



2018-19 Five-Year Charter Review Report

Lee Montessori Public Charter School

December 17, 2018

DC Public Charter School Board
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BOARD VOTE AND KEY FINDINGS¹

The District of Columbia Public Charter School Board (DC PCSB) staff has conducted a five-year charter review of Lee Montessori Public Charter School (Lee Montessori PCS), as required by the School Reform Act (SRA) and concludes that the school has met its goals and student academic achievement expectations.

Lee Montessori PCS is a single campus local education agency (LEA) that currently educates students in grades prekindergarten-3 (PK3) through five and is chartered to expand to sixth grade next year. The school chose the Performance Management Framework (PMF) to measure its goals and student academic achievement expectations. The PMF has four components: student academic proficiency and progress in English language arts (ELA) and math, which account for 50% of the overall score for most years of the school's review period. The remaining 50 points are divided among attendance, re-enrollment rates, and prekindergarten classroom observations.

By adopting the PMF as its charter goals, Lee Montessori PCS agreed to earn a PMF score that is equal to or exceeds 40% during two out of the most recent three years. The school has earned over 40% on the PMF in all years: 67.1% in school year (SY) 2015-16, 61.8% in SY 2016-17, and 70.1% in SY 2017-18, advancing to Tier 1 status. Therefore, pursuant to its charter agreement, Lee Montessori PCS has met its goals and student academic achievement expectations.

Student academic progress on the PMF was measured during this review period by the Northwest Evaluation Association Measures of Academic Achievement (NWEA MAP) assessment for ELA and math. Students aged 6 to 9 years old showed significant growth in ELA on this assessment in SY 2016-17 and SY 2017-18. Likewise, in SY 2017-18 the school's NWEA MAP growth scores in math improved by 10 percentage points from SY 2016-17.

Student academic proficiency on the PMF is assessed using results on the statewide assessment, the PARCC, which is given to students in grades 3 and higher. In 2017-18 there were 18 students in grades 3 and 4, representing about ten percent of the school's student body. The percent of these students scoring level 4 or higher ("reaching college and career readiness") is lower than the state average in math, and the percent of students scoring level 3 or higher ("approaching college and career readiness") is lower than the state average in ELA and math. Ensuring all students are mastering grade-level standards through the Montessori academic program is essential for the school's continued success over the next five years.

Separate and apart from the determination of the school's goal and academic

¹ The Appendix to this report can be found at: <https://dcpcsb.egnyte.com/dl/8FFBrCCPJk>.

achievement expectation attainment, DC PCSB staff has determined that the school has not committed a material violation of the law or of its charter, has adhered to generally accepted accounting principles, has not engaged in a pattern of fiscal mismanagement, and is economically viable.

Based on these findings the DC PCSB Board voted 7-0 to continue the school's charter on December 17, 2018.

CHARTER REVIEW STANDARD

The SRA stipulates that DC PCSB “shall review [a school’s] charter at least once every [five] years.”² As part of this review, DC PCSB must determine whether:

- (1) The school committed a violation of applicable law 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
- (2) The school failed to meet the goals and student academic achievement expectations set forth in its charter.³

If DC PCSB determines that a school has committed a violation of applicable law or a material violation of the terms of its charter, or has not met its goals and academic achievement expectations, it may, at its discretion, revoke the school’s charter, or grant the school a conditional continuance.

Additionally, there is a fiscal component to the charter review. DC PCSB is required by the SRA to revoke a school’s charter if DC PCSB determines in its review that the school: (1) has engaged in a pattern of nonadherence to generally accepted accounting principles, (2) has engaged in a pattern of fiscal mismanagement, and/or (3) is no longer economically viable.⁴

Given the SRA’s standard for charter review, as well as DC PCSB’s obligation to revoke a school’s charter if it has engaged in the above fiscal misconduct, this report is organized into three sections. Sections One and Two are analyses of the school’s academic performance and legal compliance, respectively, and serve as the basis for DC PCSB staff’s recommendation. Section Three is an analysis of the school’s fiscal performance.

² D.C. Code § 38-1802.12(a)(3).

³ D.C. Code § 38-1802.13(a).

⁴ D.C. Code § 38-1802.13(b).

BACKGROUND INFORMATION ABOUT SCHOOL

School Overview

Lee Montessori PCS began operation in SY 2014-15 under authorization from DC PCSB to serve students in grades prekindergarten (PK) through first grade in its first year of operation.⁵ The school has grown one grade every year, and in SY 2018-19 it serves 209 students in grades PK3-5. The school will reach maturation in SY 2019-20 when it serves through grade six.

The mission of Lee Montessori PCS is:

To create a peaceful, multi-age learning environment for preschool and elementary age children that fosters the physical, social, emotional and academic growth and development of students and produces life-long learners using the materials and philosophy developed by Maria Montessori and furthered by the Association Montessori Internationale.⁶

The school follows the Montessori method of education. Teachers present lessons to students in multi-age classrooms. The students are then responsible for following through with their own repetition and learning process under the observation of teachers. Teachers observe and create individualized strategies for each student to maintain the child's focus and to help him or her progress academically and socially.⁷ Each classroom comprises a multi-age grouping equivalent to the following traditional grades: PK3-K, 1-3, or 4-6.⁸

Lee Montessori PCS is currently located at 3025 4th Street NE in Ward 5, where it shares a building with Washington Leadership Academy PCS.

Enrollment and Demographic Trends

The table below shows Lee Montessori PCS's enrollment, which has increased as the school has added one grade per year. The school has consistently enrolled students at levels close to or above its enrollment forecasts. In SY 2018-19, Lee Montessori PCS has an enrollment ceiling of 211 and currently serves 209 students (unaudited).

| Lee Montessori PCS – Enrollment | | | | | |
|--|----------------|----------------|----------------|----------------|------------------|
| School Year | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Grade Levels | PK3-1 | PK3-2 | PK3-3 | PK3-4 | PK3-5 |
| Audited Enrollment | 74 | 104 | 145 | 177 | 209 ⁹ |
| Enrollment Projections | 79 | 103 | 136 | 178 | 211 |

⁵ Lee Montessori PCS charter agreement, dated June 5, 2014, Appendix A.

⁶ Lee Montessori PCS Charter agreement, Appendix A.

⁷ See Lee Montessori PCS 2016-17 Annual Report, p. 6, Appendix B.

⁸ See Appendix B, p. 3.

⁹ As of the October enrollment count; this number is still unaudited.

Performance Management Framework (PMF) Outcomes

The school's overall performance data on DC PCSB's PMF—which assesses reading and math proficiency, academic growth, attendance, and re-enrollment, as well as other measures—are summarized in the table below.

In SY 2014-15, Lee Montessori PCS did not receive a PMF score as no scores or tiers were produced due to the change in state assessments. The school scored 67.1% in SY 2015-16 but did not receive a tier that year.¹⁰ In SY 2016-17 the school earned a Tier 2 score of 61.8%, and in SY 2017-18 the school earned a score of 70.1%, improving to Tier 1 status.

| Lee Montessori PCS – PMF Outcomes | | | |
|--|----------------------------------|------------------------|------------------------|
| 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| N/A¹¹ | N/A¹² 67.1% | Tier 2 61.8% | Tier 1 70.1% |

Communication with the School

DC PCSB staff met with school leaders at Lee Montessori PCS on April 17, 2018 to discuss the school's five-year review. Staff provided the school with a chart similar to the one above showing the school's PMF performance since opening. Staff communicated that the school was on target to meet the goal of earning a 40% in two of the three years.

¹⁰ Schools that are growing one grade at a time that do not yet serve grade 4 or higher will receive an overall score but no tier, 2016-17 PMF Policy and Technical Guide, pg. 6.

¹¹ Schools did not receive a score or tier in SY 2014-15, due to a change in the state assessment. This was also the school's first year of operation.

¹² Schools that are growing one grade at a time that do not yet serve grade 4 or higher will receive an overall score but no tier, 2016-17 PMF Policy and Technical Guide, pg. 6.

SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS

The SRA requires DC PCSB to review whether a school has met its goals and student academic achievement expectations at least once every five years. Goals and student academic achievement expectations are considered part of the review analysis only if they were included in a school's charter or charter amendment approved by the DC PCSB Board.

In April 2016, Lee Montessori PCS adopted as its goals and student academic achievement expectations the *Elect to Adopt the PMF as Goals Policy*. In 2017, DC PCSB modified this policy to change the achievement targets to an *average* PMF score of 40 for schools undergoing a five-year review. Lee Montessori PCS elected not to adopt the newest version of the PMF policy, but the school would have still met its goals if it had adopted the revised targets. Per the charter agreement, the school agreed that if it did not have the requisite ten students per grade for SY 2016-17 and SY 2017-18 to report state assessment results and Median Growth Percentile (MGP),¹³ then the measures associated with the PK-8 PMF would include NWEA MAP growth data for those years.¹⁴

The chart below summarizes DC PCSB's determinations of whether the school's academic program met its respective goals and academic achievement expectations. These determinations are further detailed in the body of this report.

| Goals and Academic Expectations | Met? |
|---|-------------|
| The School Corporation will be deemed to have met its goals and academic achievement expectations if, at its five-year charter review in school year 2018-19, the school earns at least 40% of the possible PMF points in at least two of the most recent three years. | Met |

Assessment: Lee Montessori PCS met its goals and student academic achievement expectations. The school earned above a 60% in all three of the most recent three school years, well above the required 40%.

¹³ An MGP of 50 indicates that a school's students have average year-to-year growth in a subject, as compared to other DC students in the same grades and with the same initial state assessment performance. An MGP above 50 indicates that the school's students have above-average year-to-year growth, while an MGP below 50 indicates below-average growth.

¹⁴ Lee Montessori PCS charter agreement, dated June 5, 2014, Appendix A.

| Lee Montessori PCS – PMF Outcomes | | | | |
|-----------------------------------|----------------------------|--------------------|--------------------|--|
| 2014-15 PK3 - 1 | 2015-16 PK3 - 2 | 2016-17 PK3 - 3 | 2017-18 PK3 - 4 | |
| N/A ¹⁵ | N/A ¹⁶ 67.1% | Tier 2 61.8% | Tier 1 70.1% | Earned above 40% in every year of the review period. |

Student Academic Achievement and Progress Measures

As Lee Montessori PCS grew one grade per year, the measures included in its PMF changed, as described below. For the first two years of operation, the school chose not to administer the only DC PCSB-approved assessment for measuring student academic achievement and growth in grades K-2, NWEA MAP, resulting in the school's second year score comprising only school climate measures.

- **SY 2014-15**
 - Multi-aged classrooms: ages 3-5 and one group of six-year-olds
 - Equivalent grades: PK3-1
 - No PMF given due to Hold Harmless provision

- **SY 2015-16**
 - Multi-age classrooms: ages 3-5 and 6-7
 - Equivalent grades: PK3-K and 1-2
 - The school's PMF for this year incorporated environment measures:
 - Attendance rates,
 - Re-enrollment rates, and
 - Classroom Assessment Scoring System (CLASS)¹⁷ results.

- **SY 2016-17**
 - Multi-age classrooms: ages 3-5 and 6-8
 - Equivalent grades: PK3-K and 1-3
 - The school's PMF for this year incorporated:
 - Academic growth on the NWEA MAP assessment, as measured by the median Conditional Growth Percentile (CGP),¹⁸ and
 - School environment measures, including attendance rates, re-enrollment rates, and scores from CLASS.

¹⁵ Due to a change in the state assessment, all schools were held harmless in SY 2014-15 and no PMF scores or tiers were given. This was also the school's first year of operation.

¹⁶ Schools that are growing one grade at a time that do not yet serve grade 4 or higher will receive an overall score but no tier, 2017-18 PMF Policy and Technical Guide, pg. 6.

¹⁷ A measure of student teacher interaction in PK classrooms.

¹⁸ For schools ending in grades K-3, DC PCSB uses the median of the school's NWEA MAP student level conditional growth percentile (CGP) as the growth measure. An explanation for how this is calculated can be found in the 2017-18 PMF Policy and Technical Guide, pg. 31.

- **SY 2017-18**
 - Multi-age classrooms: ages 3-5, 6-8, and 9
 - Equivalent grades: PK3-K, 1-3, and 4
 - The school's PMF for this year incorporated:
 - Proficiency rates in English language arts (ELA) and math on the statewide assessment (PARCC) taken by students in grades 3-4;
 - Academic growth on the NWEA MAP assessment as measured by CGP; and
 - School environment measures, including attendance rates, re-enrollment rates, and scores from CLASS.

This report reviews each of these components in detail. This review includes proficiency tables that display PARCC results overall and for subgroups as well as charts of the school's environment measures. Many charts are color coded. Please use the following key:

| KEY for Campus Rate Data Charts | |
|--|--|
| 3+ | <ul style="list-style-type: none"> • A PARCC score of 3 = Approaching College and Career Ready • 3+ denotes the percentage of students who obtained a 3, 4, or 5 on the PARCC |
| 4+ | <ul style="list-style-type: none"> • A PARCC score of 4 = College and Career Ready • 4+ denotes the percentage of students who obtained a 4 or 5 on the PARCC • 4+ is considered to be proficient |
| n-size | Number of students who took the state assessment at this school |
| Green | <ul style="list-style-type: none"> • Greater than or equal to the state average or charter sector average of the same grade band |
| Red | <ul style="list-style-type: none"> • Less than the state average or charter sector average of the same grade band |
| No Shading | <ul style="list-style-type: none"> • PK – 2 “display only” data that does not factor into the PMF score or goal attainment. |

Key Findings on the PMF

In SY 2015-16, the school earned an overall PMF score of 67.1% due to an attendance rate of 92.2% and strong CLASS scores in the Emotional Support and Classroom Organization domains. The following years, in SY 2016-17 and SY 2017-18, the school used NWEA MAP as its student growth measure for five to nine-year-old students; these students would be in kindergarten through second grade in a traditional school. These students demonstrated above-average growth compared to their peers nationally. The school's PARCC data first appeared on the PMF in SY 2017-18, in which the school performed above the sector average for those students scoring at level 4 or 5 (4+) in ELA but below the average for students scoring at level 3, 4, or 5 (3+) and below the average on both measures in math.

English Language Arts (ELA)

Given Lee Montessori PCS has not yet reached maturation in its growth model, the school did not serve students who are equivalent to 3rd grade and eligible to take the PARCC

assessment until SY 2016-17. As a result, for the purpose of its five-year review DC PCSB will focus on the school’s growth performance in ELA using the NWEA MAP assessment.

ELA Growth for Students in Grades Equivalent to 1-3

DC PCSB uses the NWEA MAP median Conditional Growth Percentile (CGP) as a growth measure for schools that end before grade four. The CGP for each student is set by the assessment publisher’s norms, based on the student’s initial assessment score.¹⁹ A median CGP of 50 indicates that a school’s students have average year-to-year growth in reading proficiency when compared to students nationwide in the same grades with the same initial assessment performance. For the SY 2016-17 and 2017-18 PMF, NWEA MAP Growth was the school’s measure of student progress in ELA.

Lee Montessori PCS had strong performance in both SY 2016-17 and SY 2017-18. Its CGP was above 50, indicating that students grew at a higher rate than average compared to students nationwide. The school saw a 5.5 percentage point increase in performance in SY 2017-18, contributing to its higher overall performance on the PMF during the most recent year of the review period.

| Reading – Student Progress | | |
|----------------------------|--|--------|
| Year & Grade Equivalents | Measure | Result |
| 2016-17 1-2 | NWEA-MAP Median percentile of student growth compared to national student performance | 55.5 |
| 2017-18 1-3 | | 61.0 |

ELA Proficiency

Lee Montessori PCS’s overall proficiency rates in ELA showed mixed results, but it is important to note that the school had only one year of PARCC testing data due to grades served and n-size constraints. The school administered PARCC to third graders for the first time in SY 2016-17, but fewer than 10 students took the test. In SY 2017-18, when there were 18 test-takers, the school outperformed the state average for test-takers scoring proficient (level 4+), with 38.9%, but underperformed the state average for students scoring at or above approaching college and career ready (3+). Half of its third and fourth graders scored at level 1 or 2.

The table below shows only overall PARCC results. No school demographic subgroup met the minimum cohort size (N>=10) to be displayed.

¹⁹ Please see the 2017-18 PMF Policy and Technical Guide at <https://www.dcpsb.org/policy/2018-19-pmf-policy-and-technical-guide>.

| Lee Montessori PCS- ELA Proficiency Grades 3-4 | | | |
|---|--------------------|--------|-------|
| 2017-18 PARCC Assessment | | | |
| | | School | State |
| All | % 3+ | 50.0 | 56.0 |
| | % 4+ | 38.9 | 32.9 |
| | <i>denominator</i> | 18 | |

Math

K-2 students have performed near or above the national average on NWEA MAP in recent years.

Math Growth in Grades Equivalent to K-3

For the SY 2016-17 and 2017-18 PMF, NWEA MAP Growth was the school's measure of student progress in math. Lee Montessori PCS had mixed performance on NWEA MAP during the two years of available data. CGP was 49 in SY 2016-17, and the school earned the second lowest percent of points on this measure for the SY 2016-17 PMF, where typically DC schools outperform national averages. In the following school year, the school saw a ten-percentage point increase in CGP, indicating that Lee Montessori PCS students outperformed national growth.

| K-3 Math – Student Progress | | |
|-----------------------------|--|--------|
| Year | Measure | Result |
| 2016-17 K-2 | Northwest Evaluation Association's Measure of Academic Progress (NWEA MAP): | 49.0 |
| 2017-18 K-3 | Median percentile of student growth compared to national student performance | 59.0 |

Math Proficiency

Lee Montessori PCS's overall proficiency rates in math were lower than the state average, but it is important to note that the school had only one year of PARCC testing data due to grades served and n-size constraints. The school administered PARCC to third graders for the first time in SY 2016-17, but the number of math test-takers was too small to display. Similar to ELA, half of the 18 students tested scored at or above Approaching College and Career Ready (level 3+) in SY 2017-18. However, only 22.2% of students were College and Career Ready (level 4+), falling 15.4 percentage points below the state average. DC PCSB should continue to monitor performance in this area as the school continues to grow.

The table below shows only overall PARCC results, rather than subgroup performance, because the school's demographic subgroups did not meet the minimum cohort size (N>=10) to be displayed.

| Lee Montessori PCS Math Proficiency Grades 3-4 2017-2018 PARCC | | | |
|--|--------------------|--------|-------|
| | | School | State |
| All | % 3+ | 50.0 | 62.0 |
| | % 4+ | 22.2 | 37.6 |
| | <i>denominator</i> | 18 | |

Prekindergarten and Kindergarten-Second Grade Measures

DC PCSB allows schools to choose the assessments for math and literacy proficiency that best fit the academic program and philosophy of the early childhood environment at the school. Though scores on these assessments for K-2 are not included in the school's PMF score, they are included as indicators of student academic progress and achievement in these grade bands and are included in the analysis when determining if the consistent improvement provision in the school's charter applies.²⁰ The results displayed below reflect the percent of students who met or exceeded the test publisher's expectations (or display range) for achievement at the end of the year.

In ELA, Lee Montessori PCS students ages 3 and 4 have performed above the display range floor of 75% on Teaching Strategies GOLD by scoring above 90% during every year of the review period. While the school's performance on AIMSweb for students ages 5-7 was below the display floor of 30% in SY 2015-16, the school produced more positive results when it adopted the Developmental Reading Assessment (DRA) for 5-year-olds. Students ages 5-7 began taking NWEA MAP in SY 2016-17, which is discussed above.

| Ages 5-7 Literacy Student Outcomes | | |
|------------------------------------|--|--------|
| Years & Grades | Measure | Result |
| 2014-15 K-2 | AIMSweb: ²¹ Display Range: 30 to 70 | 43.1 |
| 2015-16 K-2 | AIMSweb: ²² Display Range: 30 to 70 | 25.8 |
| 2016-17 K | Developmental Reading Assessment (DRA) ²³ : Display Range: 60 to 100 | 76.0 |
| 2017-18 K | | 79.3 |

| Ages 3-4 Literacy Student Outcomes | | |
|------------------------------------|--|--------|
| Year | Measure | Result |
| 2014-15 | Teaching Strategies GOLD: Percent of proficient students Display Range: 75 to 100 | 91.7 |
| 2015-16 | | 97.0 |
| 2016-17 | | 97.5 |
| 2017-18 | | 92.0 |

²⁰ The school may demonstrate that it met its goals through consistent improvement on its overall PMF scores.

²¹ Percent of proficient students.

²² Student growth.

²³ Percent of proficient students.

Likewise, the school performed above the floor (75%) in math on the Teaching Strategies GOLD assessment, on which it scored above 90% during every year of the review period. For older students, the school has had low performance on the AIMSweb assessment, with 43.1% of students meeting achievement expectations in SY 2014-15 and 25.8% of students meeting growth expectations in SY 2015-16,²⁴ which was below the established floor of 30%. The school began administering NWEA MAP in math in SY 2016-17, which is discussed above.

| Ages 3-4 Math Student Outcomes | | |
|--------------------------------|--|--------|
| Year | Measure | Result |
| 2014-15 | Teaching Strategies GOLD: Percent of proficient students Display Range: 75 to 100 | 91.7 |
| 2015-16 | | 98.5 |
| 2016-17 | | 100 |
| 2017-18 | | 96.6 |

| Ages 5-7 Math Student Outcomes | | |
|--------------------------------|--|--------|
| Years & Grades Assessed | Measure | Result |
| 2014-15 K-2 | AIMSweb: Percent of proficient students | 43.1 |
| | Display Range: 30 to 70 | |
| 2015-16 K-2 | AIMSweb: Percent of proficient students | 25.8 |
| | Display Range: 30 to 70 | |

School Environment Measures

School environment measures, which include in-seat attendance, re-enrollment, and CLASS for PK, are designed to show the school’s climate and parent satisfaction.

In-Seat Attendance

DC PCSB measures In-Seat Attendance (ISA) as the rate at which students are present in the school building; the rate includes both excused and unexcused absences. The school has maintained an ISA rate above ninety percent during the entirety of the review period, reaching 94.3% in SY 2017-18. In SY 2016-17, the school saw its lowest ISA rate of 90.4%, 2.1 percentage points below the sector average in that same year. Often, schools serving high percentages of 3- and 4-year-olds have lower attendance rates due to the lack of compulsory education laws for students this age.

²⁴ This change from achievement to growth was due to a change in the publisher’s display range expectations.

**Lee Montessori PCS - Grades PK3 - 4
In-Seat Attendance**

| | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | |
|--------------|---------|------------------------------|---------|----------------|---------|----------------|---------|----------------|
| | School | Charter Sector ²⁵ | School | Charter Sector | School | Charter Sector | School | Charter Sector |
| All Students | 91.8 | 92.2 | 92.2 | 92.0 | 90.4 | 92.5 | 94.3 | 92.3 |

Re-enrollment

A school’s re-enrollment rate assesses family satisfaction with a school by measuring the rate at which students who are eligible return each year. The measure counts students from one year’s official enrollment audit to the next year’s audit.²⁶ Students who move out-of-state or have other undisputable situations that would prevent them from re-enrolling are excluded from this rate depending on the situation.

Lee Montessori PCS has consistently improved its re-enrollment rate since SY 2014-15, when its rate was at its lowest. The school relocated at the beginning of SY 2016-17, which may have contributed to its lower than average re-enrollment rates during that period. During the SY 2016-17 to 2017-18 re-enrollment period, the school outperformed the charter sector average for the first time. Nearly nine out of every ten families returned for SY 2017-18.

**Lee Montessori PCS -
Re-enrollment Rates**

| | 2014-15 to 2015-16 | | 2015-16 to 2016-17 | | 2016-17 to 2017-18 | |
|--------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| | School | Charter Sector | School | Charter Sector | School | Charter Sector |
| All Students | 75.4 | 82.6 | 81.1 | 83.0 | 87.2 | 84.5 |
| | 69 | | 95 | | 133 | |

CLASS²⁷

The table below shows Lee Montessori PCS’s CLASS performance. The school has generally been above the charter sector average in both the Classroom Organization and Emotional Support domains, with the exception of SY 2017-18. Scores in Instructional Support have consistently fallen below the charter sector average, with the school seeing its lowest score of 2.2 in SY 2017-18, which is only slightly above the floor of the PMF (2.0).

²⁵ Sector average for the equivalent age band Lee Montessori PCS had that year.

²⁶ The enrollment audit occurs in October of each school year.

²⁷ All DC early childhood programs are assessed by independent reviewers using the CLASS tool, which focuses on classroom interactions that boost student learning. The CLASS tool measures Emotional Support, Classroom Organization, and Instructional Support on a scale from 1-7. The Emotional Support and Classroom Organization indicators have a floor of three and a target of six on the PMF. On a national level, pre-school programs score lower on the Instructional Support indicator. Accordingly, DC PCSB’s floor for this indicator is one with a target of four.

| CLASS Performance Targets | | | |
|---------------------------|------------------------|--------|----------------|
| Year | Domain | School | Charter Sector |
| 2014-15 | Classroom Organization | 5.7 | 5.5 |
| 2015-16 | | 6.2 | 5.9 |
| 2016-17 | | 6.0 | 5.8 |
| 2017-18 | | 5.3 | 5.8 |
| 2014-15 | Emotional Support | 6.3 | 5.9 |
| 2015-16 | | 6.3 | 6.0 |
| 2016-17 | | 6.3 | 6.1 |
| 2017-18 | | 5.9 | 6.0 |
| 2014-15 | Instructional Support | 2.3 | 2.8 |
| 2015-16 | | 2.6 | 3.1 |
| 2016-17 | | 2.6 | 3.0 |
| 2017-18 | | 2.2 | 3.2 |

Qualitative Site Review (QSR) Outcomes

DC PCSB conducts QSRs of public charter schools to observe qualitative evidence of the extent to which a school is meeting its mission and goals, as well as to assess classroom environment and quality of instruction. In anticipation of this charter review, DC PCSB conducted a QSR of Lee Montessori PCS in May 2018.²⁸

In QSRs, trained educators assess each observation using the Charlotte Danielson *Framework for Teaching* Evaluation. Each observation is assigned an Unsatisfactory, Basic, Proficient, or Distinguished rating in classroom environment²⁹ and instruction.³⁰ The following table details the percentage of classrooms that were rated proficient or distinguished in each domain. While CLASS observations were below state averages, the QSRs observe all classrooms, including those with students five and older. Lee Montessori PCS has one of the highest rates of distinguished and proficient classrooms.

Lee Montessori PCS scored significantly above average in both domains of the Charlotte Danielson *Framework for Teaching* Rubric compared to other PK3-8 schools that received a QSR in SY 2017-18. Observers saw a “fully articulated standard American Montessori International (AMI) program. Observers noted the following generalities during their visit: classrooms were peaceful and quiet and students were happy; lessons were well planned and taught with passion; students with all needs were fully supported; teachers understood the Montessori model and implemented it with fidelity.”

²⁸ See Lee Montessori PCS’s QSR report, Appendix C.

²⁹ To assess classroom environment, DC PCSB observed whether teachers (a) create an environment of respect and rapport; (b) establish a culture for learning; (c) manage classroom procedures; and (d) manage student behavior.

³⁰ To assess instruction, DC PCSB observes how teachers (a) communicate with students; (b) use questioning/prompts and discussion techniques; (c) engage students in learning; and (d) use assessment in instruction.

| | Domain 2: Classroom Environment | Domain 3: Instruction |
|--------------------------------|--|------------------------------|
| Lee Montessori PCS | 93% | 97% |
| Average score for PK-8 schools | 78% | 70% |

SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS

The SRA requires DC PCSB to determine at least once every five years whether a school has “committed a violation of applicable law 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.”³¹ The SRA contains a non-exhaustive list of applicable laws, which DC PCSB monitors in its annual compliance reviews. The below table discusses the school’s compliance for the review period.

Since SY 2014-15, Lee Montessori PCS has been compliant with **ALL** the following applicable laws.³²

- Fair Enrollment Process
(D.C. Code § 38-1802.06)
- Notice and Due Process for Suspensions and Expulsions
(D.C. Code § 38-1802.06(g))
- Student Health and Safety
(D.C. Code §§ 38-1802.04(c)(4), 4-1321.02, 38-651)
- Equal Employment
(D.C. Code § 38-1802.04(c)(5))
- Insurance
(As required by the school’s charter)
- Facility Licenses
(D.C. Code § 47-2851.03(d); D.C. Mun. Regs., tit. 14, §§ 14-1401 et seq.)
- Proper Composition of Board of Trustees
(D.C. Code § 38-1802.05(a))
- Accreditation Status
(D.C. Code § 38-1802.02(16))

Procurement Contracts

D.C. Code § 38-1802.04(c)(1) requires DC charter schools to use 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 DC PCSB all bids received, the contractor selected, and the rationale for which contractor was selected. To ensure compliance with this law, DC PCSB requires schools to submit a data form to detail any qualifying procurement contract that the school has executed.

DC PCSB began implementing a new Procurement Contract Submission and Conflicting Interest Policy on July 1, 2018. The statistics below capture Lee Montessori PCS’s

³¹ D.C. Code § 38.1802.13(a).

³² Detailed compliance chart may be found in Appendix D.

submissions and corresponding compliance with the policy. The school has been compliant with procurement submissions since July 1.

- **0 early warning notices** as of October 9, 2018.
- **0 procurement submissions** since July 1, 2018.

Lee Montessori PCS confirmed that its FY 2016-17 procurement contract summary was accurate. A historical record of the school's procurement contract bidding submissions can be found here: <https://dcpcsb.egnyte.com/fl/4WCwt7HZy5>.

Special Education Compliance

Charter schools are required to comply with all federal and local special education laws, including the Individuals with Disabilities Education Act³³ (IDEA) and Section 504 of the Rehabilitation Act of 1973.³⁴ The following section summarizes Lee Montessori PCS's special education compliance from SY 2014-15 to the present.

The D.C. Office of the State Superintendent of Education (OSSE) Special Education Compliance Reviews

OSSE monitors charter schools' special education compliance and publishes three primary types of reports detailing these findings: (1) Annual Determinations; (2) On-Site Monitoring; and (3) Special Conditions Reports. OSSE's findings regarding special education compliance are summarized below.

(1) Annual Determinations

As required by federal regulation, OSSE annually analyzes each LEA's compliance with special education compliance indicators, and it publishes these findings in an Annual Determination report.³⁵ Each year's report is based on compliance data collected from the prior federal fiscal year. For example, in SY 2017-18, OSSE published its 2015 Annual Determination reports (based on the school's 2015-16 performance).

Lee Montessori PCS's Annual Determination compliance performance is detailed in the table below.³⁶

³³ 20 U.S.C. §§ 1400 *et seq.* See 20 U.S.C. § 1413(a)(5).

³⁴ 29 U.S.C. § 794.

³⁵ As required by federal regulation 34 CFR § 300.600(c).

³⁶ See Annual Determination reports, attached to this report as Appendix E.

| Year | Percent Compliant with Audited Special Education Federal Requirements | Determination Level ³⁷ |
|------|---|-----------------------------------|
| 2014 | 100% | Meets Requirements |
| 2015 | 91% | Meets Requirements |
| 2016 | 100% | Meets Requirements |

(2) On-Site Monitoring Report

OSSE conducts an on-site assessment of an LEA’s special education compliance with student-level and LEA-level indicators in alignment with its coordinated Risk-Based Monitoring,³⁸ and publishes its findings in an On-Site Monitoring Report. Annually, OSSE assigns a risk designation to each LEA based on several criteria, including its IDEA Part B performance,³⁹ which OSSE then uses to determine if an LEA will receive on-site monitoring.⁴⁰ LEAs are responsible for being 100% compliant with student-level indicators and LEA-level indicators on On-Site Monitoring Reports.⁴¹

As of August 2018, OSSE had not conducted an On-Site Monitoring of the school in the last four school years.

(3) Special Conditions Reports

OSSE submits reports to the U.S. Department of Education’s Office of Special Education Programs (OSEP) three times annually,⁴² detailing statewide compliance in three areas: (1) Initial Evaluation timeliness,⁴³ (2) Reevaluation timeliness; and (3) Secondary Transition requirements (for students at age 16 and up). Lee Montessori PCS is evaluated in adhering to Initial Evaluation timeliness and Reevaluation. However, to date, OSSE has not conducted a review for the listed compliance areas during the last four school years.

³⁷ IDEA requires OSSE, as the State educational agency (SEA), to make determinations annually about the performance of LEAs. OSSE is required to use the same categories that the United States Department of Education, Office of Special Education Programs (OSEP) uses for state determinations as outlined in Section 616(d) of IDEA. These categories are: Meets Requirements, Needs Assistance, Needs Intervention, and Needs Substantial Intervention.

³⁸ See <https://osse.dc.gov/publication/risk-based-monitoring-guidance>.

³⁹ Part B of IDEA applies to students ages 3-22.

⁴⁰ The type of monitoring an LEA will receive varies depending on its designation as a “high,” “medium,” or “low risk” sub-grantee. An on-site monitoring visit will occur for LEAs classified as “high” risk.

⁴¹ If OSSE determined an LEA was less than 100% compliant with a student-level indicator that could not be corrected retroactively, OSSE would identify the point of noncompliance as an LEA-level violation and give the LEA 365 days to correct the finding.

⁴² Prior to SY 2014-15, OSSE conducted reviews quarterly. The data for the special conditions from that timeframe is thus organized across four quarters.

⁴³ Starting with SY 2017-18, the District of Columbia is no longer under special conditions with OSEP for Initial Evaluations. Moving forward, OSSE will only be required by OSEP to submit Special Condition reporting on statewide Reevaluation and Secondary Transition. Initial evaluation data will still be periodically reviewed for compliance and included in Public Reporting for Annual Performance Reports (APRs). Initial Evaluations are included since OSSE reported on this area of compliance in the past.

Child Find Monitoring Report

“Child find” is a set of policies, procedures, and public awareness activities designed to locate, identify, and evaluate children who may require special education and related services. Each LEA must have policies and procedures in effect to ensure that all children with disabilities in need of special education and related services, regardless of severity of disability, are identified, located, and evaluated. As a result of the *D.L. v. District of Columbia*⁴⁴ special education litigation, in SY 2017-18 OSSE audited every LEA’s identification rate of enrolled students receiving special education services under IDEA against the 8.5% threshold established in the case. OSSE also conducted desktop reviews of all LEA child find policies to ensure that identification rates were not the results of inappropriate policies and procedures.⁴⁵ Based on this review, OSSE determined if an LEA’s identification rate and child find policies were compliant with IDEA and local law. LEAs deemed out of compliance were required to submit to OSSE their revised child find policies and proof of staff training. OSSE will continue child find monitoring moving forward, but it will not conduct this extensive review again in SY 2018-19.

In the updated Child Find review process, OSSE reviews LEA identification rates and LEA’s Child Find Policies during the Spring of each school year. Based on this review, OSSE determines whether the LEA is out of compliance due to a low identification rate, its Child Find policy and procedures, or both. OSSE states in its notification letter to the LEA the result of its review and, if required, what actions the LEA must take to be deemed compliant. During SY 2017-18, OSSE found that Lee Montessori PCS identified 15.82% of its students eligible for special education, which is above the District’s 2017-18 identification rate of 8.5%. Further, OSSE reviewed Lee Montessori PCS’s Child Find Policy, practices, and procedures. The results of the focused monitoring activities were sent to the LEA’s leader.⁴⁶ Upon review, OSSE determined that the LEA is compliant with Child Find requirements and no further action is required.

Hearing Officer Determination (HOD) Implementation Review

OSSE manages and oversees compliance through the HOD Tracker (formerly called the Blackman Jones database) that tracks the timely implementation of actions required by HODs. As of August 2018, no HODs have been issued against Lee Montessori PCS.⁴⁷

⁴⁴ *D.L. v. The District of Columbia* (Case No. 1:05-cv-01437), 860 F.3d 713 (DC Cir. 2017)

⁴⁵ For more information, see OSSE’s “Dear Colleague” letter on key IDEA requirements related to *D.L. v. District of Columbia* at <https://osse.dc.gov/publication/dear-colleague-letter-key-idea-requirements-related-dl-v-district-columbia>.

⁴⁶ Please find the Child Find Focused Monitoring Report for Lee Montessori PCS attached as Appendix F.

⁴⁷ HODs are the written decision issued as a result of a due process complaint that resulted in a hearing. Most complaints are withdrawn for any number of reasons, including settlement. Not all outcomes are required to be tracked. For the purpose charter reviews, DC PCSB reports only on HODs that resulted in a finding of noncompliance against the LEA.

SECTION THREE: FISCAL MANAGEMENT AND ECONOMIC VIABILITY

Introduction

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

- Has engaged in a pattern of nonadherence to generally accepted accounting principles (GAAP);
- Has engaged in a pattern of fiscal mismanagement; and/or
- Is no longer economically viable.⁴⁸

DC PCSB has assessed Lee Montessori PCS's financial performance by reviewing the previous five years of audited financials and DC PCSB's Financial Analysis Review (FAR) reports, dating from FY 2015 through FY 2017. DC PCSB also reviewed the school's unaudited financials for FY 2018 and incorporated this data when relevant. For the purpose of this report, DC PCSB used the FY 2017 FAR Report's "meets expectation" ranges to compare the financial strength of individual measures. The ranges were established where the upper end of the range was the "target" for financial performance and the lower end was the "floor." Schools performing at or above the established targets are determined to be in a strong financial position for the specific metric being assessed. When schools' metrics fall below the established floors, they are further reviewed to determine whether this poses financial concerns. DC PCSB assesses the school's financial condition holistically in order to determine whether operations are adequately managed, sustainable, and economically viable.

| KEY for Fiscal Management and Economic Viability Charts | |
|--|---|
| No Shading | <ul style="list-style-type: none">• Within an average, financially healthy range based on the FAR and general finance principles. |
| Red | <ul style="list-style-type: none">• Falling within a range which is cause for concern based on the FAR and general finance principles. Though this does not necessarily show fiscal mismanagement on the part of the school, it indicates that this specific measure fell below the targets that DC PCSB considers financially sound. |

Summary of Findings

Lee Montessori PCS has demonstrated strong fiscal performance. Its financial audits confirm the school has adhered to GAAP and has adequate internal controls. The school has not engaged in a pattern of fiscal mismanagement, and it is economically viable.

Overall, the school's financial condition is healthy, with reserves of 25%, sufficient liquidity, and low debt leverage. The school has generated operating surpluses since opening in FY 2015, allowing it to build net asset balances to \$920K.

⁴⁸ See D.C. Code § 38-1802.13(b).

Financial Overview

Overall, the school has exhibited strong financial performance. The following table provides an overview of Lee Montessori PCS's financial information between FY 2015 and FY 2018. During this period, Lee Montessori PCS has more than doubled both enrollment and total revenues, has consistently generated surpluses, and has maintained strong liquidity.

| Financial Highlights (\$ in 000s) | | | | |
|--|---------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018* |
| Maximum Enrollment⁴⁹ | 79 | 112 | 145 | 178 |
| Audited Enrollment | 74 | 104 | 145 | 177 |
| Total Revenue | \$1,821 | \$2,400 | \$2,987 | \$3,876 |
| Surplus/(Deficit)⁵⁰ | \$36 | \$286 | \$268 | \$202 |
| Unrestricted Cash Balances | \$183 | \$527 | \$791 | \$920 |
| Number of Days of Cash on Hand⁵¹ | 38 | 92 | 107 | 92 |
| Net Asset Position⁵² | \$176 | \$462 | \$731 | \$933 |
| Primary Reserve Ratio⁵³ | 10% | 22% | 27% | 25% |

*Based on unaudited financials

Fiscal Management

Based on DC PCSB's assessment of the school's liquidity, debt burden, and cost management, the school has shown evidence of strong fiscal management. Specifically, liquidity is well above DC PCSB's target; the school has no outstanding debt to service; costs are effectively managed; and the internal control environment appears to be strong. These areas are discussed further below.

Liquidity

| Liquidity | | | | | |
|---------------------------------------|---------------------|------|------|------|-------|
| | Acceptable Range | 2015 | 2016 | 2017 | 2018* |
| Current Ratio | 0.7 – 1.0 or higher | 1.7 | 2.5 | 3.7 | 4.1 |
| Number of Days of Cash on Hand | 15 – 45 or higher | 38 | 92 | 107 | 92 |

* Based on unaudited financials

⁴⁹ Maximum Enrollment represents the largest possible number of students for which the school may receive public funding. It may be higher than the school's targeted or budgeted enrollment, but provides a good proxy for the school's enrollment expectations over time.

⁵⁰ Surplus / (Deficit) is total revenue minus total expenses.

⁵¹ Number of Days of Cash on Hand equals unrestricted cash and cash equivalents divided by daily operating expenses (which equals annual operating expenses divided by 365 days). It is a measure of the school's ability to pay debts and claims as they come due.

⁵² Net Asset Position equals total assets minus total liabilities.

⁵³ Primary Reserve Ratio equals total net assets, less intangible assets, divided by total annual expenses.

Liquidity refers to the school’s ability to convert assets to cash in order to meet its immediate financial obligations, particularly in the short-term. DC PCSB measures liquidity by assessing two metrics—the Current Ratio⁵⁴ and Days of Cash on Hand⁵⁵—as well as considering the school’s solvency.

Current Ratio: The current ratio divides a school’s current assets by its current liabilities. “Current” means being available or coming due within the next year. The school’s current ratio has consistently been well above the target of 1.0, meaning the school has the means to meet obligations that will come due in the next year. Since 2015, the school has improved its current ratio significantly, showing more than adequate liquidity to meet its financial obligations.

Days of Cash on Hand: This measure determines how many days of expenses a school can meet with the cash it has in the bank. The school’s cash on hand has increased significantly over the past four years, and since FY 2016 the school has maintained over 90 days of cash on hand, significantly above the target level of 45 days.

Solvency: The final measure of liquidity is solvency,⁵⁶ which considers the school’s overall ability to pay outstanding obligations, including amounts due to vendors, employees, and lenders if the school’s charter were to be revoked. DC PCSB reviewed Lee Montessori PCS’s 2017 audited financial statements to determine the risk to third parties in the event of school closure. Should the DC PCSB Board vote to close Lee Montessori PCS, staff expects that the school would be able to meet its operating obligations, including estimated closure costs, and the school would not have a shortfall in meeting obligations due to vendors and employees. Given the overall financial health of the school, Lee Montessori PCS’s solvency is not an area of concern.

Debt Burden

| Debt Burden | | | | | | |
|------------------------------------|--------------|---------------|-------------|-------------|-------------|--------------|
| | Floor | Target | 2015 | 2016 | 2017 | 2018* |
| Debt Ratio | 0.9 | 0.5 | 0.5 | 0.3 | 0.2 | 0.2 |
| Debt Service Coverage Ratio | 1.0 | 1.2 | N/A | | | |

* Based on unaudited financials

⁵⁴ A school’s current ratio is its current assets divided by current liabilities.
⁵⁵ Days of Cash on Hand is the amount of unrestricted cash and cash equivalents divided by daily operating expenses, excluding depreciation & amortization.
⁵⁶ Except when the school owns a facility, solvency equals unrestricted cash plus receivables with a high probability of collection, minus liabilities and closure expenses.

Based on DC PCSB’s assessment, there are no current concerns related to Lee Montessori PCS’s debt burden. DC PCSB reviews two ratios related to debt management—the debt ratio⁵⁷ and the debt service coverage ratio (DSC).⁵⁸

Debt Ratio: Lee Montessori PCS’s has no debt obligations. Its liabilities, relative to its assets, were 0.5 in the school’s first year of operations, and since FY 2016, have been above DC PCSB’s targeted range.

Debt Service Coverage Ratio: The debt service coverage ratio compares a school’s current year operating surplus with the interest and principal due on its debt. A high ratio implies sufficient resources were available for debt service, while a low ratio indicates a school’s inability to service its debt. The school has not had outstanding long-term debt to service since beginning operations; therefore, this metric was not applicable.

Cost Management

| Cost Management (\$ in 000s) | | | |
|--------------------------------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 |
| Salaries and Benefits | \$1,023 | \$1,230 | \$1,713 |
| Direct Student Costs | \$378 | \$403 | \$325 |
| Occupancy Expenses | \$177 | \$255 | \$460 |
| General Expenses⁵⁹ | \$206 | \$227 | \$221 |

| As a Percent of Expenses | | | | |
|---------------------------------|-------------|-------------|-------------|------------------------------|
| | 2015 | 2016 | 2017 | FY 2017 Sector Median |
| Salaries and Benefits | 57% | 58% | 63% | 62% |
| Direct Student Costs | 21% | 19% | 12% | 10% |
| Occupancy Expenses | 10% | 12% | 17% | 16% |
| General Expenses | 12% | 11% | 8% | 10% |

The tables above provide an overview of the school’s spending decisions over the review period. It appears that Lee Montessori PCS’s expenses are in line with sector averages.

Internal Controls

At the highest level, internal controls are processes assuring achievement of an organization’s objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies.

Audits of Lee Montessori PCS establish that the school has adhered to GAAP. The school’s auditors issued unmodified audit opinions for all years and there were no material

⁵⁷ Debt Ratio equals the total liabilities divided by the total assets.
⁵⁸ Debt Service Coverage (DSC) Ratio equals Earnings Before Interest, Depreciation, and Amortization divided by the sum of scheduled principal payments and interest paid (not including balloon payments).
⁵⁹ DC PCSB has worked with the Financial Oversight Task Force to revise definitions of cost categories, including combining Office Expenses and General Expenses beginning in FY 2016. Other category definitions have also changed over time.

weaknesses identified in internal controls over financial reporting. Additionally, no other findings were identified in internal control over compliance and going concern considerations determined that the school has been stable over time. Based on this assessment, Lee Montessori PCS appears to have an adequate internal control environment.

| Internal Controls | | | |
|---|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 |
| Modified Statement Opinion. The auditor issues an opinion letter on the basic financial statements. An <i>unmodified</i> opinion means the auditor is satisfied professionally that the statements present fairly the financial position of the school and the results of operations. Should there be areas of doubt, the opinion may be <i>modified, adverse, or disclaimed</i> . | No | No | No |
| Material Weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the school's financial statements will not be prevented, or detected and corrected in a timely manner. | No | No | No |
| Statement Non-Compliance. The auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements. Non-compliance could have a direct and material effect on the determination of financial statement amounts. | No | No | No |
| Modified Program Opinion (Uniform Guidance). When expenditures of federal funds are greater than \$750,000, the auditor performs an extended review and issues an opinion letter on compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the school's major federal programs. A <i>modified opinion</i> indicates instances of non-compliance. | N/A | No | No |
| Program Material Weakness (Uniform Guidance). In planning and performing the audit of major federal programs, the auditor considers internal control over compliance with the requirements of applicable laws, regulations, contracts, and grants. A material weakness in internal control indicates that there is a reasonable possibility of material non-compliance with a requirement of a federal program that will not be prevented, or detected and corrected, on a timely basis. | N/A | No | No |
| Findings & Questioned Costs. The auditor discloses audit findings that are important enough to merit attention by those charged with governance, with documentation of corrective action plans noting the responsible party. | 0 | 0 | 0 |
| Unresolved Prior Year Findings. The auditor discloses prior year audit findings that have not been corrected. | No | No | No |
| Going-Concern Issue. The auditor indicates that the financial strength of the school is questioned. | No | No | No |
| Debt-Compliance Issue. The audit discloses that the school was not in compliance with certain debt covenants. A debt-compliance issue may preclude insolvency. | No | No | No |

Economic Viability

Considering earnings, cash flows, reserves, and trends in both enrollment and revenue, DC PCSB staff has no concerns regarding Lee Montessori PCS's long-term economic viability. The school has generated surpluses and positive cash flow each year.

| (\$ in 000s) | Acceptable Range | 2015 | 2016 | 2017 | 2018* |
|--|------------------|-------------|-------------|-------------|--------------|
| Surplus/(Deficit) | <0 | \$36 | \$286 | \$268 | \$202 |
| Earnings before Depreciation & Amortization | <0 | \$45 | \$298 | \$285 | \$225 |

* Based on unaudited financials

Earnings and Operating Cash Flow

One measure of economic viability is whether a school runs a surplus—put simply, whether revenues exceed expenditures. While healthy schools can occasionally run deficits, in most years they do not. Earnings before Depreciation and Amortization (EBDA) removes major non-cash items from the earnings calculation and is an indicator of whether the school has generated positive cash for the year.⁶⁰

Lee Montessori PCS had positive earnings and positive EBDA since beginning operations in FY 2015.

| (\$ in 000s) | Acceptable Range | 2015 | 2016 | 2017 | 2018* |
|------------------------------|------------------|-------|-------|-------|-------|
| Net Asset Position | > 0 | \$176 | \$462 | \$731 | \$933 |
| Primary Reserve Ratio | 0 – 25` % | 10% | 22% | 27% | 25% |

* Based on unaudited financials

Net Asset Position

Net Asset Position measures a school’s assets less its liabilities. DC PCSB would be concerned with net assets reserves below zero. The school has consistently been in a positive net asset position, with net assets growing over 430% since 2015 to \$933K in 2018, based on unaudited 2018 results.

Primary Reserve Ratio

The Primary Reserve Ratio divides net assets by a school’s total expenses to measure net assets relative to the size of the school. The Primary Reserve ratio has grown from 10% in 2015 to 25% in 2018, at the upper end of the target range.

Enrollment and Revenue Trends

The final measures of economic viability are trends in enrollment and revenues. Enrollment trends provide information about a school’s ability to attract students and receive DC and Federal funds for operations. Stable or increasing enrollment and revenue indicate that a school is likely to remain financially stable, barring extraordinary circumstances.

As noted above, Lee Montessori PCS has more than doubled enrollment since opening in FY 2015, with corresponding growth in total revenues. This growth provides evidence of the school’s ability to attract and retain students.

| Enrollment over Time | | | | |
|-----------------------------|-----------------------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 | 2018 |
| Enrollment | 74 | 104 | 145 | 177 |
| Growth in Enrollment | N/A – school opened FY 2015 | 41% | 39% | 22% |
| Growth in Revenues | N/A – school opened FY 2015 | 32% | 24% | 30% |

⁶⁰ EBDA is the change in net assets plus depreciation and amortization.