



# **2014-15 Ten-Year Charter Review Report**

## **Early Childhood Academy Public Charter School**

**November 13, 2014**

DC Public Charter School Board  
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## **STAFF RECOMMENDATION AND KEY FINDINGS**

The District of Columbia Public Charter School Board (“PCSB”) staff has conducted a charter review of the District of Columbia Early Childhood Academy Public Charter School (“ECA PCS”), as required by the School Reform Act, D.C. Code §§ 38-1802 *et seq.* (“SRA”), and recommends continuance of the school’s charter.

ECA PCS has not materially violated the law or its charter, and is in strong fiscal health. The school has fully met three goals and student academic achievement expectations (“academic achievement expectations”) and partially met three goals and academic expectations.

While the school has met the majority of academic targets related to its pre-kindergarten through second grade students, its third grade performance on the DC CAS reading assessment is inconsistent, with students performing below the third grade state average in two of the four past years. Its math proficiency rate has been at or near the state average over the past four years. Third grade performance was noted as weak in the school’s five-year charter review as well.

This is troubling to PCSB staff, particularly given the school’s mission, in part, is to “equip all students with the knowledge and tools to become high achievers, proficient readers, and critical thinkers.” If a student cannot read proficiently in the third grade, they are less likely to read proficiently in later grades or to graduate from high school.

Based on these findings, the PCSB Board voted 6-0 to grant the school full charter continuance. However, the school should be clear that it must fully meet all of its goals at its 15-year renewal to receive charter renewal. Also, PCSB will monitor the school’s third grade academic performance in the coming years. If ECA PCS’s third grade reading and math proficiency remains below the state average, PCSB may opt to conduct another charter review of the school before it applies for renewal, as permitted by D.C. Code § 38-1802.12.

## **CHARTER REVIEW STANDARD**

The SRA provides that PCSB “shall review [a school’s] charter at least once every [five] years.”<sup>1</sup> As part of this review, PCSB must determine whether:

- (1) The school committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities; and/or

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<sup>1</sup> D.C. Code § 38-1802.12(a)(3).

- (2) The school failed to meet the goals and student academic achievement expectations set forth in its charter.”<sup>2</sup>

If PCSB determines that a school has committed a material violation of applicable law, or has not met its goals and expectations, as described above, it may, at its discretion, grant the school a conditional continuance, or revoke the school’s charter. Additionally, there is a fiscal component to the charter review. PCSB is required by the SRA to revoke a school’s charter if PCSB determines in its review that the school (1) has engaged in a pattern of non-adherence to generally accepted accounting principles; (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable.

## **BACKGROUND INFORMATION ABOUT SCHOOL**

### **School Overview**

ECA PCS began operation in 2005 under authorization from PCSB to serve students in pre-kindergarten through third grade.<sup>3</sup> Its mission is:

*It is the mission of Early Childhood Academy PCS to foster academic, social, and emotional growth and development of each student in a safe and holistic learning environment that will equip all students with the knowledge and tools to become high achievers, proficient readers, and critical thinkers who will thrive for a lifetime as productive and caring citizens.*

ECA PCS operates in two facilities located one block apart. The school’s curriculum aligns with the Common Core State Standards. Per the school’s annual report, the instructional focus of ECA PCS includes a strong emphasis on language and literacy to promote reading fluency, critical thinking, and vocabulary development, and to encourage appropriate social interaction.<sup>4</sup>

### **Charter Amendments**

In August 2014, and as further described below, ECA PCS amended its charter to adopt the Early Childhood PMF (“EC PMF”) as its goals and expectations.<sup>5</sup>

### **Previous Charter Review**

In February 2011 PCSB conducted a five-year charter review of ECA PCS. After consideration of this review, the PCSB Board voted to fully continue the school’s charter. While the school met its pre-kindergarten through second grade targets in its accountability plan, PCSB noted that “[n]early 37% of the thirty-one students tested demonstrated proficiency in reading, while only 20% of those same

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<sup>2</sup> D.C. Code § 38-1802.12(c).

<sup>3</sup> ECA PCS charter agreement, dated September 2, 2005, attached to this report as Appendix A.

<sup>4</sup> See ECA PCS 2013-14 Annual Report, p. 3, attached to this report as Appendix B.

<sup>5</sup> See ECA PCS Charter Amendment Board Memorandum, attached to this report as Appendix C.

students demonstrated proficiency in mathematics.”<sup>6</sup> The school’s governance and finances were found to be strong.

**Summary of Performance**

ECA PCS has been held accountable to the school’s Accountability Plans, and last year the early childhood (“EC”) PMF pilot.

<b>Grade Levels</b>	<b>Ward</b>	<b>Year Opened</b>	<b>2013-14 Student Enrollment</b>	<b>10-11 EC Accountability Plan</b>	<b>11-12 EC Accountability Plan</b>	<b>12-13 EC Pilot PMF</b>	<b>13-14 EC Pilot PMF</b>
PK3-3	8	2005	263	9 of 9 targets	7 of 9 targets	5 of 8 targets	N/A

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<sup>6</sup> Background Information for Charter Review Analysis, attached to this report as Appendix D.

**SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS**

The SRA requires PCSB to review whether a school has met its goals and academic achievement expectations at least once every five years. Goals are specific aims that are measurable and usually related to a school’s mission, which may be categorized as academic, non-academic, and organizational, whereas academic achievement expectations are student academic aims measured by state or externally validated assessments. Goals and academic achievement expectations are only considered as part of the renewal analysis if they were included in a school’s charter, charter amendment, or accountability plans approved by the PCSB Board (collectively, the “Charter”).

Per the school’s 2014 amendment, it adopted the Early Childhood PMF indicators as its goals academic expectations for its early childhood grades. However, consistent with PCSB policy, because the EC PMF was in pilot status at the time the 2014 amendment was approved, the amendment details that the school will be deemed to have met its early childhood goals and expectations in its ten-year review based on:

- (a) Attainment of the targets outlined in the school’s Early Childhood Accountability Plans for school years 2010-11 through 2012-13; and
- (b) Attainment of at least the floor of each indicator in the Early Childhood Pilot PMF for school years 2013-14.<sup>7</sup>

The chart below summarizes PCSB’s determinations of whether ECA PCS met its goals and academic expectations, and further detailed in this report.

	<b>Goals and Academic Expectations</b>	<b>Met?</b>
1	Literacy Progress	Yes
2	Literacy Achievement	Partially
3	Math Progress	Partially
4	Math Achievement	Partially
5	Attendance	Yes
6	Class Performance	Yes
7	Reenrollment	Yes
	<b>Mission-Specific Goal</b>	
8	60% of parents will report “Satisfied” or Highly Satisfied” on the end-of-the-year Parent Satisfaction indicator stating “ECA provides a warm and nurturing environment for my child.”	Yes

<sup>7</sup> See Appendix C.

1. Goal: Early Childhood Literacy Progress.

Assessment: ECA PCS met this academic expectation. Since 2010-11, the school has met all pre-kindergarten literacy progress targets that it set.

<b>PK Literacy Progress</b>		
<b>Year</b>	<b>Target</b>	<b>Target Met?</b>
2010-11	Preschool and pre-kindergarten students will demonstrate an average gain of 10 or more letter identifications on the Phonemic Awareness Literacy Screening (“PALS”) assessment.	<b>Yes</b> (Students achieved an average gain of 12.15 letter identifications.)
2011-12	Pre-kindergarten-3 and pre-kindergarten-4 students will demonstrate an average gain of 10 or more letters or acquisition of all 26 letters by the spring administration of the PALS assessment.	<b>Yes</b> (Students averaged a gain of 14.1 letters or mastered all 26.)
2012-13	60% of pre-kindergarten-3 and pre-kindergarten-4 students will advance to the spring developmental range in literacy/language on the PALS assessment.	<b>Yes</b> (100.0% of students met this goal.)
2013-14	60% of pre-kindergarten-3 and -4 students will meet or exceed average growth goal on the Every Child Ready composite assessment.	<b>70.3%</b> (Above 60% EC Floor.)

<b>K-3 Literacy Progress</b>		
<b>Year</b>	<b>Target</b>	<b>Target Met?</b>
2010-11	Kindergarten through third-grade students will demonstrate an average growth of 6 Rasch Units (RIT points) from the fall administration to the spring administration in reading on the Northwest Education Association’s Measures of Academic Progress (NWEA MAP).	<b>Yes</b> (Students achieved an average gain of 13.4 points.)
2011-12	Kindergarten through third-grade students will demonstrate an average growth of 6 RIT points in reading by the spring administration on the NWEA MAP assessment.	<b>Yes</b> (Students averaged a gain of 12.5 RIT points.)

2. Goal: Early Childhood Literacy Achievement.

Assessment: **ECA PCS partially met this academic expectation.** The school met all related pre-kindergarten through second grade targets, with increased performance each year since 2010-11.

However, the school’s third-grade DC CAS reading proficiency rate has been unstable since 2010-11, with the school scoring at the state average in two years, but dropping by approximately twenty percentage points in two other academic years.

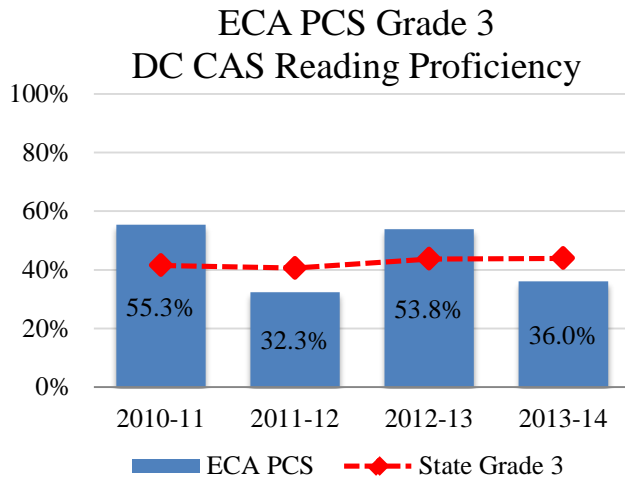
<b>K-2 Literacy Achievement</b>		
<b>Year</b>	<b>Target</b>	<b>Target Met?</b>
2010-11	45% of kindergarten through second-grade students will score at or above the proficient level in reading on the Early Learning Skills assessment.	<b>Yes</b> (54.0% of students scored at or above the proficient level.)
2011-12	45% of kindergarten through second-grade students will score at least proficient in reading on the Discovery Education Early Learning Skills assessment.	<b>Yes</b> (60.7% of students scored at or above the proficient level.)
2012-13	60% of kindergarten through second-grade students will score on grade level or higher in reading on the Developmental Reading assessment (“DRA”).	<b>Yes</b> (72.0% of students met this goal.)
2013-14	60% of kindergarten through second-grade students will make one year of growth and/or score on grade level on the DRA.	<b>82.0%</b> (Above 60% EC PMF Threshold.)

<b>Third Grade Literacy Achievement</b>		
<b>Year</b>	<b>Target</b>	<b>Target Met?</b>
2010-11	47% of third-grade students will score at or above the proficient level in reading on the DC CAS (a 10% increase over the spring 2010 DC CAS Scores).	<b>Yes</b> (55.3% of students scored at or above the proficient level.)
2011-12	Third-grade students will demonstrate a 10% decrease in students scoring at basic or below basic (safe harbor) in reading on the DC CAS.	<b>No</b> (32.3% scored proficient (no decrease in basic).)
2012-13	55% of third-grade students will score proficient or advanced in reading on the DC CAS.	<b>No</b> (53.8% of students met this goal.)
2013-14	17.4% of third grade students will score proficient or advanced in reading on the DC CAS.	<b>36.0%</b> (Above 17.4% EC PMF Threshold.)



DC CAS Reading Performance

ECA PCS’s DC CAS reading performance has been inconsistent, with its third grade students scoring above the state average in two years, and below the state average in the other two years.



Qualitative Evidence

In February 2014, PCSB staff conducted a Qualitative Site Review (“QSR”) of the school. In their report, they described the following related to this goal:

Literacy strategies were evident in all subject areas and all classrooms. For example, in the resource room, the special education teachers worked on student recognition of consonant and vowel sounds in small groups and through independent practice. During the designated literacy block, first grade students worked in centers, including one with the teacher, who worked with students on reading aloud and answering questions, and one group worked on writing from sentences to paragraphs. In all grades, teachers asked students to write with appropriate sentence structure and complete sentences.<sup>8</sup>

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<sup>8</sup> See Appendix E.

3. **Goal: Early Childhood Math Progress**

Assessment: ECA PCS partially met this academic expectation. While the school met its 2010-11 and 2011-12 math progress targets, its performance in this area decreased between these two years. The school did not meet its 2012-13 target.<sup>9</sup>

K-3 Math Progress		
Year	Target	Target Met?
2010-11	Kindergarten through third-grade students will demonstrate an average growth of 6 Rasch Units (RIT points) from the fall administration to the spring administration in mathematics on the NWEA MAP.	<b>Yes</b> (Students achieved an average gain of 12.9 RIT points.)
2011-12	Kindergarten through third-grade students will demonstrate an average growth of 6 RIT points in math by the spring administration on the NWEA MAP.	<b>Yes</b> (Students achieved an average gain of 8.5 RIT points.)
2012-13	60% of kindergarten through second-grade students will score at or above typical growth in mathematics on the NWEA MAP assessment.	<b>No</b> (46.0% of students met this goal.)

4. **Goal: Early Childhood Math Achievement.**

Assessment: ECA PCS partially met this academic expectation. The school’s kindergarten through second grade math achievement performance increased by 7.6 percentage points from 2010-11 to 2011-12. The school did not have a math achievement target for the 2012-13 school year.

The school’s third grade math proficiency mirrored its reading proficiency, with a 12.4 percentage point drop from 2010-11 to 2011-12, then an 11 percentage point increase from 2011-12 to 2012-13. Additionally, the school did not meet its related targets in both 2011-12 and 2012-13. The statewide averages for these years are 36.1%, 37.0%, 43.0% and 47.1%.

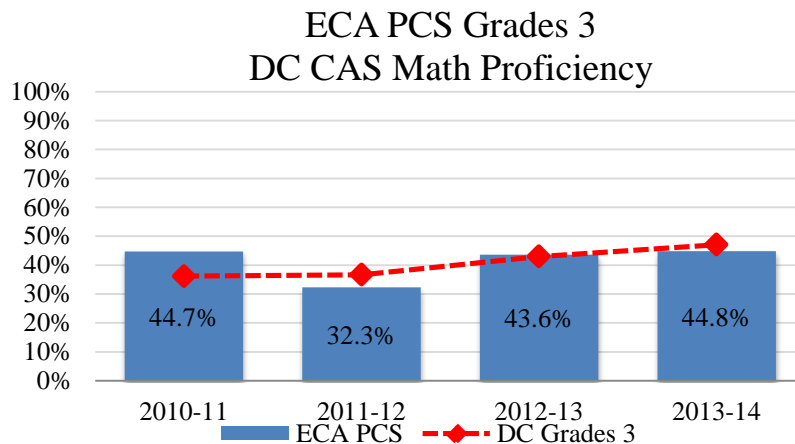
K-2 Math Achievement		
Year	Target	Target Met?
2010-11	35% of kindergarten through second-grade students will score at or above the proficient level in mathematics on the Early Learning Skills assessment.	<b>Yes</b> (42.0% of students scored at or above the proficient level.)

<sup>9</sup> In 2013-14, kindergarten math progress and achievement were not considered as separate indicators. Instead, these two indicators are considered as one – with students given credit for being proficient by the end of the year and/or how many students made at least one year of progress.

2011-12	35% of kindergarten through second-grade students will score at least proficient in math on the Discovery Education Early Learning Skills assessment.	<b>Yes</b> (49.6% of students scored at or above the proficient level.)
2012-13	No target set.	N/A
2013-14	Rate of kindergarten through second-grade students making one year of growth and/or scoring on grade level on the NWEA MAP.	<b>(90.6%</b> Above 50% EC PMF Threshold.)
Third Grade Math Achievement		
Year	Target	Target Met?
2010-11	30% of third-grade students will score at or above the proficient level in mathematics on the DC Comprehensive Assessment System (DC CAS) (a 10% increase over the spring 2010 DC CAS Scores).	<b>Yes</b> (44.7% of students scored at or above the proficient level.)
2011-12	Third-grade students will demonstrate a 10% decrease in students scoring at basic or below basic (safe harbor) in math on the DC CAS.	<b>No</b> (32.3% scored proficient (no decrease in basic).)
2012-13	45% of third-grade students will score proficient or advanced in mathematics on the DC CAS.	<b>No</b> (43.6% of students met this goal.)
2013-14	13.2% of third grade students will score proficient or advanced in math on the DC CAS.	<b>44.8%</b> (Above 13.2% EC PMF Threshold.)

DC CAS Math Performance

ECA PCS' DC CAS math proficiency has been at or near the state average since 2010-11.



### Qualitative Evidence

During PCSB’s February 2014 QSR, the following was observed:

In all grades teachers helped students explore math through manipulatives. Kindergarten students used circles and popsicle sticks to work on addition and subtraction problems. Second grade students used a pizza example to help them understand fractions. Special education teachers worked one-on-one with students to explain double-digit subtraction with carrying and borrowing.<sup>10</sup>

#### 4. Goal: Early Childhood Attendance.

Assessment: ECA PCS met this goal. The school met all targets related to this goal.

PK Attendance Targets		
Year	Target	Target Met?
2012-13	On average, pre-kindergarten-3 and pre-kindergarten-4 students will attend school 88% of the days.	<b>Yes</b> (The average daily attendance was 90.3%.)
2013-14	Pre-kindergarten students will have an in-seat attendance rate of 80.0%	<b>87.8%</b> (Above 80.0% EC PMF Threshold.)
K-3 Attendance Targets		
Year	Target	Target Met?
2012-13	On average, kindergarten through third-grade students will attend school 92% of the days.	<b>Yes</b> (The average daily attendance was 92.9%.)
2013-14	In-seat attendance rate of kindergarten through third grade students will have an in-seat attendance rate of 80.0%	<b>90.5%</b> (Above 82.0% EC PMF Threshold.)

#### 5. CLASS Performance

Assessment: ECA PCS met this goal. All DC charter early childhood programs that participated in PCSB’s Early Childhood PMF Pilot, including ECA PCS, were assessed by independent reviewers using the Classroom Assessment Scoring System (“CLASS”) tool, which focuses on classroom interactions that boost student learning. The CLASS tool measures emotional support, classroom

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<sup>10</sup> See Appendix E.

organization, and instructional support. Each indicator is scored on a scale from 1-7, where 1-2 is low, 3-5 is medium, and 6-7 is high. For each of these indicators, ECA PCS scored above the EC PMF floor.

2013-14 CLASS Performance		
	ECA PCS	EC PMF Floor
Emotional Support	5.71	3
Classroom Organization	5.32	3
Instructional Support	3.69	1

**6. Reenrollment**

Assessment: **ECA PCS met this goal.** The school’s 2013-14 kindergarten through third grade reenrollment was 68%, above the 60% EC PMF floor.

**7. Goal: Parent Satisfaction.**

Assessment: **ECA PCS met this goal.** The school met all targets related to this goal.

Parent Satisfaction Targets		
Year	Target	Target Met?
2010-11	80% of parents of preschool through third grade children will report being “Satisfied” or “Highly Satisfied” with the school on the end-of-year Parent Satisfaction Survey.	<b>Yes</b> (100% of parents surveyed answered “Highly Satisfied” or “Satisfied” on at least one part of the survey.)
2011-12	80% of parents will report “Satisfied” or “Highly Satisfied” on the end-of-year Parent Satisfaction Survey.	<b>Yes</b> (95% of parents answered “Satisfied” or “Highly Satisfied” on overall satisfaction with the school.)
2012-13	60% of parents will report “Satisfied” or “Highly Satisfied” on the end-of-year Parent Satisfaction Survey indicator stating “ECA provides a warm and nurturing environment for my child.”	<b>Yes</b> (97% of parents answered “Satisfied” or “Highly Satisfied” on the end-of-year Parent Satisfaction Survey.)

**SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS**

The SRA requires PCSB to determine at least every five years whether a school has “committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities.”<sup>11</sup> The SRA contains a non-exhaustive list of applicable laws, and PCSB monitors charter schools for compliance with additional laws in annual compliance reviews. Since 2010-11, PCSB has found in its annual compliance reviews that ECA PCS has been in substantial compliance with all applicable laws detailed in the table below.

<b>Compliance Item</b>	<b>Description</b>	<b>School’s Compliance Status 2010-11 to present</b>
<b>Fair enrollment process</b> D.C. Code § 38-1802.06	DC charter schools must have a fair and open enrollment process that randomly selects applicants and does not discriminate against students.	Compliant since 2010-11
<b>Notice and due process for suspensions and expulsions</b> D.C. Code § 38-1802.06(g)	DC charter school discipline policies must afford students due process <sup>12</sup> and the school must distribute such policies to students and parents.	Compliant since 2010-11
<b>Student health and safety</b> D.C. Code §§ 38-1802.04(c)(4), 4-1321.02, 38-651	The SRA requires DC charter schools to maintain the health and safety of its students. <sup>13</sup> To ensure that schools adhere to this clause, PCSB monitors schools for various indicators, including but not limited to whether schools: <ul style="list-style-type: none"> <li>- have qualified staff members that can administer medications;</li> <li>- conduct background checks for all school employees and volunteers; and</li> <li>- have an emergency response plan in place and conduct emergency drills as required by DC code and regulations.</li> </ul>	Compliant since 2010-11
<b>Equal employment</b> D.C. Code § 38-1802.04(c)(5)	A DC charter school’s employment policies and practices must comply with federal and local employment laws and regulations.	Compliant since 2010-11

<sup>11</sup> D.C. Code § 38.1802.12(c).

<sup>12</sup> See *Goss v. Lopez*, 419 U.S. 565 (1975).

<sup>13</sup> D.C. Code § 38.1802.04 (c)(4)(A).

<b>Insurance</b> As required by the school's charter	A DC charter school must be adequately insured.	Compliant since 2010-11
<b>Facility licenses</b> D.C. Code § 47-2851.03(d); D.C. Mun. Regs., tit. 14, §§ 14-1401 et seq.	A DC charter school must possess all required local licenses.	Compliant since 2010-11
<b>Highly Qualified Teachers</b> Elementary and Secondary Education Act ("ESEA"), 20 U.S.C. §§ 6601 et seq.	DC charter schools receiving Title I funding must employ "Highly Qualified Teachers" as defined by ESEA.	Compliant since 2010-11
<b>Proper composition of board of trustees</b> D.C. Code § 38-1802.05	A DC charter school's Board of Trustees must have: an odd number of members that does not exceed 15; a majority of members that are DC residents; and at least two members that are parents of a student attending the school.	Compliant since 2010-11
<b>Accreditation Status</b> D.C. Code § 38-1802.02(16)	A DC charter school must maintain accreditation from an SRA-approved accrediting body approved by the SRA.	Compliant since 2010-11

### **Procurement Contracts**

D.C. Code § 38-1802.04(c)(1) requires DC charter schools to utilize a competitive bidding process for any procurement contract valued at \$25,000 or more, and within three days of awarding such a contract, to submit to PCSB all bids received, the contractor selected, and the rationale for which contractor was selected. To ensure compliance with this law, PCSB requires schools to submit a "Determinations and Findings" form to detail any qualifying procurement contract that the school has executed. The school is compliant with these requirements.

<b>Year</b>	<b>Qualifying contracts executed by ECA PCS</b>	<b>Corresponding documentation submitted to PCSB</b>
2010-11	3	3
2011-12	0	-
2012-13	2	2

**Special Education Compliance**

Charter schools are required to comply with all federal and local special education laws, including, among others, the Individuals with Disabilities Education Act<sup>14</sup> (“IDEA”) and the Rehabilitation Act of 1973.<sup>15</sup> As permitted by the SRA,<sup>16</sup> ECA PCS elected to operate as a “dependent charter” for federal special education purposes, meaning that DC Public Schools works with ECA PCS as it would a traditional DCPS school to service the school’s special education students.

Because of its dependent charter status, the school’s special education compliance performance is, for the most part, reported by OSSE as part of DCPS’ overall compliance performance and compliance data specific to ECA PCS students is extremely limited. The only compliance data on record is that related to a review of less than ten student files in July 2014, which is too small a sample size for PCSB to comment on the school’s compliance.<sup>17</sup>

**Blackman Jones Implementation Review**

With compliance requirements pursuant to IDEA and the 2006 Blackman Jones Consent Decree, OSSE manages and oversees the Blackman Jones database that tracks each LEA’s timely implementation of Hearing Officer Determinations (“HODs”) and Settlement Agreements (“SAs”). According to OSSE’s database, the school currently has no open HODs and/or SAs.

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<sup>14</sup> 20 U.S.C. §§ 1400 *et seq.*

<sup>15</sup> 20 U.S.C. § 794.

<sup>16</sup> D.C. Code § 38-1802.10(c).

<sup>17</sup> See July 3, 2014 memorandum regarding ECA PCS special education compliance, attached to this report as Appendix F.



## SECTION THREE: FISCAL MANAGEMENT AND ECONOMIC VIABILITY

### STANDARD OF REVIEW

The SRA requires PCSB to revoke a school’s charter if PCSB determines that the school:

- Has engaged in a pattern of non-adherence to generally accepted accounting principles (“GAAP”);
- Has engaged in a pattern of fiscal mismanagement; and/or
- Is no longer economically viable.<sup>18</sup>

As part of the charter review process, PCSB has reviewed ECA PCS’s financial record regarding these areas.

### SUMMARY OF FINDINGS

ECA PCS was identified as a high fiscal-performing school by PCSB in FY2013. The school is economically viable, and has no pattern of fiscal mismanagement and no pattern of non-adherence to GAAP.

### FINANCIAL OVERVIEW

The following table provides an overview of the school’s financial information over the past four fiscal years. The school’s finances are strong, with its net asset position increasing each year since FY2010.

	Audit Year			
	2010	2011	2012	2013
Audited Enrollment	225	227	248	248
Total DC Funding Allocation	\$2,964,780	\$3,224,646	\$3,760,788	\$3,840,692
Total Federal Entitlements and Funding	\$732,480	\$636,077	\$782,622	\$395,546
Unrestricted Cash and Cash Equivalents on 6/30/14	\$1,642,768	\$2,059,332	\$2,668,858	\$3,042,507
Total Assets	\$2,051,784	\$2,529,205	\$2,874,299	\$3,384,353
Total Current Assets	\$1,905,479	\$2,353,051	\$2,803,361	\$3,216,181
Total Liabilities	\$265,339	\$352,728	\$240,209	\$210,111
Total Current Liabilities	\$265,339	\$352,728	\$240,209	\$210,111
Net Asset Position	\$1,786,445	\$2,176,477	\$2,634,090	\$3,174,242
Total Revenues	\$3,801,576	\$3,984,970	\$4,698,303	\$4,437,745
Total Expenses	\$3,380,447	\$3,594,938	\$4,240,690	\$3,897,593
Change in Net Assets	\$421,129	\$390,032	\$457,613	\$540,152

<sup>18</sup> D.C. Code § 38-1802.13(b).

**SPENDING DECISIONS**

The following table provides an overview of the school’s spending decisions over the past four fiscal years; they are in line with PCSB’s financial metrics for general education public charter schools.

	Audit Year			
	2010	2011	2012	2013
Total Personnel Salaries and Benefits	\$2,101,836	\$2,506,029	\$2,674,690	\$2,675,746
Total Direct Student Costs	(not detailed)	\$426,349	\$459,564	\$520,204
Total Occupancy Expenses	\$321,478	\$348,048	\$914,381	\$458,119
Total Office Expenses	(not detailed)	\$113,280	\$74,184	\$96,424
Total General Expenses	\$957,133	\$201,232	\$117,871	\$147,100
Operating Surplus/(Deficit)	\$421,129	\$390,032	\$457,613	\$540,152
as a percent of revenue				
Total Personnel Salaries and Benefits	55%	63%	57%	60%
Total Direct Student Costs	(not detailed)	11%	10%	12%
Total Occupancy Expenses	8%	9%	19%	10%
Total Office Expenses	(not detailed)	3%	2%	2%
Total General Expenses	25%	5%	3%	3%
Operating Surplus/(Deficit)	11%	10%	10%	12%

**ADHERENCE TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

**Audits of ECA PCS establish that the school has not engaged in a pattern of non-adherence to GAAP.** The auditor expressed unqualified opinions on the financial statements in each of the past four years. The auditor had no internal control findings in either of the past two years. FY2010 and FY2011 audit findings included instances of noncompliance with PCSB’s procurement procedures; the school has since cured this noncompliance with PCSB. The FY2010 finding relative to noncompliance with federal contract documentation requirements was not repeated.

	FY2010	FY2011	FY2012	FY2013
<b>Statement Opinion.</b> Required when auditor finds areas of doubt/questionable matters.	Unqualified	Unqualified	Unqualified	Unqualified
<b>Statement Material Weakness.</b> A deficiency in internal control, indicating a reasonable possibility that a material financial misstatement will not be prevented.	No	No	No	No
<b>Statement Non-Compliance.</b> Auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements.	Yes	Yes	No	No
<b>Program Opinion (A133).</b> Review of compliance with federal requirements conducted when school receives \$500K+ in federal funds.	Qualified	Unqualified	Unqualified	N/A
<b>Program Material Weakness (A133).</b> Lack of internal control over compliance with applicable laws	No	No	No	N/A
<b>Findings &amp; Questioned Costs.</b> Findings important enough to merit attention by those charged with governance,	2	1	0	0
<b>Unresolved Prior Year Findings.</b> Disclosure of prior audit findings that have not been corrected.	0	1	0	0
<b>Going-Concern Issue.</b> Indicates the financial strength of the school is questioned.	N/A	N/A	No	No
<b>Debt-Compliance Issue.</b> A debt-compliance issue may prelude insolvency.	N/A	N/A	No	No

## **FISCAL MANAGEMENT**

**ECA PCS has not engaged in a pattern of fiscal mismanagement.** The school has demonstrated strong financial management, reporting an operating surplus in each of the past four years. Total Revenue was \$4.4 million and \$4.6 million in FY2013 and FY2012, respectively, with consistent enrollment of 248 students in both years.

Net Asset Position at June 30, 2013 was \$3.1 million, including unrestricted cash of \$3.0 million. Personnel related costs were consistent at \$2.6 million in FY2013 and FY2012. Occupancy expenses were \$458k in FY2013, down from \$914k in FY2012. The decrease reflects the School’s FY2012 decision to abandon plans for a new facility, with a resulting expense of \$495k in accumulated development costs.

## **ECONOMIC VIABILITY**

**ECA PCS is economically viable.** The school performed strongly in all indicators related to economic viability. The following tables provide a summary of financial results for the past four fiscal years.

### **Financial Performance**

PCSB assesses a school’s financial performance with two key indicators. The first indicator is a school’s “operating result” – how much its total annual revenues exceed its total annual expenditures. In general, PCSB recommends that a school’s annual operating results equal at least zero. The second indicator of a school’s financial performance is its earnings before depreciation (“EBAD”)<sup>19</sup>, a financial performance measure that eliminates the effects of financing and accounting decisions.

Both the school’s operating surplus and EBAD have increased annually since FY2011.

	Indicator of Concern	Audit Year			
		2010	2011	2012	2013
Operating Surplus/(Deficit)	< 0	\$421,129	\$390,032	\$457,613	\$540,152
Earnings Before Depreciation	< 0	\$421,129	\$454,634	\$502,460	\$600,195
Aggregated 3-Year Total Margin	<1.5	(not measured)	11%	10%	11%

<sup>19</sup> EBAD is the change in net assets plus amortization and depreciation.

**Liquidity**

Two indicators of a school’s short-term economic viability are its current ratio<sup>20</sup> and its days of cash on hand.<sup>21</sup> A current ratio greater than one indicates a school’s ability to satisfy its immediate financial obligations. ECA PCS’s FY2013 current ratio of 15.3 is exceptionally good – the second highest of all DC charter schools.

Typically, 90 days or more of cash on hand indicates a school can satisfy immediate obligations with cash. Less than 30 days of cash on hand is a liquidity concern. With 281 days of cash on hand at June 30, 2013, the School is in excellent position to meet its immediate obligations.

	Indicator of Concern	Audit Year			
		2010	2011	2012	2013
Current Ratio	< 0.5	7.2	6.7	11.7	15.3
Days of Cash On Hand	< 30	175	206	227	281
Cash Flow from Operations	< 0	\$588,611	\$510,705	\$624,207	\$530,616
Multi-Year Cumulative Cash Flow	< 0	(not measured)	\$984,993	\$1,026,090	\$983,175

**Debt Burden**

A school’s debt ratio<sup>22</sup> indicates the extent to which a school relies on borrowed funds to finance its operations. A debt burden ratio in excess of 0.92 is a liquidity concern to PCSB. With a FY2013 debt ratio of 0.06, ECA PCS has no reliance on borrowed funds to finance operations.

	Indicator of Concern	Audit Year			
		2010	2011	2012	2013
Debt Ratio	> 0.92	0.13	0.14	0.08	0.06
Debt Service Ratio	> 10.0%	0.0%	0.0%	0.0%	0.0%

**Sustainability**

A school’s net assets<sup>23</sup> and primary reserve ratio demonstrate its sustainability.<sup>24</sup> PCSB recommends that schools accrue net asset reserves equal to three to six months of operating expenditures, and PCSB would be concerned with net assets reserves below zero. With FY2013 net assets of \$3.1 million exceeding nine months of operating expenditures, ECA PCS sustainability is considered to be excellent.

	Indicator of Concern	Audit Year			
		2010	2011	2012	2013
Net Asset Position	< 0	\$17,846,445	\$2,176,477	\$2,634,090	\$3,174,242
Primary Reserve Ratio	< 0.00	0.53	0.58	0.62	0.81

<sup>20</sup> Current assets divided by current liabilities. Current refers to the 12 months or normal operating cycles that a school can convert certain assets into cash or use up or settle certain obligations.

<sup>21</sup> “Cash on hand” equals unrestricted cash and cash equivalents divided by total expenditures divided by 360 days.

<sup>22</sup> Debt ratio equals total liabilities divided by total assets.

<sup>23</sup> Net Assets equals total assets minus total liabilities.

<sup>24</sup> Primary Reserve Ratio equals total net assets divided by total annual expenses.