Services	130,108	140,456	144,670	149,010	153,481	158,085
Supplies	495,106	534,485	550,520	567,036	584,047	601,568
Facility Operations and Maintenance	328,785	354,936	365,584	376,551	387,848	399,483
Miscellaneous	42,925	46,339	47,729	49,161	50,636	52,155
Fixed Assets	26,900	29,040	29,911	30,808	31,732	32,684
Depreciation	483,113	497,606	512,535	527,911	543,748	560,060
Total Expenses	5,641,720	6,066,514	6,248,510	6,435,965	6,629,044	6,827,915
Increase in Net Assets	2,607,393	2,838,710	2,923,872	3,011,588	3,101,935	3,194,993
Depreciation	483,113	497,606	512,535	527,911	543,748	560,060
Net Revenue available for Debt Service	3,090,506	3,336,317	3,436,406	3,539,498	3,645,683	3,755,054

Edkey, Inc.

Proforma Financial Information

Sequoia Village School

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Enrollment Elementary	294	320	331	331	331	331
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,554	6,750	6,953	6,953	6,953	6,953
PPOR High School						
Revenues						
State Equalization	1,771,994	1,986,562	2,116,496	2,179,990	2,245,390	2,312,752
Classroom Site Fund	112,552	126,181	134,434	138,467	142,621	146,899
Instructional Improvement	12,199	13,676	14,571	15,008	15,458	15,922
Federal Entitlements	355,945	399,046	425,146	437,900	451,037	464,568
Interest	0	0	0	0	0	0
Miscellaneous	54,831	61,470	65,491	67,456	69,479	71,564
Total Revenues	2,307,521	2,586,935	2,756,137	2,838,821	2,923,986	3,011,705
Expenses						
Salaries and Benefits	1,119,186	1,254,706	1,336,772	1,376,875	1,418,182	1,460,727
Purchase Services	352,621	395,319	421,176	433,811	446,825	460,230
Supplies	103,398	115,918	123,500	127,205	131,021	134,952
Facility Operations and Maintenance	166,041	186,147	198,322	204,271	210,400	216,712
Miscellaneous	2,840	3,184	3,392	3,494	3,599	3,707
Fixed Assets	8,939	10,021	10,677	10,997	11,327	11,667
Depreciation	193,000	216,370	230,522	237,438	244,561	251,898
Total Expenses	1,946,025	2,181,666	2,324,361	2,394,092	2,465,914	2,539,892
Increase in Net Assets	361,496	405,269	431,776	444,729	458,071	471,813
Depreciation	193,000	216,370	230,522	237,438	244,561	251,898
Net Revenue available for Debt Service	554,496	621,639	662,298	682,167	702,632	723,711

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Enrollment Elementary	280	285	290	295	300	310
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,581	6,779	6,982	6,983	6,984	6,985
PPOR High School						
Revenues						
State Equalization	1,723,426	1,806,828	1,893,682	1,984,122	2,078,283	2,211,986
Classroom Site Fund	103,917	108,946	114,183	119,636	125,314	133,376
Instructional Improvement	12,105	12,691	13,301	13,936	14,597	15,537
Federal Entitlements	68,283	71,587	75,029	78,612	82,343	87,640
Interest	0	0	0	0	0	0
Miscellaneous	42,116	44,154	46,277	48,487	50,788	54,055
Total Revenues	1,949,847	2,044,206	2,142,471	2,244,792	2,351,325	2,502,594

Expenses						
Salaries and Benefits	934,615	979,843	1,026,945	1,075,990	1,127,054	1,199,561
Purchase Services	26,600	27,887	29,228	30,624	32,077	34,141
Supplies	67,976	71,266	74,691	78,258	81,972	87,246
Facility Operations and Maintenance	99,776	104,604	109,633	114,869	120,320	128,061
Miscellaneous	1,450	1,520	1,593	1,669	1,749	1,861
Fixed Assets	300	315	330	345	362	385
Depreciation	140,000	144,200	148,526	152,982	157,571	162,298
Total Expenses	1,270,717	1,329,635	1,390,945	1,454,737	1,521,105	1,613,553
Increase in Net Assets	679,130	714,570	751,526	790,055	830,220	889,041
Depreciation	140,000	144,200	148,526	152,982	157,571	162,298
Net Revenue available for Debt Service	819,130	858,770	900,052	943,037	987,791	1,051,339

Edkey, Inc.

Proforma Financial Information

Sequoia Lehi

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Enrollment Elementary	98	112	124	136	149	156
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,509	6,705	6,906	6,907	6,908	6,909
PPOR High School						
Revenues						
State Equalization	559,945	659,135	751,650	849,122	958,196	1,033,309
Classroom Site Fund	34,986	41,184	46,964	53,054	59,869	64,562
Instructional Improvement	3,877	4,564	5,204	5,879	6,634	7,155
Federal Entitlements	68,027	80,077	91,317	103,159	116,410	125,535
Interest	0	0	0	0	0	0
Miscellaneous	58,107	68,400	78,001	88,116	99,435	107,229
Total Revenues	724,942	853,360	973,136	1,099,329	1,240,545	1,337,790
Expenses						
Salaries and Benefits	544,698	641,187	731,182	826,000	932,105	1,005,172
Purchase Services	38,164	44,924	51,230	57,873	65,307	70,427
Supplies	79,175	93,200	106,282	120,064	135,487	146,108
Facility Operations and Maintenance	76,780	90,381	103,067	116,432	131,388	141,688
Miscellaneous	450	530	604	682	770	830
Fixed Assets	500	589	671	758	856	923
Depreciation	29,000	29,870	30,766	31,689	32,640	33,619
Total Expenses	768,767	900,681	1,023,802	1,153,499	1,298,553	1,398,766
Increase in Net Assets	(43,825)	(47,321)	(50,666)	(54,170)	(58,008)	(60,976)
Depreciation	29,000	29,870	30,766	31,689	32,640	33,619
Net Revenue available for Debt Service	(14,825)	(17,451)	(19,900)	(22,481)	(25,369)	(27,357)

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Enrollment Elementary	408	457	490	495	495	495
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	7,380	7,602	7,830	7,831	7,832	7,833
PPOR High School						
Revenues						
State Equalization	2,511,251	2,897,233	3,199,635	3,329,253	3,429,131	3,532,005
Classroom Site Fund	147,956	170,697	188,514	196,150	202,035	208,096
Instructional Improvement	16,797	19,379	21,401	22,268	22,936	23,625
Federal Entitlements	123,328	142,284	157,135	163,500	168,405	173,457
Interest	0	0	0	0	0	0
Miscellaneous	83,170	95,953	105,969	110,261	113,569	116,976
Total Revenues	2,882,502	3,325,545	3,672,654	3,821,434	3,936,077	4,054,159

Expenses

Salaries and Benefits	1,352,118	1,559,940	1,722,761	1,792,550	1,846,327	1,901,716
Purchase Services	109,000	125,753	138,879	144,505	148,840	153,305
Supplies	163,400	188,515	208,191	216,625	223,124	229,818
Facility Operations and Maintenance	135,900	156,788	173,153	180,167	185,572	191,140
Miscellaneous	4,450	5,134	5,670	5,900	6,077	6,259
Fixed Assets	6,200	7,153	7,900	8,220	8,466	8,720
Depreciation	160,000	184,592	203,859	212,118	218,481	225,036
Total Expenses	1,931,068	2,227,875	2,460,413	2,560,084	2,636,887	2,715,994

Increase in Net Assets

	951,434	1,097,670	1,212,241	1,261,349	1,299,190	1,338,165
--	---------	-----------	-----------	-----------	-----------	-----------

Depreciation

	160,000	184,592	203,859	212,118	218,481	225,036
--	---------	---------	---------	---------	---------	---------

Net Revenue available for Debt Service

	1,111,434	1,282,262	1,416,100	1,473,467	1,517,671	1,563,201
--	-----------	-----------	-----------	-----------	-----------	-----------

Edkey, Inc.

Proforma Financial Information

George Washington Academy

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Enrollment Elementary	155	160	165	169	174	179
Enrollment High school	0	0	0	0	0	0
PPOR Elementary	6,509	6,705	6,906	6,907	6,908	6,909
PPOR High School						
Revenues						
State Equalization	903,315	960,428	1,020,154	1,076,232	1,141,315	1,209,335
Classroom Site Fund	56,401	59,967	63,696	67,198	71,261	75,508
Instructional Improvement	6,428	6,834	7,259	7,658	8,122	8,606
Federal Entitlements	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	966,144	1,027,229	1,091,110	1,151,088	1,220,698	1,293,449
Expenses						
Salaries and Benefits	684,049	727,299	772,528	814,994	864,279	915,788
Purchase Services	15,600	16,586	17,618	18,586	19,710	20,885
Supplies	22,875	24,321	25,834	27,254	28,902	30,624
Facility Operations and Maintenance	60,780	64,623	68,642	72,415	76,794	81,371
Miscellaneous	1,500	1,595	1,694	1,787	1,895	2,008
Fixed Assets	1,700	1,807	1,920	2,025	2,148	2,276
Depreciation	48,000	51,035	54,209	57,188	60,647	64,261
Total Expenses	834,504	887,267	942,444	994,249	1,054,375	1,117,213
Increase in Net Assets	131,640	139,963	148,667	156,839	166,323	176,236
Depreciation	48,000	51,035	54,209	57,188	60,647	64,261
Net Revenue available for Debt Service	179,640	190,997	202,875	214,027	226,970	240,497

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Sequoia Choice Arizona Distance Learning						
Enrollment Elementary	250	295	340	385	515	560
Enrollment High school	359	425	570	595	630	670
PPOR Elementary	5,649	5,834	6,025	6,025	6,025	6,025
PPOR High School	7,129	7,362	7,603	7,603	7,603	7,603
Revenues						
State Equalization	3,999,010	4,869,730	6,339,442	7,031,904	8,462,323	9,363,246
Classroom Site Fund	240,811	293,244	381,746	423,445	509,581	563,833
Instructional Improvement	28,241	34,390	44,769	49,659	59,761	66,123
Federal Entitlements	264,256	321,794	418,913	464,671	559,193	618,727
Interest	0	0	0	0	0	0
Miscellaneous	91,500	111,423	145,051	160,895	193,624	214,237
Total Revenues	4,623,818	5,630,580	7,329,921	8,130,574	9,784,482	10,826,166
Expenses						
Salaries and Benefits	2,248,269	2,737,794	3,564,075	3,953,382	4,757,572	5,264,077
Purchase Services	879,528	1,071,031	1,394,274	1,546,572	1,861,173	2,059,319
Supplies	241,195	293,711	382,355	424,120	510,394	564,732
Facility Operations and Maintenance	163,102	198,615	258,558	286,800	345,141	381,886
Miscellaneous	13,924	16,956	22,073	24,484	29,465	32,602
Fixed Assets	30,000	36,532	47,558	52,752	63,483	70,242
Depreciation	83,000	101,072	131,576	145,948	175,637	194,335
Total Expenses	3,659,018	4,455,711	5,800,469	6,434,058	7,742,864	8,567,192
Increase in Net Assets	964,800	1,174,870	1,529,452	1,696,515	2,041,618	2,258,974
Depreciation	83,000	101,072	131,576	145,948	175,637	194,335
Net Revenue available for Debt Service	1,047,800	1,275,942	1,661,028	1,842,463	2,217,254	2,453,309

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Sequoia Choice Precision School						
Enrollment Elementary	0	0	0	0	0	0
Enrollment High school	202	240	270	315	360	390
PPOR Elementary	6,332	6,522	6,718	6,718	6,718	6,718
PPOR High School	7,992	8,231	8,478	8,478	8,478	8,478
Revenues						
State Equalization	1,346,145	1,386,529	1,428,125	1,470,969	1,515,098	1,560,551
Classroom Site Fund	85,447	88,010	90,651	93,370	96,171	99,056
Instructional Improvement	9,478	9,762	10,055	10,357	10,668	10,988
Federal Entitlements	63,089	64,982	66,931	68,939	71,007	73,137
Interest	0	0	0	0	0	0
Miscellaneous	308,608	317,866	327,402	337,224	347,341	357,761
Total Revenues	1,812,767	1,867,150	1,923,165	1,980,859	2,040,285	2,101,494
Expenses						
Salaries and Benefits	1,118,433	1,151,986	1,186,545	1,222,141	1,258,806	1,296,570
Purchase Services	134,182	138,207	142,354	146,624	151,023	155,554
Supplies	61,100	62,933	64,821	66,766	68,769	70,832
Facility Operations and Maintenance	462,012	475,872	490,149	504,853	519,999	535,599
Miscellaneous	5,650	5,820	5,994	6,174	6,359	6,550
Fixed Assets	2,500	2,575	2,652	2,732	2,814	2,898
Depreciation	0	0	0	0	0	0
Total Expenses	1,783,877	1,837,393	1,892,515	1,949,290	2,007,769	2,068,002
Increase in Net Assets	28,890	29,757	30,650	31,569	32,516	33,492
Depreciation	0	0	0	0	0	0
Net Revenue available for Debt Service	28,890	29,757	30,650	31,569	32,516	33,492

Edkey, Inc.

Proforma Financial Information

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
	<u>Fiscal Year</u>					
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Enrollment Elementary	0	0	0	0	0	0
Enrollment High school	70	72	74	76	78	80
PPOR Elementary						
PPOR High School	7,270	7,488	7,712	7,713	7,714	7,715
Revenues						
State Equalization	506,675	536,786	568,248	601,114	635,441	671,286
Classroom Site Fund	29,610	31,370	33,208	35,129	37,135	39,230
Instructional Improvement	3,284	3,479	3,683	3,896	4,119	4,351
Federal Entitlements	9,943	10,534	11,151	11,796	12,470	13,173
Interest	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	549,512	582,169	616,290	651,935	689,164	728,040

Sequoia Choice Village School

Salaries and Benefits	293,663	311,115	329,350	348,398	368,294	389,069
Purchase Services	47,800	50,641	53,609	56,709	59,948	63,329
Supplies	1,000	1,059	1,122	1,186	1,254	1,325
Facility Operations and Maintenance	0	0	0	0	0	0
Miscellaneous	1,500	1,589	1,682	1,780	1,881	1,987
Fixed Assets	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Total Expenses	343,963	364,404	385,762	408,074	431,377	455,711
Increase in Net Assets	205,549	217,765	230,528	243,861	257,787	272,329
Depreciation	0	0	0	0	0	0
Net Revenue available for Debt Service	205,549	217,765	230,528	243,861	257,787	272,329

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected

Allocated Administration revenues and Expenses (Note B)

Enrollment Elementary
 Enrollment High school
 PPOR Elementary
 PPOR High School

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Revenues						
State Equalization	0	0	0	0	0	0
Classroom Site Fund	0	0	0	0	0	0
Instructional Improvement	0	0	0	0	0	0
Federal Entitlements	60,120	0	0	0	0	0
Interest	54,000	54,000	54,000	54,000	54,000	54,000
Miscellaneous	321,000	330,630	340,549	350,765	361,288	372,127
Total Revenues	435,120	384,630	394,549	404,765	415,288	426,127
Expenses						
Salaries and Benefits	5,580,119	5,747,523	5,919,948	6,097,547	6,280,473	6,468,887
Purchase Services	1,461,383	1,205,224	1,241,381	1,278,623	1,316,981	1,356,491
Supplies	380,631	392,050	403,811	415,926	428,404	441,256
Facility Operations and Maintenance	170,721	175,843	181,118	186,551	192,148	197,912
Miscellaneous	258,305	266,054	274,036	282,257	290,725	299,446
Fixed Assets	457,514	471,239	485,377	499,938	514,936	530,384
Depreciation	185,000	190,550	196,267	202,154	208,219	214,466
Total Expenses	8,493,673	8,448,483	8,701,938	8,962,996	9,231,886	9,508,842
Decrease in Net Assets	(8,058,553)	(8,063,853)	(8,307,389)	(8,558,230)	(8,816,597)	(9,082,715)

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Total of All Schools						
Enrollment Elementary	4,222	4,428	4,579	4,697	4,886	4,998
Enrollment High school	1,579	1,740	1,933	2,020	2,112	2,190
PPOR Elementary						
PPOR High School						
Revenues						
State Equalization	38,979,563	41,335,896	44,689,751	47,128,949	50,239,556	52,914,005
Classroom Site Fund	2,264,689	2,403,003	2,602,545	2,746,806	2,931,079	3,089,011
Instructional Improvement	252,421	267,960	290,670	306,927	327,911	345,789
Federal Entitlements	3,936,279	4,184,977	4,477,447	4,707,094	4,991,979	5,244,458
Interest	54,250	54,261	54,279	54,303	54,314	54,332
Miscellaneous	1,870,139	1,990,829	2,114,268	2,216,497	2,337,195	2,446,905
Total Revenues	47,357,341	50,236,926	54,228,961	57,160,576	60,882,034	64,094,500
Expenses						
Salaries and Benefits	30,094,480	31,518,961	33,700,514	35,379,119	37,428,214	39,233,413
Purchase Services	3,695,977	3,723,924	4,167,140	4,423,274	4,840,755	5,145,173
Supplies	2,718,514	2,909,176	3,126,476	3,288,416	3,494,831	3,670,005
Facility Operations and Maintenance	2,657,199	2,786,465	2,974,581	3,121,082	3,296,636	3,452,888
Miscellaneous	394,672	411,552	430,139	446,215	465,057	482,567
Fixed Assets	562,463	586,677	615,575	638,434	667,346	692,814
Depreciation	2,710,701	2,653,901	2,813,025	2,953,897	3,105,999	3,256,700
Total Expenses	42,834,006	44,590,656	47,827,450	50,250,437	53,298,839	55,933,560
Increase in Net Assets	4,523,334	5,646,269	6,401,510	6,910,139	7,583,195	8,160,940
Depreciation	2,710,701	2,653,901	2,813,025	2,953,897	3,105,999	3,256,700
Net Revenue available for Debt Service	7,234,035	8,300,171	9,214,535	9,864,036	10,689,194	11,417,640

Edkey, Inc.

Proforma Financial Information

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
	<u>Fiscal Year</u>					
	Projected	Projected	Projected	Projected	Projected	Projected
Total of All Schools						
Debt Service						
2006 Bond Interest						
2006 Bond Principal						
2013 Jan Bond Interest	2,614,650	2,585,850	2,585,850	2,585,850	2,585,850	2,585,850
2013 Jan Bond Principal	465,000	495,000	495,000	495,000	495,000	495,000
2013 Dec Bond Interest	1,279,788	1,272,900	1,265,538	1,265,538	1,265,538	1,265,538
2013 Dec Bond Principal	0	145,000	155,000	155,000	155,000	155,000
2016 Bond Interest	1,658,719	1,658,719	1,658,718	1,634,669	1,609,463	1,583,100
2016 Bond Principal			520,000	545,000	570,000	595,000
Capitalized interest Dec 2016 Bond	(806,763)					
Capitalized interest Dec 2013 Bond						
Capitalized interest Jan 2013 Bond	0	0	0			
TOTAL Debt Service	5,211,393	6,157,469	6,680,106	6,681,056	6,680,850	6,679,488
Surplus after payment of Debt Service	2,022,642	2,142,702	2,534,430	3,182,979	4,008,344	4,738,152
Cash at the beginning of the year	3,976,980	5,999,622	8,142,324	10,676,753	13,859,733	17,868,077
Cash at end of Year	5,999,622	8,142,324	10,676,753	13,859,733	17,868,077	22,606,230
Net Income	1,191,360	2,374,196	3,165,697	3,697,185	4,399,153	5,002,367
Debt Service Ratio	1.39	1.35	1.38	1.48	1.60	1.71
AT MADS (4,516,261)	1.60	1.84	2.04	2.18	2.37	2.53

- A. Children First site miscellaneous revenues and expenses reflect
- B. Allocated administrative services are 'district' services (management,
- C. Sequoia School for Deaf and hard of Hearing PPOR includes additional apportionment for Hearing Impaired students



March 16, 2016

Patric Greer
CFO/Secretary
EdKey, Inc.
1460 S. Horne
Mesa, AZ 85204

Re: Engagement Letter

Dear Mr. Greer:

This letter (the "Agreement") confirms that EdKey Inc. (the "Company") has engaged BB&T Capital Markets, a division of BB&T Securities, LLC ("BB&T Capital Markets") to act as the Company's exclusive structurer and placement agent/underwriter in connection with the financing of Series 2016 (the "Transaction" or the "Financing").

As part of our services, we may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that we are underwriting/placing. However, we are serving as or intend to serve as an underwriter and not as a municipal advisor in the transaction. The Company acknowledges and agrees that: (i) the primary role of BB&T Capital Markets, as an underwriter/placement agent, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Company and BB&T Capital Markets and that BB&T Capital Markets may have financial and other interests that differ from those of the Company; (ii) BB&T Capital Markets is not acting as a municipal advisor, financial advisor, or fiduciary to the Company and has not assumed any advisory or fiduciary responsibility to the Company with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether BB&T Capital Markets has provided other services or is currently providing other services to the Company on other matters); (iii) the only obligations BB&T Capital Markets has to the Company with respect to the transaction contemplated hereby expressly are set forth in this agreement; and (iv) the Company has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate, which the Company is encouraged to do. If the Company would like a municipal advisor in this transaction that has legal fiduciary duties to the Company, then the Company is free to engage a municipal advisor to serve in that capacity and to so notify BB&T Capital Markets in accordance with applicable SEC and MSRB rules.

During the coming months, we will work with you, and other members of the financing team to define and finalize an appropriate financing structure (which may include taxable and/or tax-exempt alternatives), establish a financing calendar, assemble the requisite resources as well as efficiently execute the transaction consistent with your timing and financial objectives. If the appropriate financing structure includes a tax-exempt offering, then further disclosures shall be provided to the issuer pursuant to MSRB Rule G-17.

901 East Byrd Street, Suite 260 • Richmond, VA 23219

1. Services:

The Company hereby retains BB&T Capital Markets and BB&T Capital Markets hereby agrees to provide the following services in connection with the Transaction and such other services as may be determined to be necessary or appropriate by either BB&T Capital Markets or the Company in its reasonable discretion (the "Services"):

- (a) Review the financing structures available to the Company, including identifying and comparing the advantages and disadvantages of alternative structures to determine the appropriate plan of finance to provide a cost-effective means of financing while taking into account the Company's organizational, business and Transaction objectives.
- (b) Assist in structuring (including soliciting credit commitments from banks and/or other institutional investors, as applicable) those terms and conditions for the debt such as maturities, interest rates, call features, security features and defining covenants for consideration and agreement, which, in combination, meet the requirements and objectives of the Company along with specific project, general market and economic conditions prevailing during the project and finance planning period and at the time of financing.
- (c) Provide reasonable assistance to the Company and other members of the financing team in coordinating discussions with and securing the approval of any Issuer to issue the debt and in securing any other approvals or regulatory matters, as requested.
- (d) Assist the Company, underwriter's counsel and other members of the financing team in the preparation of a Private Placement Memorandum and/or Preliminary and Final Official Statement, or other documents which describes the Company and the Transaction.
- (e) In cooperation with the Company and underwriter's counsel (the specific firm to be determined), undertake due diligence review of the operations, financial condition, capabilities and constraints of the Company and assist where necessary with the documentation necessary to undertake the Transaction, including but not limited to the authorizing resolutions, bond purchase agreement(s) and/or placement agreement(s) and preliminary and final official statements/placement memoranda distributed to potential investors, as required.
- (f) Use its best efforts to market the Transaction, serving as Underwriter/Placement Agent of the Transaction, and subject to a mutually satisfactory bond purchase agreement and other customary documentation and coordinate with all parties so as to consummate the sale of the bonds, if applicable.
- (g) Over the course of the financing process, make BB&T Capital Market representatives available for meetings with the Company, the Issuer and other members of the financing team, as requested.
- (h) Provide such other investment banking related services as may be reasonably requested by the Company in connection with the Financing contemplated herein and permissible under the Underwriter Exemption provided by the SEC's Municipal Advisor Rule, if applicable.

The acceptance and/or rejection of Services provided by BB&T Capital Markets are at the sole discretion of the Company.

2. Fees:

The Company acknowledges and agrees that BB&T Capital Markets is the Company's exclusive structuring and placement agent/underwriter for the Transaction. The Company agrees to pay BB&T Capital Markets the following compensation relating to the Services described herein as follows:

\$20 per bond or (2.00% of par amount)

3. Expenses:

The Company acknowledges it will be responsible for reimbursement of all reasonable underwriting and out-of-pocket expenses of BB&T Capital Markets associated with the Transaction. Such additional expenses, billed at actual cost and payable at closing, are not included in BB&T Capital Markets' Fee. BB&T Capital Markets will work with the Company to provide a detailed estimate of all fees and expenses associated with the Transaction. The Company will be solely responsible for payment of its own out-of-pocket costs and expenses.

4. Indemnification:

The indemnification provisions which are attached hereto as Addendum A are hereby incorporated herein.

5. Cooperation:

In connection with this engagement, the Company agrees to assist BB&T Capital Markets by providing such information regarding the Company and the Transaction as may be reasonably requested by BB&T Capital Markets, and causing management of the Company, as well as members of the financing team, reasonably available to BB&T Capital Markets and investors. The Company represents and warrants that (i) all information provided by the Company will be complete and correct in all material respects when provided and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading, (ii) all information provided to BB&T Capital Markets will be prepared by the Company in good faith and using assumptions deemed reasonable by the Company under the prevailing circumstances at the time assumption is made, and (iii) the Company will promptly notify BB&T Capital Markets of any material developments or changes to the Company's operating and/or financial status. The Company further agrees that BB&T Capital Markets may rely on such information provided by the Company without independent verification and that BB&T Capital Markets does not assume any responsibility for the accuracy or completeness of any such information. Additionally, working in collaboration with BB&T Capital Markets and other members of the financing team, the Company agrees to secure the approval of any Issuer to issue the Transaction and, as part of the process, have BB&T Capital Markets named as the sole book-running senior manager for the Transaction, as applicable.

The Company agrees that if the Company or any of its affiliates receives any inquiry relating to investor interest from an investor the Company will promptly inform BB&T Capital Markets of such inquiry.

6. Term:

Subject to the provisions of Paragraph 7 hereof, the term of this Agreement will begin on the date this Agreement is executed by the Company and will continue until the Financing occurs or this Agreement is terminated.

7. Termination:

Any party may terminate this Agreement at any time upon prior written notice from the terminating party to the non-terminating party with or without cause; provided, that, BB&T Capital Markets shall be paid all reimbursable expenses incurred up to but not including the date of termination. BB&T Capital Markets shall be under no obligation to proceed if (i) in the course of exercising due diligence it obtains information which, in its sole opinion, would have a substantially adverse effect on the marketing of the Transaction, or (ii) it finds that it is unable to perform its duties because of the Company's failure to cooperate as outlined in Paragraph 5 above.

8. Confidentiality:

BB&T Capital Markets agrees that any information received from the Company during the term of this Agreement is confidential and will be used by BB&T Capital Markets solely in the course of the performance of its services hereunder and, except for such information as may be approved by the Company for delivery to prospective parties to the Transaction, BB&T Capital Markets agrees not to disclose such information to any person without the consent of the Company, except BB&T Capital Markets' or its affiliates, officers, employees or agents who need to know the information in furtherance of the Services or the Transaction.

9. No Third Party Benefits:

The Company acknowledges and agrees that BB&T Capital Markets has been retained by the Company only and that the services provided by BB&T Capital Markets hereunder are solely for the benefit of the Company and are not intended to confer any rights on any other entities or persons, including, without limitation, any stockholders or other security holders, employees or creditors of the Company. No other entity or person is entitled to rely in any way on this engagement or any advice given or statements made to the Company hereunder.

The Company acknowledges and agrees that neither BB&T Capital Markets nor any of its affiliates are providing any legal, tax, accounting or regulatory advice in any jurisdiction. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the risks, benefits and suitability of the Transaction, and neither BB&T Capital Markets nor any of its affiliates shall have any responsibility or liability to the Company with respect thereto.

The Company acknowledges and agrees that it is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the Transaction contemplated by this Agreement and that BB&T Capital Markets (i) is not the agent or fiduciary of the Company, its members, affiliates, creditors or employees or any other party; (ii) has not assumed and will not assume a fiduciary responsibility in favor of the Company with respect to any of the transactions contemplated hereby; (iii) BB&T Capital Markets and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and that BB&T Capital Markets has no obligation to disclose any of such interests by virtue of any fiduciary or advisory relationship; (iv) the Company shall consult with its own advisors and shall be responsible for making its own independent investigation and appraisal of the transaction contemplated hereby; and (v) the Company waives, to the fullest extent permitted by law, any claims it may have against BB&T Capital Markets for breach of fiduciary duty or alleged breach of fiduciary duty.

10. Limitation of Liability:

In no event will BB&T Capital Markets or any of its parent company, subsidiaries or affiliates or any of its or their board of directors, officers, employees, agents or successors or assigns (hereafter, the "BB&T related parties") be liable for any damages or liabilities of any kind arising out of or relating to the Agreement or the services to be provided hereunder, except to the extent that such damages or liabilities directly resulted from the gross negligence or willful misconduct of BB&T Capital Markets. Except for any obligations under Section 5, in no event will Edkey or any of its parent company, subsidiaries or affiliates or any of its or their board of directors, officers, employees, agents or successors or assigns (hereafter, the "Edkey related parties") be liable for any damages or liabilities of any kind arising out of or relating to the Agreement or the services to be provided hereunder, except to the extent that such damages or liabilities directly resulted from the gross negligence or willful misconduct of Edkey.

11. Affiliates of BB&T Capital Markets:

The Company acknowledges that various subsidiaries and affiliates of BB&T Capital Markets provide full-service investment banking, securities trading and brokerage services to customers in the ordinary course of their business. BB&T Capital Markets and one or more of such BB&T Capital Markets subsidiaries and affiliates may from time to time own or hold securities, options or other derivatives related to the securities of the Company and other parties interested in the Transaction. Subject to the confidentiality paragraph above, nothing contained in this Agreement or in any other agreement between the parties will prevent or otherwise limit BB&T Capital Markets or its parent company, subsidiaries or affiliates from carrying on any investment banking or other business with the Company or any other entity or person or from carrying on its other business as currently conducted or as it may be conducted in the future.

12. Entire Agreement:

This Agreement and the attached indemnification and reimbursement provisions embody the entire agreement and understanding between the parties hereto. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect or any other provision of this Agreement, which will remain in full force and effect. This Agreement may not be amended or otherwise modified or waived except by an instrument in writing signed by both the Company and BB&T Capital Markets.

13. Governing Law:

This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without reference to the conflict of laws principles thereof. With regard to the obligations of the Company, this agreement shall be governed by and construed in accordance with the laws of the State of Arizona. The Company and BB&T Capital Markets specifically agree that the federal and state courts in the District Court in Phoenix, Arizona will have exclusive jurisdiction over any suit, action, proceeding, complaint or other dispute between the parties arising out of or relating to this Agreement or the services provided by BB&T Capital Markets hereunder, and any such suit, action, or proceeding will be brought only in one of such courts. With respect to any such suit, action, proceeding, complaint or other dispute, (i) each party irrevocably submits to the exclusive jurisdiction of the federal and state courts in the District Court in Phoenix Arizona and (ii) each party irrevocably waives any objection which it may have at any time to the venue of any such suit, action or proceeding brought in either such court; irrevocably waives any claim that any such suit, action or proceeding brought in either such court has been brought in an inconvenient forum and irrevocably waives the right to object, with respect to any such suit, action or proceeding brought in either such court, that such court does not have jurisdiction over such party. Each party also waives any rights to a trial by jury.

EdKey, Inc.
March 16, 2016
Page 6

If the terms of this engagement as set forth in this Agreement are satisfactory to the Company, please sign both copies of this Agreement and the attached Addendum A, maintain one copy for your files and return the other to us.

We look forward to working with you on this engagement and appreciate very much the opportunity to be of service to you.
Very truly yours,

**BB&T Capital Markets,
a division of BB&T Securities, LLC**

By: Paula Permenter
Name: Paula Permenter
Title: Managing Director

By: Matthew K O'Meara
Name: Matt O'Meara
Title: Senior Vice President

Accepted:

EdKey Inc.

By: 
Name:
Title: CFO

Date: 3/22/2016

Signature page to the Engagement Letter dated March 16, 2016
By and between BB&T Capital Markets and EdKey, Inc.

ADDENDUM A

BB&T Capital Markets, a division of BB&T Securities, LLC ("BB&T Capital Markets") has been engaged by **EdKey, Inc.** (the "Company") pursuant to a letter agreement dated as of March 16, 2016 (the "Agreement") to which this Addendum A is attached.

In consideration for BB&T Capital Markets' agreement to provide the Services described in the Agreement, the Company hereby agrees that it will (a) defend, indemnify and hold harmless BB&T Capital Markets, its parent company, subsidiaries and affiliates and its and their directors, officers, employees, agents and successors and assigns (each, an "Indemnified Person") from and against any losses, suits, actions, claims, damages, costs and/or other liabilities which any Indemnified Person may incur as a result of, relating to or arising out of or in connection with (i) any actions or omissions of the Company or any one or more of its officers, members, employees or advisers arising out of the Agreement or the Transaction (as defined in the Agreement), (ii) the Agreement or the Services performed or to be performed by BB&T Capital Markets there under, (iii) any securities or other filings made by the Company, or (iv) any transaction involving or relating to the Company, and (b) reimburse each Indemnified Person for any legal or other expenses reasonably incurred by it, him or her in connection with investigating, preparing to defend or defending any lawsuits, claims or other proceedings arising in any manner out of or in connection with any matters set forth in (i) through (iv) above, provided, however, that no such indemnification shall be required to be paid to an Indemnified Party with respect to a Claim that is finally determined by a court of competent jurisdiction (after exhaustion of all appeals) to have resulted primarily and proximately from the gross negligence, bad faith or willful misconduct of such Indemnified Party.

If the foregoing indemnity is unavailable or insufficient for any reason to hold any Indemnified Party harmless in an instance when such Indemnified Party is entitled to indemnification under the first paragraph of this Annex A, then the Company shall contribute to any amounts paid or payable by an Indemnified Party in such proportion as appropriately reflects the relative fault of the Company and such Indemnified Party, as well as any other equitable considerations. For purposes hereof, the relative fault of each Indemnified Party and the Company shall be determined by reference to, among other things, whether the actions and omissions to act were by such Indemnified Party or the Company and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such action or omission.

All amounts due to an Indemnified Party hereunder shall be payable by the Company promptly upon request by such Indemnified Party. In addition, the Company shall pay all reasonable costs and expenses (including attorneys' fees) incurred by an Indemnified Party to enforce the terms of this Annex A.

The Company further agrees that if the defendants in any such action include one or more Indemnified Persons and the Company and the Indemnified Persons and the Company shall have been advised by counsel that representation of such Indemnified Persons and the Company by the same attorney or firm of attorneys may be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, the Indemnified Persons shall have the right to select separate counsel (reasonably satisfactory to the Company) to defend such action on behalf of such Indemnified Persons. It is understood that the Company shall, in connection with any such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys together with appropriate local counsel at any time for all Indemnified Persons.

Promptly after its receipt of notice of the commencement of any action or proceeding, any Indemnified Person will, if a claim in respect thereof is to be made against the Company pursuant to this Addendum A, notify the Company in writing of the commencement thereof, but omission so to notify the Company will not relieve the Company from any liability which the Company may have to any Indemnified Person, except the Company's obligations to indemnify for losses, claims, damages,

liabilities or expenses to the extent that the Company suffers actual material prejudice as a result of such failure. If the Company so elects, it may assume the defense of such action or proceeding in a timely manner, including the employment of counsel (reasonably satisfactory to BB&T Capital Markets) and payment of expenses, provided that the Company permits an Indemnified Person and counsel retained by an Indemnified Person at such Indemnified Person's expense to participate in such defense.

The Company will not, without BB&T Capital Markets' prior written consent which shall not be unreasonably withheld or delayed, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought under this letter, unless such settlement, compromise or consent includes an express, complete and unconditional release of BB&T Capital Markets and each other Indemnified Person from all liability and obligations arising therefrom. Without the Company's prior written consent, which shall not be unreasonably withheld, delayed or conditioned, no Indemnified Person shall settle or compromise any claim for which indemnification or contribution may be sought hereunder.

In addition, neither BB&T Capital Markets nor any of its affiliates, or any of its or their respective officers, directors, controlling persons (within the meaning of Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934), employees or agents shall have any liability to the Company or its security holders or creditors, or any person asserting claims on behalf of or in the right of the Company (whether direct or indirect, in contract, tort, for an act of negligence or otherwise) for any losses, fees, damages, liabilities, costs, expenses or equitable relief arising out of or relating to this Agreement or the services to be rendered hereunder, except losses, fees, damages, liabilities, costs or expenses that arise out of or are based on any action of or failure to act by BB&T Capital Markets and that are finally determined (by a court of competent jurisdiction and after exhausting all appeals) to have resulted primarily from the gross negligence, bad faith or willful misconduct of BB&T Capital Markets, in which case the Company shall be entitled to indemnification from BB&T Capital Markets in an amount up to but not exceeding the amount of the amount of the Fees actually paid by the Company to BB&T Capital Markets.

Accepted:

EdKey, Inc.

By: 
Name: Patricia R. Greener
Title: CFO

Date: 3/22/2016

Signature page to Addendum A of the Engagement Letter
Dated March 16, 2016 by and between BB&T Capital Markets
And EdKey, Inc.

Edkey, Inc.
1460 S. Horne St.
Mesa, Arizona 85204

Net Income

The June 30, 2014 Financial Statements reflect a net loss of \$1,744, 718. This is a direct result of our continued expansion during this period, which increased expenses due to increased capacity, while we have not yet realized the increased enrollment those expansions will afford us. In FY 2014 we opened an additional 135,000 square feet of educational space, the enrollment that we projected for 2014 was not achieved due to delays in construction. Enrollment growth will be accomplished over 2-3 years and result in positive net income. In addition, that loss includes depreciation and amortization. Our EBITDA, which is an accepted measurement taking into account the different effects of disparate forms of financing, asset collection and acquisitions, is a positive \$4,742,068 (after taking out the \$213,449 in amortization, the \$2,359,798 in depreciation, and the \$3,913,539 in interest). In future years we will be working toward lowering our annual loss, which will be lowered during Fiscal Year 2015.

Cash Flow

While the cash flow of the corporation sat at a negative \$427,650 for the FY 2014, two of the biggest aspects of that was the \$1.7 million loss and a net of \$16,648,623 in property and equipment purchases. As we grow our enrollment due to our increased capacity, we will see that net loss decrease, and we will reduce our capital spending program, thus improving our cash flow position. It is not uncommon in businesses for cash flow to fluctuate from year to year, for which the current methodology does not account. Under the current system, even if the cash flow over three years is still a positive, if two of those three years is not positive, then the requirement is not met, which is a relatively common occurrence, particularly in companies which are in an expansion mode. That being said, based on our soon to be submitted audit for the past year, this financial measure will be changing from a "Does Not Meet Standard" to a "Meets Standard", as we will have an overall positive cash flow over our last 3 years, and two out of three positive years of cash flow including the latest year.

Fixed Charge Coverage Ratio

Currently our ratio sits at 1.06. The largest component of the ratio is the year's net loss. Going forward we are reducing that loss, bringing us up over the 1.10 threshold.