INTERIM STATUS UPDATE ON
QUEST PREPARATORY ACADEMY
&
PROPOSED NEXT STEPS

December 8, 2017

Prepared by Joshua Kern, Receiver

PURPOSE OF THIS DOCUMENT

This memorandum is intended to provide a status update to the Nevada State Public Charter School Authority (SPCSA) in relation to Quest Preparatory Academy (Quest) and propose next steps for the future of the school and the Receivership. Per my report to the SPCSA on October 23, 2017 please find the attached school improvement proposal from TenSquare.

BACKGROUND

By way of background, pursuant to the agreement Quest made with the SPCSA as a condition to granting its amendment request on August 25, 2015, the SPCSA appointed a Receiver for Quest Preparatory Academy effective October 26, 2015 as laid out in the letter dated October 29, 2015 from Director, Patrick Gavin of State Public Charter School Authority to Superintendent, Deborah Roberson, of Quest Preparatory Academy.

The SPCSA appointed a receiver for Quest based on the results of an investigation of Quest commissioned by the SPCSA and conducted by Deloitte for the review period of school years July 1, 2013 to June 30, 2014 and July 1, 2014 to June 30, 2015 (the "Deloitte Investigation"). The Deloitte Investigation included interviews with Quest's staff and Governing Board Members, as well as a review of Governing Board Minutes, bank statements, accounting records in QuickBooks, and agreement/contracts entered into on Quest's behalf, as well as Nevada Revised Statutes (NRS), Nevada Administrative Code (NAC) and Quest's Governing Board Bylaws to determine compliance with prescribed procedures.

The Deloitte Investigation revealed gross mismanagement of Quest by the then Governing Board and its officers. The Receiver was charged with curbing the abuses relative to the operations of the school. Specifically, the Receiver was to investigate Quest, its officers and directors; analyze the contracts presented to and approved by the Quest Board; and to operate and if possible, to salvage Quest and to defend and prosecute claims by/against third parties on behalf of Quest.

STATE OF THE SCHOOL AT THE BEGINNING OF THE RECEIVERSHIP

When the Receiver was appointed, Quest operated four (4) campuses in the Las Vegas metropolitan area consisting of: (i) the Alexander Campus located at 7550 West Alexander, Las Vegas, Nevada 89149 (“Alexander Campus”) servicing kindergarten, with approximately 60 students in attendance; (ii) the Bridger Campus located at 1300 East Bridger, Las Vegas, Nevada 89101 (“Bridger Campus”) servicing kindergarten through fifth grade with approximately 146 students in attendance; (iii) the Roberson Campus located at 7485 Azure Drive, Las Vegas, Nevada 89130 (“Roberson Campus”) servicing seventh through twelfth grade with approximately 215 students in attendance; and (iv) the Torrey Pines Campus located at 4660 North Rancho Drive, Las Vegas, Nevada 89130 (“Torrey Pines Campus”) servicing kindergarten through sixth grade with approximately 800 students in attendance.

Soon after the appointment, the Receiver learned that Quest had $29,892,949 in existing and future obligations, including but not limited to the following: CFE Bridger lease totaling $15,083,965; the Tower Properties Torrey Pines lease totaling $5,621,100; the Dynamic Properties Roberson lease totaling $1,762,547; and the YMCA High School gym totaling $285,000. (See p. 34 of the June 2015 Financial Audit), and a negative cash balance placing the school in serious and immediate financial jeopardy. The Receiver also learned that Quest’s academic program was in need of significant attention—not surprising as it would be unusual to have gross mismanagement in one functional area of the school and high performing management in another.

The Receiver immediately set about assessing Quest's financial and operational viability, implementing fiscal controls, stabilizing the school, and fulfilling his mandate, to "educate its students while addressing the significant, outstanding financial issues as quickly as possible," as noted in a preliminary report prepared for the SPCSA on February 22, 2016.

STEPS TAKEN TO ADDRESS QUEST'S IMMEDIATE CHALLENGES

As reported to the SPCSA over the course of the last year and a half, the Receiver has taken several steps to address Quest's financial and legal challenges, while at the same time, supporting the school community and operating the school in the best interests of its students.

The Receiver and his team have implemented a new financial management plan; contested unlawful agreements and exploitive leases; rightsized the school's staff and campuses; found a new, better, and much more affordable facility for our campus formerly located at the Torrey-Pines campus; appointed new administrators; and made strategic cuts to other expenses to ensure that the school is on a fiscally viable path.

Much of this work has involved complex and contentious legal issues, involving Quest's leases, facilities, and finances.

Roberson Campus: Upon his appointment, the Receiver became aware that the Roberson Campus was operating pursuant to a Special Use Permit that was limited in terms of scope and duration. Regarding duration, the initial term of the Special Use Permit was only one year. Regarding scope, the Special Use Permit limited the number of students that could attend the Roberson Campus to 230 students. As a result, the Receiver was required to transfer 7^{th} and 8^{th} graders to the Torrey Pines Campus, rendering the Roberson Campus economically unviable. In addition, the Receiver was informed that the City Council would not renew the Special Use

Permit for the Roberson Campus and as such was required to close the Campus. Fortunately, the Receiver was able to do so with a minimum financial impact on Quest and without any future financial obligations under the lease. To ensure that parents, family members, and students were supported through this very challenging transition, the school conducted extensive outreach, and the Receiver appointed a trusted Quest staff member as parent and family liaison.

Torrey Pines Campus: Quest was also plagued with issues at the Torrey Pines Campus. At Torrey Pines, the landlord, Tower Distribution, Inc. ("Tower"), sought to evict Quest for failure to pay alleged rent. The eviction efforts were unsuccessful, but did lead to litigation between Quest and Tower regarding the lease. Tower contended that Quest owed in excess of $2 million in rental arrears, interest, and penalties. Quest contended that it was fraudulently induced to enter into the lease and entitled to significant damages as a result. The parties were eventually able to resolve their disputes, and entered they into a settlement that provided for a full and complete mutual release of all claims related to the lease and addendum at Torrey Pines, with each party bearing its own legal fees and costs. As part of the settlement, Quest agreed to make a single payment of $103,306.00 toward alleged rental arrears.

Though challenging, ultimately, this settlement enabled Quest to resolve millions of dollars of asserted liabilities and future rent obligations under the Tower Lease. In addition, Quest relocated to a nearby location under far better financial and space conditions (see below), creating a much more stable and welcoming environment for students.

Bridger Campus: The landlord of the Bridger Campus is CSP-Bridger Ave, LLC ("CSP"), an affiliate of Charter School Properties Solutions ("CSPS"). The lease for the Bridger Campus is between CSP and the Foundation for Excellence ("Foundation"). The Foundation was allegedly created to support and benefit Quest. The Foundation, in turn, entered into two (2) separate subleases with Quest. Of the two (2) versions of the subleases, the only sublease the Foundation ever attempted to enforce charged $14,778.00 more in base monthly rent than the lease between CSP and the Foundation.

Quest contends that the sublease between Quest and the Foundation violated state law for a number of reasons, including NAC 386.345, which prohibits a charter school from entering into a contract with a third party if more than more than one person on the board of the charter school is also an officer or director of the third party. The sublease was also exploitive for a variety of other reasons, including the base rent and buyout provisions. The Foundation sought to evict Quest from the Bridger Campus for alleged non-payment of rent. These evictions efforts were unsuccessful. Quest eventually sued the Foundation and obtained a preliminary injunction preventing the Foundation from evicting Quest from the Bridger Campus. Quest contends that these eviction efforts were approved if not encouraged by CSP.

After successfully staving off eviction efforts by the Foundation, Quest ended up battling CSP. CSP sought to evict the Foundation and thereby Quest from the premises. Quest successfully defeated this effort in Justice Court. Quest subsequently named CSP as a party to the state court litigation against the Foundation. In the law suit, Quest contends that CSP conspired with the Foundation to exploit Quest. For example, the Foundation originally entered into a purchase sale agreement ("PSA") to purchase the property from the Roman Catholic Bishop of Las Vegas for $2 million. The Foundation assigned the PSA to CSP-Bridger. The day of the closing, CSP entered into the lease with the Foundation. The initial option to purchase the property in the lease required the Foundation to pay $2,817,000, or $817,000 more than the actual purchase price. The initial option price was only good for a period of five months, when it increased to $3,190,000, or $1,900,000 more than the actual purchase price five months earlier. Neither option to purchase appears to have any relationship to fair market value.

CSP subsequently renewed its eviction efforts against Quest and the Foundation by seeking a writ of restitution from the state court. The court denied CSP's writ or restitution and extended the preliminary injunction to CSP, conditioned upon Quest posting an additional bond of $51,200 (the initial bond was $500); Quest paying rental arrears in the amount of $13,650 per month retroactive to October 1, 2016 to November 2017 for a total of $191,000; and Quest paying monthly rent on a going forward basis of $13,650 beginning December 15, 2017. Quest posted the additional bond with the court and paid to CSP the rental arrearages ordered by the Court. Trial is currently scheduled for June 2018. Quest is hopeful that it can resolve this matter before the end of the school year. (Please see Appendix I for a complete summary of the CSP Bridger case.)

School Performance Audit: After addressing the school's financial situation and litigation issues, the Receiver commissioned a comprehensive School Performance Audit to identify strengths, challenges, and recommendations for best meeting the needs of the Quest school community. The results of the Audit, which are summarized later in this document, made it clear that Quest faced substantial academic challenges as well. The Audit also set the stage, however, for beginning a long-term school improvement effort.

Summary: Over the course of the Receivership, Quest has, among other things:

- Fought off multiple attempts to evict the school at both the Torrey Pines and Bridger campuses, ensuring that students could continue to learn in a safe, comfortable learning environment;

- Moved the main campus from untenable situation with its landlord at Torrey Pines to a much improved, and significantly more affordable, new campus;

- Closed the high school that was subject to an expiring Special Use Permit and not serving students well;

- Paid and settled the following obligations,[1] among others: the delinquent PERS contributions ($535,235); FF&E lease ($713,348); Sprint ($495,000); Centennial Executive Suites ($247,392); Dynamic Properties ($2,002,904.40); Tower Distribution Center, LLC ($1,152,000.00); YMCA of Southern NV ($855,000); and, Univest Capital ($108,126).

- Made significant personnel and leadership changes—to ensure the operational viability of the school and to begin to stabilize school culture;

- Engaged in a dramatic fiscal turnaround on both a cash and accrual basis;

- Created the conditions for Quest's long-term viability and improvement-by initiating a comprehensive School Performance Audit and taking key steps on the long journey necessary to improve Quest's student learning and achievement.

<u>CURRENT STATUS OF THE SCHOOL</u>

As a result of the work described above, Quest is pleased to report the following:

<u>Financial Status</u>: On October 24, 2015 Quest had a cash position of negative $116,000 and then-current and future liabilities in excess of $29,000,000, much of which were unfunded. Today the school has more than $500,000 in cash reserves and under $7M in future liabilities (See p.34 of June 2017 Financial Audit), nearly all of which are lease obligations associated with our new campus. As Table I below illustrates, Quest is now in a much stronger financial position and is poised to continue to improve (for further detail, see FY 16 Report and FY 17 Mock-up in Appendices).

[1] Amount recorded as owing as of 6/30/17. Amount recorded as owing to dynamic increased from $1,762,547 as of June 30, 2015 to $2,002,904.40

Table 1 – Quest Fiscal Performance Framework Comparison

Category	Rating FY 2016	Anticipated Rating FY 2017
Near Term Measures		
Current Ratio	Far Below Standard	Meets Standard (1.1+)
Cash on Hand	Does not meet Standard	Meets Standard (60 days+)
Enrollment Forecast Accuracy	Does not meet Standard	(Not Available)
Debt Default	Meets Standard	Meets Standard
Sustainability Measures		
Total Margin	Far Below Standard	Does not meet Standard
Debt to Asset Ratio	Far Below Standard	Meets Standard (>.9)
Cash Flow	(Not Available)	Meets Standard
Debt Service	Does not meet Standard	Meets Standard

Legal Issues: Quest has settled all but one of the potential legal issues outlined in the Deloitte report, which was explained earlier in this document.

Facility Status: Most significantly, over the past year, Quest reached an agreement with four separate landlords on five separate lots to locate our campus formerly referred to as "Torrey Pines" to the site where Founders' school was previously located. As a result of this work, Quest finally has a secure, long-term, affordable, and educationally appropriate campus that the Quest families so desperately want and deserve.

This was a watershed moment in history of Quest. The new campus has a multipurpose room with at stage for student performances and assemblies; rooms that can be used for the delivery of special education services, art and music; as well as enough classrooms to house all our classes. The site also houses a gym, with access to an outdoor field, larger kindergarten classrooms for developmental centers, and increased security. The Torrey-Pines campus had none of these things. This new lease arrangement will also save Quest more than $16,250/month compared to what the school was paying at the Torrey-Pines location. Over the course of a ten-year lease that translates to a savings of almost $2M.

Academic Status: In addition to reaching the financial, legal and facilities milestones described above, Quest has also reached some other important milestones. The school achieved several tangible victories last year in relation to school culture:

- The Attendance Rate has increased, from 94.6% in SY 2015-16, to 95.4% in SY 2016-17, surpassing the Charter Sector average of 88.7%;
- Participation at Parent-Teacher Conferences grew from 90% to 98%; and
- Quest's Transiency Rate was 19.9% in SY 2016-17, below the Charter average of 23.6%, as well as the State average of 23.9%. This is especially impressive given the challenges the school has faced over the last two years.

Despite these milestones, Quest is underperforming academically. In 2016-17, Quest was among the lowest performing schools in the state. As Tables 2 and 3 show, Quest's proficiency rates are less than half the average of the SPCSA Charter Sector, much lower than Clark County's and Nevada's at the elementary school level; and at 31.7% in reading and 19.5% in math, just *ove*r half the State Charter Sector average of 53.2% in reading and 35.7% in math at the middle school level.

Table 2—16-17 Comparison - Percent Proficient on State Exams - Elementary

2016-17 % Proficient	***Reading***	***Math***
Quest	26.3%	27.7%
Clark County	47.8%	40.2%
SPCSA Charters	59.9%	53.3%
All Nevada	48.7%	42.1%

Table 3—16-17 Comparison - Percent Proficient on State Exams – Middle School

2016-17 % Proficient	***Reading***	***Math***
Quest	31.7%	19.5%
Clark County	45.1%	24.3%
SPCSA Charters	53.2%	35.7%
All Nevada	47.0%	26.9%

Though very concerning, this is not surprising. Last year, Mabel Lajes-Guiteras of TenSquare, delivered a summary of TenSquare's School Performance Audit. Among other findings, the Audit made several things clear:

- Quest students have historically underperformed, compared to their peers, on state tests since the implementation of SBAC. Quest historical performance data indicated that more than 50% of Quest students were not meeting grade-level benchmarks for college and career readiness. Moreover, Quest's student proficiency rates on the state test generally *decreased* as grade levels increased, indicating that *students were becoming more off track as they progressed through grade levels at Quest*.

- Though academic leaders showed potential and a willingness to lead, they did yet not have a clear plan to support school improvement and academic growth.

- Instructional practice and teacher professional development were lacking at Quest. There was no shared vision for what excellent instruction—and student learning— should look like at Quest. Additionally, Quest lacked a robust professional development plan, and there is was no consistent instructional coaching process in place to improve teacher practice.

- The majority (66%) of Quest teachers observed in the audit were providing instruction at a *basic level*. This level of instruction does not support improving student academic performance.

- Many curriculum resources and materials (e.g. the middle school English language arts and K-8 math materials, for example) were outdated, not Common Core aligned, and lacked sufficient rigor to prepare students for success on the annual state exam.

- Quest also lacked crucial data management systems present in high-performing schools. The Audit found no comprehensive system to track, manage, and use data to improve teaching and learning, and to ensure that Quest was compliant with federal, state, and local reporting requirements.

Based on the low state exam results and the Audit findings, the Receiver determined the school could not wait until resolution of the remaining legal matters to begin a comprehensive school turnaround effort, and anticipated that the SPCSA would not want to wait to see improvements.

As a result, TenSquare is currently providing several supports to Quest—there are now two full-time instructional coaches, one in ELA and another in math, to lead teacher development and help drive immediate improvement. These coaches are supported by a network of instructional team leaders to ensure best practices are being implemented. In addition, TenSquare has deployed a school improvement leadership coach, a data specialist, and multiple people to assist with teacher and staff recruitment. In total, TenSquare currently has approximately 5 FTEs supporting Quest.

The above team, in collaboration with Quest leaders, has prioritized working to 1) develop school goals; 2) build a revised staffing structure based on lower-than-anticipated enrollment goals; 3) implement a modified schedule—math and literacy blocks have been expanded from 49 minutes to 90 and 120 minutes, respectively at the elementary level, and from 49 to 80 minutes for both ELA and math at the middle school level; 4) initiate STAR interim assessments to assess students' progress and support students' readiness for end of year SBAC tests; 5) begin to strengthen the curriculum, providing additional resources and supports, and implementing new Common Core-aligned curricula at the middle school level; and 6) provide regular coaching to ELA and math teachers by TenSquare-trained coaches.

The reality, however, is that approximately 80% of students in grades 4-8 who returned to Quest this year either scored a 2 or lower on SBAC last year, or are currently testing at least one grade level below in ELA or math. Moreover, approximately one-third of the students in grades 4-8 are new to Quest this year. Of those, 63—or more than two-thirds—are below grade level in ELA, and 78—or 85%—are below grade level in math. Much more structured and intensified support is needed to affect significant and lasting change at Quest.

DEFINING A PATH FORWARD FOR QUEST

Quest went into receivership initially due in large part to the exploitation and financial mismanagement identified in the Deloitte report, and much of the focus of the receivership over the last two years has been on various litigation matters arising from this exploitation. Now, Quest is in the closing stages of resolving the issues raised by Deloitte. At the same time, the consequences of these events created a tremendous challenge to the school's operations and academic performance.

The Receiver recommends that Quest implement an academic turnaround now, with the support of TenSquare, a school improvement organization with a proven history of dramatically increasing student achievement and school performance of struggling schools. (The Receiver is affiliated with this group, as was disclosed from the start of the Receivership engagement, and this was likely a factor in the SPCSA's choice of Receiver.) Attached is a proposal narrative and cost plan from TenSquare to implement the recommendations of the audit.

As the SPCSA thinks about the future of Quest, it is important that it consider the interplay between this turnaround effort and the receivership. One possibility is that the school follow the guidelines referenced under the "Frequently Asked Questions About Negotiated Receiverships," namely that the school would "have a three-year turnaround plan, and at the end of the turnaround plan, the Authority will determine whether the school has made sufficient academic progress and has the capacity to continue that progress or whether more time is needed." This is consistent with what TenSquare has proposed as an appropriate timeline for school improvement.

TenSquare is currently providing initial support without a contract or compensation. The Receiver did not want to execute a contract without first presenting it to the SPCSA, and until the Tower matter was resolved it did not seem appropriate to present a proposal or even to discuss a turnaround effort. Now is the right time to have that discussion. The work outlined in the attached proposal is critical to provide comprehensive educational capacity building support that will:

- Fundamentally improve programmatic quality, moving the elementary school off the Rising Stars list and moving Quest to "3 stars in 3 Years";
- Strengthen instruction, curriculum, assessment and use of data;
- Implement a school improvement model designed to continuously improve student performance and school outcomes;
- Build a culture of high expectations and achievement for students—maintaining high attendance and boosting retention, lowering suspensions and expulsions, and building systems to better support enrollment, re-enrollment and intake operations;
- Foster a culture of high performance for adults and strengthen human capital recruitment, retention and evaluation;

- Create high-performing data practices, compliance and school operations that support each of these areas and ensure that operations are aligned to accountability frameworks; and,

- Build the capacity of school leadership to sustain the change in the future.

Given all that the school has done to get to this point to eliminate the waste, fraud and abuse at Quest, it is the Receiver's sincerest hope that the work can continue—to strengthen the academic performance of the institution and to fundamentally improve Quest's students' educational outcomes. The SPSCA, and more importantly the school community, have invested too much over the past two years to give up on Quest now.

INTERIM STATUS UPDATE ON

QUEST PREPARATORY ACADEMY

December 8, 2017

APPENDICES

Appendix I	Summary – CSP Bridger Case
Appendix II	FY 2016 Financial Report
Appendix III	FY 2017 Financial Report Mock-up

Appendix I

CSP – Bridger Summary

CSP-BRIDGER CASE

Quest v. Chartered for Excellence Foundation and CSP-Bridger Ave., LLC
Case No. A-16-736281-B
(Eighth Judicial District Court, Clark County Nevada, Business Court Division)

May 6, 2016, Plaintiff filed Complaint, Business Court Requested, Exempt from Arbitration: NAR 3(A) Extraordinary Relief Requested, Declaratory Relief and Equitable Relief Requested & Amount in Controversy in Excess of $50,000

May 10, 2016, Hearing on Plaintiff's Motion for Temporary Restraining Order. Plaintiff Counsel met with the Court in Chambers to discuss counsel's Ex Parte Application for a Temporary Restraining Order. Court noted counsel scheduled today's appointment and counsel stated that she notified Tiffany Barney, Esq., understood by her to be counsel for the Defendants of the same. However, Ms. Barney had indicated that she was not yet authorized to represent the Defendants in this matter. Ms. Brown also stated that Ms. Barney is the registered agent for the Defendants for purposes of service. Upon inquiry of the Court, Ms. Brown advised of the irreparable harm that would result to Plaintiff if the eviction were not restrained. Thereafter, the Court advised of an Affidavit of Prejudice in another matter filed by a party represented by the Barney law firm, which resulted in this Court's recusal in that case and which may come to bear if that firm does become counsel in this case. Following the Court's discussion with counsel, COURT ORDERED, application GRANTED; preliminary injunction hearing SET May 23, 2016 at 9:00 am (non-evidentiary). COURT FURTHER ORDERED bond SET at $500.00. Temporary Restraining Order SIGNED by the Court and returned to counsel for processing. 5/23/2016 9:00 AM | PRELIMINARY INJUNCTION HEARING (NON-EVIDENTIARY HEARING)

May 10, 2016, Plaintiff filed Ex Parte Temporary Restraining Order, proof of service of Summons and complaint, Notice of Entry of TRO and Notice of Posting Bond

May 11, 2016, Quest filed its Motion for Ex Parte Temporary Restraining Order and Preliminary Injunction on an Order Shortening Time with supporting declaration of Josh Kern

May 23, 2016, Preliminary Injunction Hearing wherein Mr. Holley advised counsel had not received any communication from opposing counsel or from anyone on behalf of the Foundation, noting an opposition had not been filed. The Court referenced the minutes of TRO Application regarding The Barney Law Firm representing the Defendant in this matter. Based upon the representations made by Mr. Holley and Ms. Brown, the Court stated it would GRANT the Motion for Preliminary Injunction, which will mirror the Temporary Restraining Order; bond amount STANDS. Mr. Holley to submit a proposed order.

June 1, 2016, Order Granting Plaintiff's Motion for Preliminary Injunction on an Order Shortening Time entered by the Clerk

June 16, 2016, Quest filed clerk's entry of Default against Defendant Chartered for Excellence Foundation, a Nevada Non-Profit Foundation

November 4, 2016, Quest filed First Amended Complaint and included second defendant CSP-Bridger Ave., LLC

August 16, 2017, Sub-Tenant Quest filed its Answer in Opposition to CSP-Bridger 5-Day Notices to Pay Rent or Surrender Premises

August 24, 2017, CSP Bridger Ave, LLC filed its Answer to First Amended Complaint and Verified Counterclaim for Unlawful Detainer

August 30, 2017, Quest filed its Motion for Order to Show Cause Why CSP-Bridger Should Not Be Held in Contempt and for an Award of Attorneys' Fees and Costs

September 6, 2017, CSP-Bridger received and filed Order on Ex Parte Application for Order to Show Cause Why Writs of Restitution Should Not Issue and Application for Order Shortening Time

September 6, 2017, CSP-Bridger filed and served Ex Parte Application for Order to Show Cause Why Writs of Restitution Should Not Issue and Application for Order Shortening Time

September 14, 2017, Quest received and filed Order to Show Cause Why CSP-Bridger Ave, LLC Should Not Be Held In Contempt

September 15, 2017, Counterdefendant Joshua M. Kern, Solely in his Capacity as Receiver as Quest Academy Preparatory Education, A Nevada State Funded Charter School filed Reply to Counterclaimant CSP-Bridger Ave., LLC's Counterclaim

September 15, 2017 Notice of Entry of Order to Show Cause Why CSP-Bridger Ave LLC Should Not Be Held in Contempt

September 19, 2017, Quest filed Notice of Continued Hearing on Order to Show Cause Why Writs of Restitution Should Not Issue and Application for Order Shortening Time

September 25, 2017, Court held its Mandatory Rule 16 Conference. APPEARANCES: Ogonna Brown and Richard Holley, Attorney for Pltf William Coulthard and Joshua Carlson, Attorney for Deft Counsel met with the Court in Chambers for the purpose of the Mandatory Rule 16 Conference. Court advised that the Department would handle discovery matters and all discovery motions should be directed to this Court's attention. Further, Court noted counsel could consider today's conference to be their Rule 16.1 Conference, noting the history of the case. On behalf of Deft, Mr. Coulthard advised they recently answered and have a counterclaim, noting upcoming motion practice on both sides set for October 12, 2017 at 9:00 am. Further, Mr. Coulthard noted the recent hire of the Court's former Law Clerk, Cara Brumfield; advised she has not been involved in this case. Thereafter, Court stated that it still requires a Joint Case Conference Report and directed it to be submitted by the close of business on October 2, 2017; the JCCR is to comply with NRCP 16.1(c)(1,3, & 4). COURT ORDERED, status check SET for October 12, 2017 at 9:00 am to determine if the Joint Case Conference Report (JCCR) has been filed. If filed, attendance is not required. However, if the JCCR has not been filed counsel must appear to explain why it has not been filed and the amount of time needed for compliance. Upon the Court's inquiry as to how much time counsel would require for discovery; both counsel confirmed they would require 180 days until the close of discovery. Court advised that based upon that date the Department would issue a combined Scheduling/Trial Order. Court further noted that the case is currently being carried as a non-jury case. The Court also queried counsel as to the case being ripe for a Settlement Conference; however, no settlement conference was requested. Counsel will wait until after the motions are heard and see where they stand. Court directed counsel to contact the Department's Judicial Executive Assistant if/when there is a consensus for a Settlement Conference. If no consensus, the party that desires a Settlement Conference may file a motion to compel. As to matters of confidentiality, case management, or a need for a protective order, counsel indicated they would work together to resolve any issues.

September 28, 2017, Sub-Tenant Quest filed its Response to Ex Parte Application for Order to Show Cause Why Writs of Restitution Should Not Issue, and in the Alternative, Motion to Dissolve or Modify the June 1 2016 Preliminary Injunction Order and Application for Order Shortening Time

September 29, 2017, CSP-Bridger Ave., LLC filed its Opposition to Quest's Motion for Order to Show Cause why CSP-Bridger Should not be Held in Contempt and for an Award of Attorney's Fees

October 2, 2017, the Court filed its Order Re Rule 16 Conference, Setting Civil Non-Jury Trial, Calendar Call, And Deadlines for Motions; Discovery Scheduling Order. On October 3, 2017, parties filed their Joint Case Conference Report. The discovery deadline is March 26, 2018, and dispositive motions are due April 25, 2018. Bench Trial is scheduled July 10, 2018, with calendar call set for July 2, 2018.

October 5, 2017, Quest filed its Reply in Support of Order to Show Cause Why CSP-Bridger Should Not Be Held in Contempt and for an Award of Attorney's Fees

October 5, 2017, Defendant filed Reply in Support of Ex Parte Application for Order to Show Cause why Writs of Restitution Should not be Issue and in the Alternative, Motion to Dissolve or Modify the June 1, 2016 Preliminary Injunction Order and Application for Order Shortening Time

October 12, 2017, Show Cause Hearing

- Plaintiff's Order To Show Cause Why CSP-Bridger Ave, LLC Should Not Be Held In Contempt
    - After hearing from counsel, the Court found that cause has been shown why Defendants should not be held in contempt. Defendants’ counsel was directed to submit the proposed order, and on November 1, 2017 Defendants filed with the Court their Order denying Quest Academy’s Order to Show Cause.
- Defendant/Counterclaimant's CSP-Bridger Ave., LLC’s Ex Parte Application For Order To Show Cause Why Writs Of Restitution Should Not Issue And In The

Alternative, Motion To Dissolve Or Modify The June 1, 2016 Preliminary Injunction Order On Order Shortening Time

- ○ Following argument by counsel, Court stated it would review the record further before issuing its ruling, and took the matter under advisement.

On October 23, 2017, the Court entered its Decision ruling that CSP Bridger's Writs of Restitution Should Not issue, and ordered Quest to post an addition bond of $51,200 for a total bond of $51,700, and that Quest must pay back rent for $13,650.00 per month retroactive October 1, 2016 to November 2017 in the amount of $191,000.00, and monthly rent starting on December 15, 2017 through trial.

Appendix II

FY 2016 Financial Report

BRIAN SANDOVAL
Governor

STATE OF NEVADA

PATRICK GAVIN
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY
1749 North Stewart Street Suite 40
Carson City, Nevada 89706-2575
(775) 687 - 9174 · Fax: (775) 687 - 9113

Quest Preparatory Academy
4660 North Rancho Dr.
Las Vegas NV 89130

Dear Mr. Kern,

Pursuant to NRS 388A.351(2) and NAC 386.410 an annual "Performance audit: Report of compliance" must be conducted by a charter school sponsor for each school it sponsors. For schools sponsored by the State Public Charter School Authority (Authority), the performance audit is a perpetual process resulting in a determination of school compliance, financial sustainability, and academic quality derived from three Performance Frameworks: Academic, Financial and Organizational. The attached file is your schools' *Financial Framework Profile.*

For schools in operation during FY16, the Financial Framework Profile has been populated using the respective audited financial statements as outlined by NAC 387.775 Annual audits. Please feel free to contact Duffy Chagoya at 775-687-9105. The Authority will issue notice of Concern and Good Standing based on these calculations. In the event you identify a discrepancy in this report, please notify Duffy no later than March 31, 2017 so that we can know your calculations. Notices will be sent out by April 14, 2017.

FY17 audited Financial Statements are required to be submitted to the Authority by November 30, 2017. Timely receipt of these will facilitate delivery of the FY17 Financial Framework Profile to schools in the 3rd quarter of FY18.

Sincerely,

Patrick Gavin

cc: Janelle Veith
Jennifer Bingham
Tiffany Ferguson

Fiscal Report

Observations

Quest Academy's annual independent audit report shows that their financial statements present fairly in all material respects, the respective financial position of the governmental activities, the aggregate remaining fund information, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. The auditor's consideration of internal control over financial reporting identified certain deficiencies in internal controls considered to be materially weaknesses and contain significant deficiencies.

Near Term Measures

Quest Academy demonstrates fiscal strength in the category of Debt Default. In the areas of Current Ratio, Unrestricted Days of Cash on Hand, and Enrollment Forecast Accuracy, there is cause for concern. The Current Ratio fell below the 0.9 threshold depicting the school does not have enough resources to pay its debts over the next 12 months. Unrestricted Days of Cash on Hand was less than 30 days. This measure indicates the school can pay less than 30 days of operating expenses without an inflow of cash. In the area of Enrollment Forecast Accuracy, there is cause for concern due to actual enrollment falling below the 95% threshold of the projected enrollment, thus reducing cash inflows. See Appendix C of the Authority's Performance Framework for the financial profile.

Sustainability Measures

Quest Academy presents ongoing concern in areas of Total Margin, Debt to Asset Ratio, and Debt to Service Coverage Ratio. The current year's revenues are exceeded by expenditures, and the Aggregated Three Year Total Margin does not meet the negative 1.5% benchmark, demonstrating the school was spending more than it was funded in multiple years. The Debt to Asset Ratio exceeds the 1.0 measure, signifying the organization owes more than it owns. The Debt to Service Coverage Ratio fell below the 1.10 criterion alluding to the schools reduced ability to cover its debt obligations. The result for Cash Flow does not fall within the criteria for the measure therefore a score was not given.

Is Quest Academy Financially Sound? No

The reason for a 'No' response is based on the failure to meet three of the four of the long term and three of the four near term financial framework standards. The results of the near term and sustainability measures reflect Quest Academy operating as an ongoing concern. Instances of noncompliance in reporting and internal controls were noted in the audit report, which could have a direct and material effect on the determination of financial statement amounts. The independent audit report further reflects fiscal instability.

Nevada State Public Charter School Authority
Financial Performance Framework Calculations Workbook

School	Quest Preparatory Academy	FY	2016	School Code	18408

*****Standards for a school beyond the first two years of operation are being applied*****

Near Term

Measure 1 - Current Ratio

Purpose: The current ratio depicts the relationship between a school's current assets and current liabilities. In addition, the current ratio is a financial ratio that measures whether or not a school has enough resources to pay its debts over the next 12 months. It compares a school's current assets to its current liabilities.

Data Source: Statement of Net Position

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}} = \frac{\$1{,}578{,}599.00}{\$2{,}812{,}424.00} = 0.56$$

One-Year Trend = 2016 Current Ratio -2015 Current Ratio = 0.56 - 0.55 = 0.01

Total Current Assets	$ 1,578,599.00	☐	Meets Standard:	Is 1.1 or greater
Total Current Liabilities	$ 2,812,424.00	☐	Meets Standard:	Between 1.0 and 1.1 and one-year trend is positive
Current Ratio	**0.56**	☐	Does Not Meet Standard:	Between 0.9 and .99
One-Year Trend	**0.01**	☐	Does Not Meet Standard:	Between 1.0 and 1.1 and one-year trend is negative
		X	**Falls Far Below Standard:**	**Less Than 0.9**

Measure 2 - Unrestricted Days of Cash-on-Hand

Purpose: The unrestricted days cash-on-hand indicates how many days a school can pay its operating expenses without an inflow of cash. National standards state 60-120 cash on-hand is considered a model practice.

Data Source: Statement of Net Position; Statement of Revenues, Expenditures and Changes in Fund Balance; Notes to the Financial Statements

$$\text{Average Daily Expenses} = \frac{\text{Annual Expense - Annual Depreciation}}{\text{365 Days}} = \frac{\$10{,}096{,}357.00 - \$275{,}763.00}{365} = \$26{,}905.74$$

$$\text{Unrestricted Days of Cash-on-Hand} = \frac{\text{Unrestricted Cash and Equivalents}}{\text{Average Daily Expenses}} = \frac{\$514{,}620.00}{\$26{,}905.74} = 19.1$$

One-Year Trend = 2016 Cash on Hand -2015 Cash on Hand = 19.1 - 0.7 = 18.4

Annual Expense	$ 10,096,357.00	☐	Meets Standard:	60 days of cash or more
Annual Depreciation	$ 275,763.00			
Total	**$ 9,820,594.00**	☐	Meets Standard:	Between 30 and 60 and one-year trend is positive
Days	365	X	**Does Not Meet Standard:**	**Days of cash between 15 and 29**
Unrestricted Cash and Equivalents	$ 514,620.00	☐	Does Not Meet Standard:	Between 30 and 60 and one-year trend is negative
Average Daily Expenses	**$ 26,905.74**	☐	Falls Far Below Standard:	Less than 15 days of cash
Days of Cash-On-Hand	**19.1**			
One-Year Trend	**18.4**			

Measure 3 - Enrollment Forecast Accuracy

Purpose: Enrollment forecast accuracy tells sponsors whether or not the school is meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations.

Data Source: Actual Enrollment = certified validation day numbers; Projected Enrollment = charter school board-approved budgeted enrollment

$$\text{2016 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{1275}{1392} = 91.6\%$$

$$\text{2015 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{1460}{1850} = 78.9\%$$

$$\text{2014 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{863}{839} = 102.9\%$$

Actual Enrollment	1275	☐	Meets Standard:	Enrollment forecast accuracy equals or exceeds 95% in the most recent year and equals or exceeds 95% of each the last three years
Projected Enrollment	1392			
Current Year Forecast Accuracy	**91.6%**	X	**Does Not Meet Standard:**	**Enrollment forecast accuracy is between 85% and 94% in the most recent year**
Previous Year Forecast Accuracy	**78.9%**			
2014 Forecast Accuracy	**102.9%**	☐	Does Not Meet Standard:	Enrollment forecast accuracy is 95% or greater in the most recent year but does not equal or exceed 95% or greater each of the last three years
		☐	Falls Far Below Standard:	Enrollment forecast accuracy is less than 85% in the most recent year

Measure 4 - Debt Default

Purpose: The debt default indicator addresses whether or not a school is meeting its loan obligations and/or is delinquent with its debt service payments. Notes from the audited financial statements are used as the source of data. ***In most cases this will not be applicable for charter schools that do not have outstanding loan.***

Data Source: Notes to the Financial Statements

Sponsors may consider a school in default only when the charter school is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants.

Does the school have a loan?	Yes	X	**Meets Standard:**	**School is not in default of loan covenant(s) and is not delinquent with debt service payments**
Is the school in default of loan covenants?	**No**			
		☐	Falls Far Below Standard:	School is in default of loan covenant(s) and is not delinquent with debt service payments

Nevada State Public Charter School Authority
Financial Performance Framework Calculations Workbook

School	Quest Preparatory Academy	FY	2016	School Code	18408

Standards for a school beyond the first two years of operation are being applied

Sustainability

Measure 1 - Total Margin

Purpose: Total margin measures the deficit or surplus a school yields out of its total revenues, which indicates whether or not the school is operating within its available resources. The measurement looks at the most recent 3 years.

Data Source: Statement of Revenues, Expenditures and Changes in Fund Balance

$$\text{2016 Total Margin} = \frac{\text{Total Expenditures - Total Revenues}}{\text{Total Revenues}} = \frac{\$10,096,357.00 - \$9,933,394.00}{\$9,933,394.00} = -1.6\%$$

$$\text{2015 Total Margin} = \frac{\text{Total Expenditures - Total Revenues}}{\text{Total Revenues}} = \frac{\$11,092,665.00 - \$10,125,488.00}{\$10,125,488.00} = -9.6\%$$

$$\text{2014 Total Margin} = \frac{\text{Total Expenditures - Total Revenues}}{\text{Total Revenues}} = \frac{\$7,297,615.00 - \$6,458,114.00}{\$6,458,114.00} = -13.0\%$$

$$\text{Aggregated Total Margin} = \frac{\text{3 Years Total Expenditures - 3 Years Total Revenues}}{\text{3 Years Total Revenues}} = \frac{(\$10,096,357 + \$11,092,665 + \$7,297,615) - (\$9,933,394 + \$10,125,488 + \$6,458,114)}{(\$9,933,394 + \$10,125,488 + \$6,458,114)} = -7.4\%$$

2016 Total Revenue	$ 9,933,394.00		Meets Standard:	Aggregated three-year total margin is positive and the most recent year total margin is positive
2016 Total Expenditures	$ 10,096,357.00			
Net Surplus	**$ (162,963.00)**		Meets Standard:	Aggregated three-year total margin is greater than -1.5% but less than zero, the trend is positive for the last two years, and the most recent year total margin is positive
Current Year Total Margin	**-1.6%**			
Previous Year Current Margin	**-9.6%**			
2014 Total Margin	**-13.0%**		Does Not Meet Standard:	Aggregated three-year total margin greater than -1.5%, but the most recent year is negative
Three-Year Net Surplus	**$ (1,969,641.00)**			
Three-Year Revenues	**$ 26,516,996.00**	X	**Falls Far Below Standard:**	**Aggregated three-year total margin is less than -1.5%**
Aggregated Total Margin	**-7.4%**			

Measure 2 - Debt to Asset Ratio

Purpose: The debt to asset ratio measures the amount of debt a school owes versus the assets they own; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations. A debt to asset ratio greater than 1.0 is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position. A ratio less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities, and the implied balance in the equity account.

Data Source: Statement of Net Position

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities*}}{\text{Total Assets}} = \frac{\$3,086,431.00}{\$2,667,735.00} = 1.16$$

* PERS pension liability is excluded from Total Liabilities

Total Assets	2,667,735		Meets Standard:	Is less than 0.9
Total Liabilities	3,086,431		Does Not Meet Standard:	Is between 0.9 and 1.0
Debt to Asset Ratio	**1.16**	X	**Falls Far Below Standard:**	**Is greater than 1.0**

Measure 3 -Cash Flow

Purpose: The cash flow measure indicates a school's change in cash balance from one period to another. This measure includes restricted and unrestricted funds. The measurement looks at the most recent 3 years.

Data Source: Statement of Net Position

2016 Cash Flow =	2016 Total Cash - 2015 Total Cash	=	$514,620.00 - $20,390.00	= $494,230.00
2015 Cash Flow =	2015 Total Cash - 2014 Total Cash	=	$20,390.00 - $236,314.00	= -$215,924.00
2014 Cash Flow =	2014 Total Cash - 2013 Total Cash	=	$236,314.00 - $606,290.00	= -$369,976.00
Multi-Year Cash Flow =	2016 Total Cash - 2014 Total Cash	=	$514,620.00 - $236,314.00	= $278,306.00

2016 Cash	$ 514,620.00		Meets Standard:	Multi-year cumulative is positive and cash flow is positive each year
2015 Cash	$ 20,390.00			
2014 Cash	$ 236,314.00		Meets Standard:	Multi-year cumulative is positive, cash flow is positive in two of the three years, and cash flow in the most recent year is positive
Current Year Cash Flow	**$ 494,230.00**			
Previous Year Cash Flow	**$ (215,924.00)**		Does Not Meet Standard:	Multi-year cumulative cash flow is positive, but the current year trend is negative
2014 Cash Flow	**$ (369,976.00)**			
Multi-Year Cash Flow	**$ 278,306.00**		Falls Far Below Standard:	Multi-year cumulative cash flow is negative

Nevada State Public Charter School Authority
Financial Performance Framework Calculations Workbook

School	Quest Preparatory Academy	FY	2016	School Code	18408

*****Standards for a school beyond the first two years of operation are being applied*****

Measure 4 -Debt Service Coverage Ratio

Purpose: The debt service coverage ratio indicates a school's ability to cover its debt obligations in the current year. In most cases this will not be applicable for charter schools that do not have an outstanding loan. This ratio measures whether or not a school can pay the principal and interest due on its debt based on the current year's net income. Depreciation expense is added back to the net income because it is a non-cash transaction and does not actually cost the school money. The interest expense is added back to the net income because it is one of the expenses an entity is trying to pay, which is why it is included in the denominator.

Data Source: Statement of Revenues, Expenditures and Changes in Fund Balance; Notes to the Financial Statements

$$\text{Debt Service Coverage Ratio} = \frac{\text{Net Income + Depreciation Expense + Interest Expense}}{\text{Annual Principal + Interest Payments}} = \frac{-\$162{,}963.00 + \$275{,}763.00 + \$93{,}627.00}{\$666{,}939.00 + \$93{,}627.00} = 0.27$$

Net Income	$	(162,963.00)		Meets Standard:	Is equal to or exceeds 1.10
Depreciation Expense	$	275,763.00	X	**Does Not Meet Standard:**	**Less than 1.10**
Interest Expense	$	93,627.00			
Total	**$**	**206,427.00**			
Annual Principal	$	666,939.00			
Interest Payments	$	93,627.00			
Total	**$**	**760,566.00**			
Debt Service Current Ratio		**0.27**			

Quest Preparatory Academy **School Code: 18408**

Scoresheet Factors	2016 Audited F/S 6/30/2016	FY15-FY16 Change	2015 Audited F/S 6/30/2015	FY14-FY15 Change	2014 Audited F/S 6/30/2014	FY13-FY14 Change	2013 Audited F/S 6/30/2013	3-Year Cumulative
Cash	514,620	2424%	20,390	-91%	236,314	-61%	606,290	
Total Current Assets	1,578,599	28%	1,235,410	20%	1,026,802	-35%	1,568,505	
Non Current Assets	1,089,136	-45%	1,962,789	8%	1,813,078	202%	600,324	
Total Assets	2,667,735	-17%	3,198,199	13%	2,839,880	31%	2,168,829	
Current Liabilities	2,812,424	25%	2,257,970	123%	1,011,963	143%	415,666	
Non Current Liabilities	274,007	-72%	980,251	19%	820,829	272%	220,825	
Total Liabilities	3,086,431	-5%	3,238,221	77%	1,832,792	188%	636,491	
Net Assets	(418,696)	-946%	(40,022)	-104%	1,007,088	-34%	1,532,338	
Revenues	9,933,394	-2%	10,125,488	57%	6,458,114	2%	6,317,307	26,516,996
Expenditures	10,096,357	-9%	11,092,665	52%	7,297,615	32%	5,536,600	28,486,637
Change in Net Assets	(162,963)	83%	(967,177)	-15%	(839,501)	-208%	780,707	(1,969,641)
Depreciation Expense	275,763	18%	234,513	746%	27,724	13%	24,536	
Annual Principal	666,939	645%	89,561	N/A	-	-100%	13,175	
Interest Expense	93,627	-1%	94,259	620%	13,100	10%	11,913	
Outstanding Loan?	Yes		Yes		Yes		Yes	
Debt Default?	No		No		No		No	
Actual Enrollment	1,275	-13%	1,460	69%	863	-14%	1,001	
Projected Enrollment	1,392	-25%	1,850	121%	839	-5%	887	
Year of Operation	9		8		7		6	

Appendix III

FY 2017 Financial Report Mock-up

QUEST PREPARATORY ACADEMY
FINANCIAL PERFORMANCE FRAMEWORK ANALYSIS
AS OF 2.28.17

NEAR TERM MEASURES

MEASURE 1: CURRENT RATIO

YTD CURRENT ASSETS	1,451,537
YTD CURRENT LIABILITIES	810,889
CURRENT RATIO	1.79

X	**Meets Standard - 1.1 or greater**
	Meets Standard - Between 1.0 and 1.1 and one-year trend is positive
	Does Not Meet Standard - Between 0.9 and .99
	Does Not Meet Standard - Between 1.0 and 1.1 and one-year trend is negitive
	Falls Below Standard - Less than 0.9

MEASURE 2: UNRESTRICTED DAYS CASH ON HAND

FY17 PROJECTED ANNUAL EXPENSE	5,424,790
YTD ANNUAL DEPRECIATION (EST)	157,124
TOTAL	5,267,666
DAYS	365
UNRESTRICTED CASH AND EQUIVALENTS	1,110,771
AVERAGE DAILY EXPENSES	14,432
DCOH	76.97

X	**Meets Standard - 60 days of cash or more**
	Meets Standard - Between 30 and 60 and one-year trend is positive
	Does Not Meet Standard - Days of cash between 15 and 29
	Falls Below Standard - Less than 15 days of cash

MEASURE 3: Debt Default

Does the school have a loan	Yes
Is the school in default of loan covenants	No

X	**Meets Standard - School is not in default of loan covenants and is not deliquent with debt service payments**
	School is in default of loan covenants and is not deliquent with debt service payments

SUSTAINABILITY MEASURES

MEASURE 1: TOTAL MARGIN

FY17 YTD TOTAL REVENUE	5,584,401
FY17 YTD TOTAL EXPENSES	3,634,609
YTD NET SURPLUS/(DEFICIT)	1,949,792
YTD CURRENT MARGIN	34.91%
THREE YEAR NET SURPLUS/(DEFICIT)	1,603,000
YTD THREE-YEAR REVENUES	17,392,689
YTD AGGREGATED TOTAL MARGIN	9.22%

	Meets Standard - Aggregated three-year total margin is positive and the most recent year total margin is positive
	Meets Standard - Aggregated three-year total margin is greater than -1.5% but less than zero and trend is positive for the last two years, and the most recent year total margin is positive
X	**Does Not Meet Standard - Aggregated three-year total margin is greater than -1.5% but the most recent year is negitive**
	Falls Below Standard - Aggregated three-year total margin is less than -1.5%

MEASURE 2: DEBT TO ASSET RATIO

TOTAL ASSETS	2,544,028
TOTAL LIABILITIES	1,011,999
DEBT TO ASSET RATIO	0.40

X	**Meets Standard - Is less than 0.9**
	Does Not Meet Standard - Is between 0.9 and 1.0
	Falls Below Standard - Is greater than 1.0

MEASURE 3: CASH FLOW

FEB 2017 CASH	1,451,783
FEB 2016 CASH	440,999
FEB 2015 CASH	626,170
CURRENT YEAR CASH FLOW	1,010,784
PREVIOUS YEAR CASH FLOW	-185,171
2015 CASH FLOW	-764,013
MULTI-YEAR CASH FLOW	20,533

	Meets Standard - Multi-year cumulative is positive and cash flow is positive each year
X	**Meets Standard - Muti-year cumulative is positive and cash flow is positive in two of the three years, and cash flow in most recent year is positive**
	Does Not Meet Standard - Multi-year cumulative cash flow is positive, but the current year trend is negitive
	Falls Below Standard - Multi-year cumulative cash flow is negitive

MEASURE 4: DEBT SERVICE COVERAGE RATIO

YTD NET INCOME	1,949,792
YTD DEPRECIATION EXP (EST)	157,124
YTD INTEREST EXPENSE	8,685
TOTAL	2,115,600
ANNUAL PRINCIPAL PAYMENTS	12,962
ANNUAL INTEREST PAYMENTS	6,866
TOTAL	19,828
DEBT SERVICE COVERAGE RATIO	106.70

X	**Meets Standard - Is equal to or exceeds 1.10**
	Does Not Meet Standard - Is less than 1.10