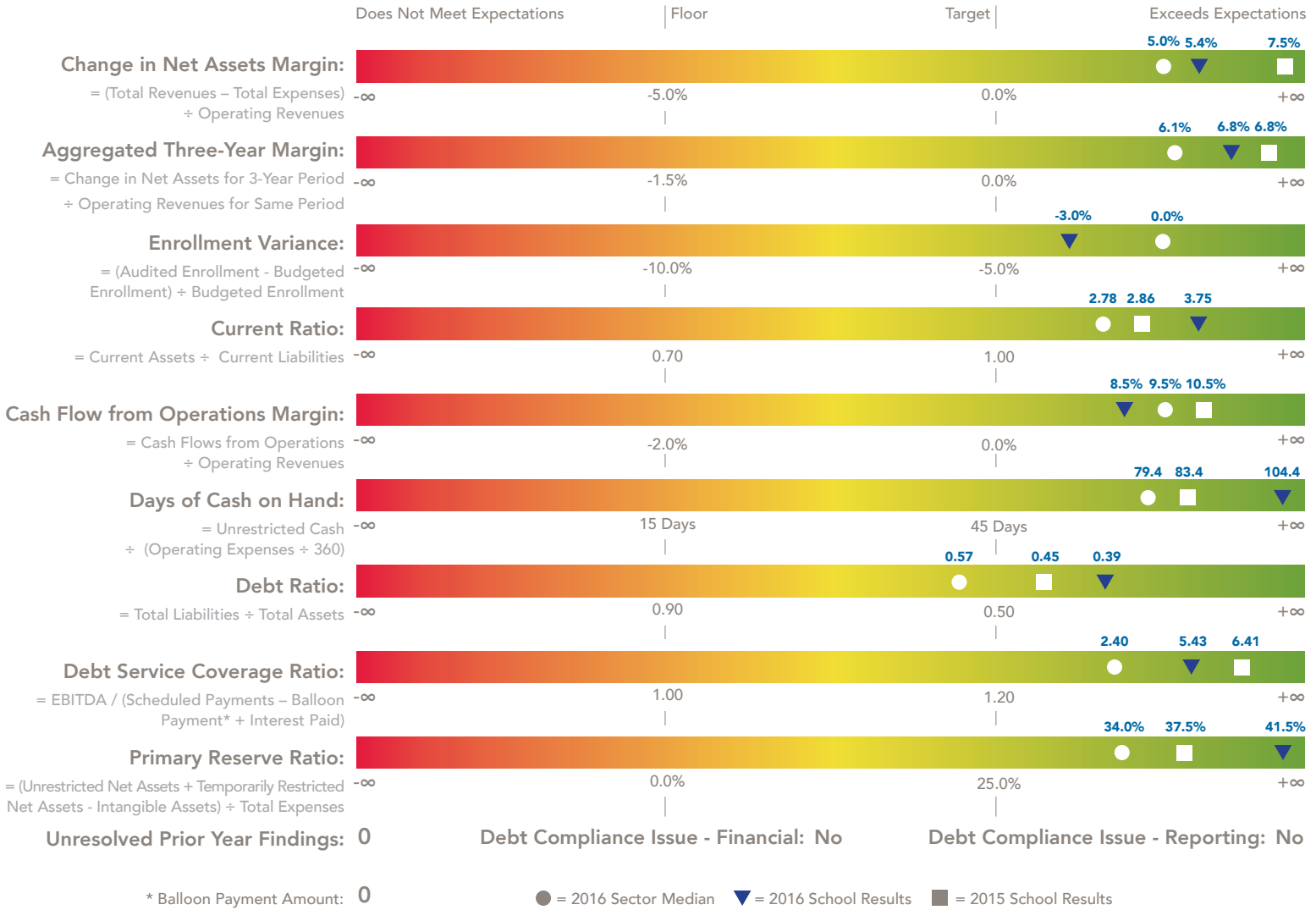
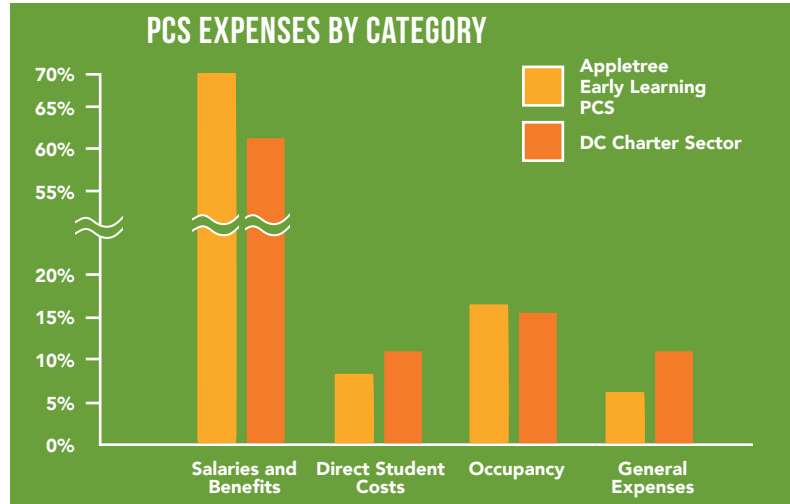


KEY FINANCIAL INDICATORS



Comments from the School

[Empty box for comments from the school]



APPLETREE EARLY LEARNING PCS

FY2016 Financial Report Card

FINANCIAL POSITION

	2016	2015
Total Assets	\$8,770,287	\$8,280,001
Current Assets	\$4,258,859	\$3,338,550
Total Liabilities	\$3,444,838	\$3,693,403
Current Liabilities	\$1,137,010	\$1,165,783
Net Asset Position	\$5,325,449	\$4,586,598

FINANCIAL ACTIVITIES

	2016	2015
Revenues and Support	\$13,574,345	\$13,214,616
Expenses	\$12,835,494	\$12,229,546
Non-operating Revenues (Expenses)	\$-	\$-
Surplus (Deficit)	\$738,851	\$985,070

AUDIT FINDINGS

	2016	2015
Qualified/Modified/Adverse Opinion on the Financial Statements	No	No
Material Weakness in Internal Control over Financial Reporting (GAS)	No	No
Non-compliance Material to the Financial Statements (GAS)	No	No
Modified Opinion on Major Federal Award Programs (Uniform Guidance)	No	No
Material Weaknesses in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance)	No	No
Findings and Questioned Costs	0	1
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

	2016	2015	2016 Sector Median
DC Funding per Student	\$18,060	\$18,002	\$17,657
Philanthropic Funding per Student	\$422	\$70	\$581
Total Revenues per Student	\$20,788	\$20,393	\$20,775
Expenses per Student	\$19,656	\$18,873	\$19,644

PCSB OBSERVATIONS

RELATED PARTY:

See the following page for information about the School's relationship with AppleTree Institute for Educational Innovation (the Institute).

DEBT:

\$2.5M balance from November 2010 DC Revenue Bond/bank financing for the renovation of two leased buildings at 138 12th St, NE (Lincoln Park campus) and at 2015-17 Savannah Terrace SE (Douglass Knoll campus). The interest rate on the bonds was determined by taking the sum of the original purchaser's five-year cost of funds rate, plus 3.5%, less the tax credit of 5.36%, resulting in a 0% interest rate to the School. Bonds have sinking fund requirements until the maturity date of December 1, 2027. The bonds are guaranteed in full by the Institute.

FACILITIES:

Total rent and licensing fees for the year were \$1.3M, broken out as follows:

\$849,600 rent expense under master lease agreement with the Institute for three facilities (Oklahoma Ave, Parklands, Columbia Heights) that expire in June 30, 2018. Rent is based on the facilities allowance the School receives from DC.

\$354,000 rent expense with AppleTree Columbia Heights, LLC (an affiliate of AppleTree Institute), with terms consistent with the Institute master lease.

\$9,677 for a ground lease with the Institute for the Lincoln Park facility.

\$19,495 rent expense under July 2014 License to Occupy agreement with DC for the Jefferson Middle School facility, which expired July 2016.

\$65,006 rent expense for facility at 415 Michigan Ave NE, which expired March 2017.

School Name	FY16 Revenues	FY16 Operating Result
AppleTree Early Learning PCS	\$13,574,345	\$738,851
Management Organization ("MO") / Related Party ("RP")	MO/RP Tax Status	Most Recent Public Financials
AppleTree Institute for Education Innovation	Non-Profit	http://www.guidestar.org/FinDocuments/2015/043/31/2015-043331760-0c60f25b-9.pdf
Highest Paid Employee / Head of MO / RP	Title	Total Compensation
William J. McCarthy	President and CEO	\$231,206
Services Provided	FY16 Payment	% of School Revenue
Shared services provided by the Institute	\$585,672	4.3%
Services provided to the Institute	\$(263,531)	-1.9%
Rent expense to the Institute	\$859,277	6.3%
Total	\$1,181,418	8.7%
DC PCSB Comments		
<p>The School was designed by AppleTree Institute for Educational Innovation, Inc (The Institute). The Institute supports the School as a strategic partner, with a commitment to fund any operating shortfalls of the School. The School and the Institute share common board members. The School rents five facilities from the Institute. Effective July 1, 2015, the School entered into a services agreement with the Institute outlining the division of specific operating costs. While the services agreement does not explicitly state that the Institute will serve as a school management organization for the School, the language in the recitals and the number and positions of the Institute personnel provided to the School make it clear that the Institute is, in fact, acting as such. The Services Agreement states that the School is dependent upon the Institute for effective use of components of the Every Child Ready (ECR) methodology, including "curriculum; professional development; assessment of leadership, staff and students; and day-to-day implementation of ECR including financial and operational reporting and management," and further, that the Institute is solely able to provide the "curriculum, training, recruiting, benefits management, payroll processing, facilities management, technology support, purchasing, communications, [and] finance & accounting services" that the School needs. As such, DC PCSB considers the Institute to be acting as a school management organization for the School.</p> <p>Please note that the highest paid employee above was taken from the most recent 990 available at the time this report was produced.</p>		
School Comments		
<p>The School disagrees with the designation of ATI as the SMO for AppleTree Early Learning PCS. We look forward to continuing to work with DC PCSB to discuss this designation and the implications for compliance reporting and management responsibilities.</p>		