DC PREP PCS

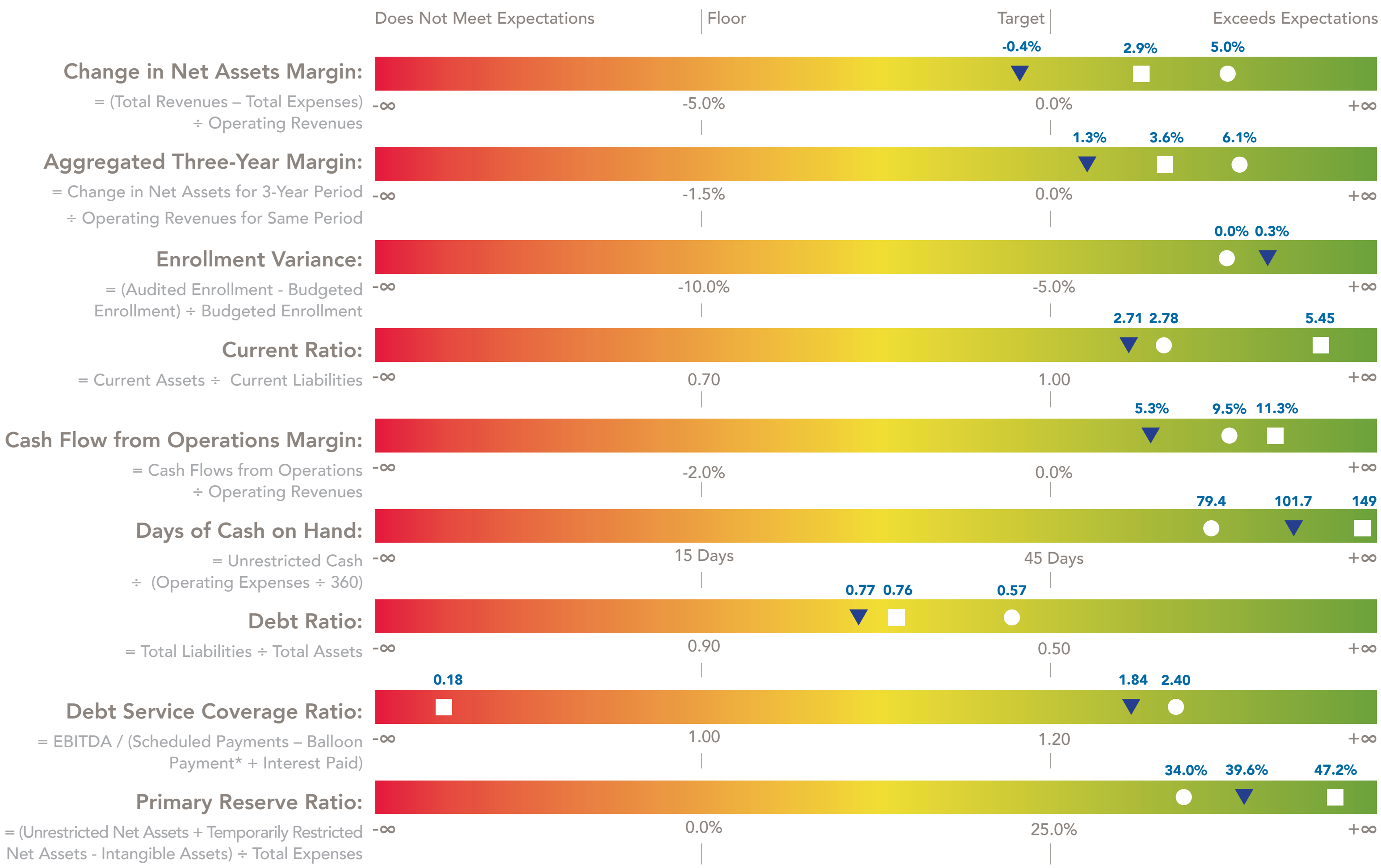
FY2016 Financial Report Card

DC PUBLIC CHARTER SCHOOL BOARD

Opened: 2003 - 2004

Audited Enrollment: 1,559

KEY FINANCIAL INDICATORS



Unresolved Prior Year Findings: 0 | **Debt Compliance Issue - Financial:** No | **Debt Compliance Issue - Reporting:** No

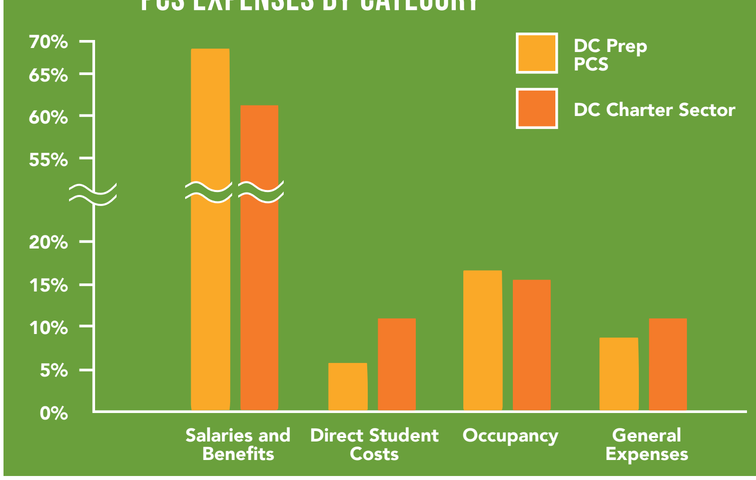
* Balloon Payment Amount: 0

● = 2016 Sector Median ▼ = 2016 School Results ■ = 2015 School Results

Comments from the School

DC Prep's non-operating revenues of -$39,888 are due to an unrealized loss on a swap. DC Prep is using swaps to hedge the interest rate risk on debt, and including the unrealized gain/loss (incorrectly) skews the result of financial performance. DC Prep's position is that Total Revenue of $32,120,520 is a more accurate representation of the financial performance. The loss on the swap is an exceptional item that should not be considered in the calculation for Change in Net Assets Margin. Adjusting for this, the Change in Net Assets Margin would be -0.23% v/s the -0.4% noted in the FAR report.

PCS EXPENSES BY CATEGORY



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FINANCIAL POSITION

	2016	2015
Total Assets	$59,518,156	$58,428,682
Current Assets	$11,865,975	$13,723,780
Total Liabilities	$45,753,558	$44,550,102
Current Liabilities	$4,371,379	$2,517,524
Net Asset Position	$13,764,598	$13,878,580

FINANCIAL ACTIVITIES

	2016	2015
Revenues and Support	$32,080,632	$27,747,032
Expenses	$32,194,614	$26,940,586
Non-operating Revenues (Expenses)	$(39,888)	$(82,739)
Surplus (Deficit)	$(113,982)	$806,446

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	0
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

	2016	2015	2016 Sector Median
DC Funding per Student	$16,704	$16,315	$17,657
Philanthropic Funding per Student	$1,785	$2,467	$581
Total Revenues per Student	$20,603	$21,083	$20,775
Expenses per Student	$20,651	$20,410	$19,644

PCSB OBSERVATIONS

DEBT:
Edgewood Campus: $12.1M balance from Series 2005 and Series 2007 District of Columbia tax-exempt variable rate demand revenue bond/bank financings; mature 2032 and 2033, respectively. Average interest rate during the year was 0.17%.

$186,029 interest rate swap liability for two interest rate swap agreements for the Series 2005 and 2007 bonds. The swap agreements expire May 31, 2019 and cover $9.1M of the outstanding balance. The swaps have a fixed interest rate of 1.28%. The School bears the interest rate risk on the $3M of uncovered balances.

Two Letter of Credit (LOC) agreements with M&T Bank, obligating the Bank to lend funds to DC Prep PCS in amounts sufficient to pay the purchase price of any bonds tendered for purchase that cannot be successfully re-marketed.

Benning Campus: In December 2014, the School refinanced the Benning Campus construction financing in a NMTC transaction. The transaction resulted in 10 new loans from four community development entities for a total of $29M with a blended interest rate of 4.04%.

$20.8M balance from December 2014 NMTC ""A Loans""; interest only until September 2021, balloon November 2038. At end of seven year compliance period, the ""A Loans"" mature and must be refinanced.

$8.2M balance from December 2014 NMTC ""B Loans""; interest only until September 2021, balloon November 2038. Within six months of the end of seven year compliance period, the ""B Loans"" may be accelerated with a substantial discount for repayment.

The NMTC requires the School to maintain individual fee and expense reserves totaling $941,500 to pay certain service fees over the seven year compliance period. The balance of each reserve account is included in restricted cash.

The School entered into a 25-year ground lease with DC for the Benning Campus. The School receives rent abatement based on construction and leasehold acquisition cost. Based on costs incurred by the School, no rent expense has been recorded or is anticipated in the future.

Anacostia Campus: The School entered into an additional subordinated loan agreement with Charter School Growth Fund for $1.2M for acquisition and development for the Anacostia campus. Loan payments are interest-only at 3% interest; matures June 2017.

Other/Home Office: $1M balance from December 2013 subordinated loan from Charter Fund, Inc., for general operations; balloon June 2019, interest rate of 1.0%.

$1.8M revolving LOC in 2010 with M&T Bank to support working capital requirements. Variable rate of the one-month LIBOR+3.5%. There have been no draws on the LOC since inception.

FACILITIES:
A sublease agreement for the temporary site for Anacostia Elementary Campus expires August 2017 with two one-year renewal option. In addition, the School entered into an unsecured promissory note and loan agreement providing $250,000 in proceeds to the landlord of the campus. Interest accrues at 6.0%; matures in October 2019, or October 2017, if the School does not exercise 2-year extension option.

Assets of $2.9M in land, $19.9M in buildings, and $26.8M in leasehold improvements.

SUBSEQUENT EVENTS:
In September 2016, the School entered into a $1.9M early start agreement for renovation and construction on its Anacostia campus.