

Fiscal Year ~~2020~~2021
Financial Analysis Report
Technical Guide

November ~~19, 2019~~15, 2021



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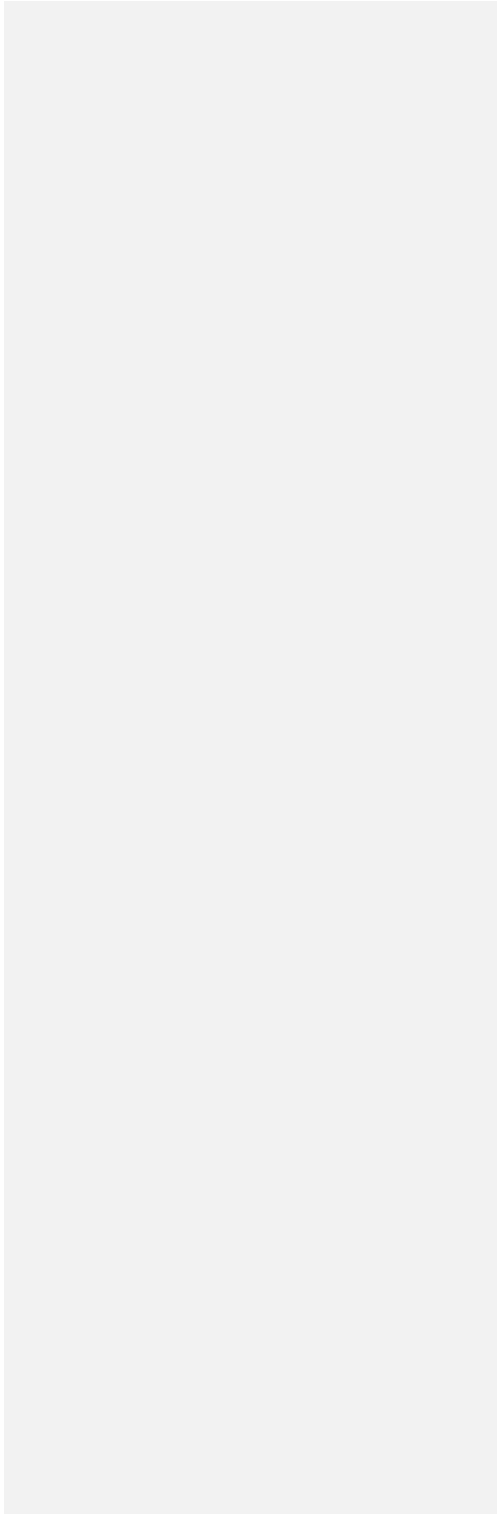


Table of Contents

Table of Contents

About the DC Public Charter School Board	53
DC PCSB's Financial Analysis Report	74
Financial Report Cards.....	85
School Profile	85
Key Financial Metrics.....	85
Change in Net Assets Margin.....	95
Aggregated Three-Year Margin	106
Days of Cash on Hand.....	117
Cash Flow from Operations Margin	117
Current Ratio.....	117
Debt Ratio.....	127
Debt Service Coverage Ratio.....	128
Primary Reserve Ratio.....	128
Enrollment Variance	138
Unresolved Prior Year Audit Findings.....	139
Debt Compliance Issue—Financial.....	139
Debt Compliance Issue—Reporting.....	139
Comments from the School.....	149
Functional Expenses.....	1510
Financial Position and Financial Activities.....	1510
Financial Position.....	1510
Financial Activities	1610
Revenues/Expenses per Student.....	1610
Audit Findings.....	1711
Statement Opinion.....	1711
Material Weakness.....	1711
Statement of Non-Compliance.....	1711
Modified Program Opinion (Uniform Guidance).....	1811
Program Material Weakness (Uniform Guidance).....	1811
Findings and Questioned Costs.....	1912
Unresolved Prior Year Findings.....	1912
Going Concern Issue.....	1912
Debt Compliance Issue.....	1912
DC PCSB Observations.....	1912
Management Organizations.....	2012
Data Sources.....	2113

Table of Contents (continued)

Data Processing.....	2213
Additional Data Tables.....	2314
About the DC Public Charter School Board	5
Our Vision.....	5
Our Mission.....	5
Our Commitment to Race, Equity, Diversity, and Inclusion Work.....	5
Board Composition and Professional Staff.....	6
DC PCSB's Financial Analysis Report Overview	7
Financial Report Cards.....	8
<i>LEA Profile</i>.....	8
<i>Key Financial Indicators</i>.....	8
Enrollment Variance	9
Change in Net Assets Margin.....	9
Aggregated Three-Year Margin	10
Days of Cash on Hand.....	11
Cash Flow from Operations Margin	11
Current Ratio.....	11
Debt Ratio.....	12
Primary Reserve Ratio	12
Unresolved Prior Year Audit Findings.....	13
Disclosure of prior year audit findings that have not been corrected.....	13
Debt Compliance Issue – Financial	13
Debt Compliance Issue – Reporting.....	13
<i>Enrollment, Operations, and Working Capital</i>.....	14
<i>Expenses</i>.....	15
<i>Financial Position and Financial Activities</i>.....	15
Financial Position	15
Financial Activities	16
Revenues/Expenses per Student.....	16
<i>Audit Findings</i>.....	17
Opinion on the Financial Statements (GAAP).....	17
Material Weaknesses in the Internal Control over Financial Reporting (GAS).....	17
Noncompliance Material to the Financial Statements (GAS)	17
Opinion on Major Federal Programs (Uniform Guidance).....	18
Material Weaknesses or Significant Deficiencies in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance).....	18
Findings and Questioned Costs (Uniform Guidance).....	19
Going-Concern Issue.....	19
The financial strength of the school to continue as a going concern is questioned in the audit opinion letter.....	19

Table of Contents (continued)

DC PCSB Observations..... 19

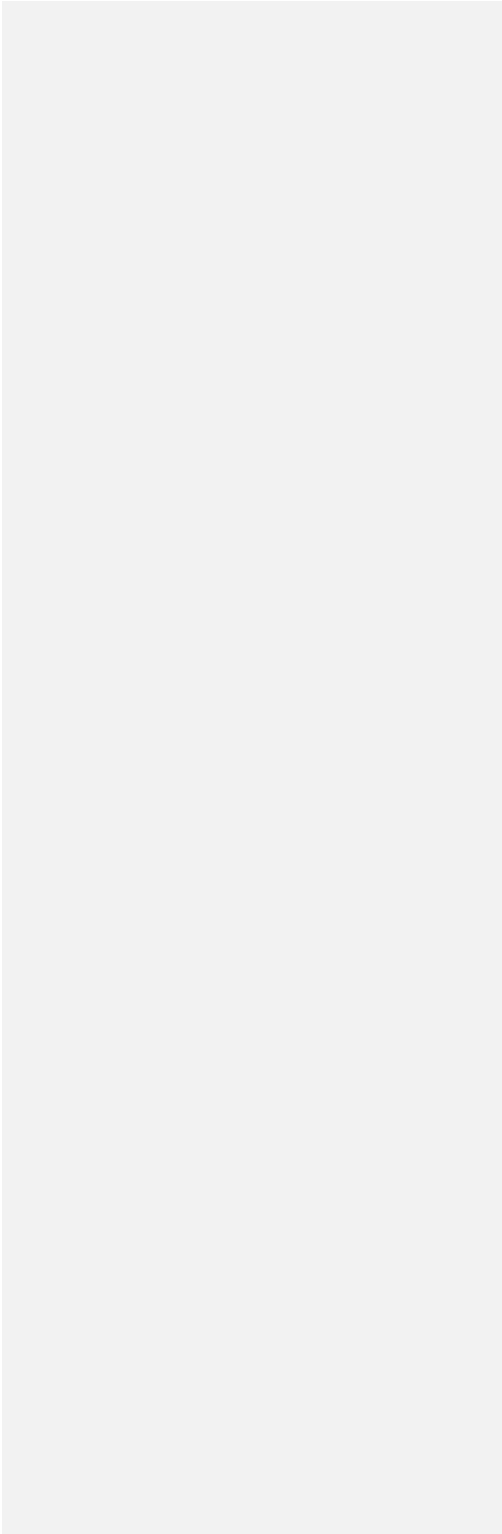
LEA Comments..... 20

Management Organizations and Related Parties 20

Data Sources..... 21

Data Processing22

Additional Data Tables.....23



[Table of Contents \(continued\)](#)

About the DC Public Charter School Board

In school year ~~2018-19~~2019-20, the DC Public Charter School Board (DC PCSB) oversaw 62 ~~l~~local ~~e~~education ~~a~~agencies (LEAs) at ~~124~~123 campuses, which served nearly ~~454~~454,000 students from every ward of the city. ~~The organization's mission is to provide high-quality public school options for District of Columbia students, families, and communities through four functions:~~

~~*A comprehensive review application process*—ensures that the DC PCSB approves only those charter school applications that will prepare and train students for postsecondary experiences and individual career paths.~~

~~*Effective oversight*—holds schools to high standards for results, with extensive reviews and data collection, and makes oversight decisions with the best interests of students in mind.~~

~~*Meaningful support*—provides clear feedback and increased oversight to low-performing schools, and rewards consistently high-performing schools with more autonomy.~~

~~*Active engagement of stakeholders*—solicits community input and strives to be responsive to and transparent with all who are affected by and have an impact on DC PCSB and public charter schools.~~

~~DC PCSB's vision is to lead the transformation of public education in DC and to serve as a national model for charter school authorizing and accountability.~~

[Our Vision](#)

~~Every DC student receives a quality education that makes them feel valued and prepares them for lifelong learning, fulfilling careers, and economic security.~~

[Our Mission](#)

~~DC public charter schools are environments where all students, especially those in historically marginalized groups, thrive. As DC's charter authorizer, we:~~

- ~~• [Approve, monitor, and evaluate schools, with an emphasis on equity and academic excellence;](#)~~
- ~~• [Create policies and conditions to empower educators to do their best work in service of students; and](#)~~
- ~~• [Actively engage families, schools, and communities to inform our decision-making.](#)~~

[Our Commitment to Race, Equity, Diversity, and Inclusion Work](#)

~~Grounded in our race, equity, diversity, and inclusion (REDI) work, we pledge to take time to reflect, listen, and hold space for one another in service of our mission. We are united in the following beliefs and commitments that will guide our authorizing work.~~

[Table of Contents \(continued\)](#)

[moving forward:](#)

- [We acknowledge the prevalence of interpersonal, institutional, and systemic racism in our country](#)
- [We seek to understand the collective impact of racism and inequity on public education and our role in perpetuating these harms](#)
- [We believe an excellent school is equitable](#)
- [We work to eliminate the impact of racism and inequity on students as DC's public charter school authorizer](#)
- [We commit to continuous learning about ourselves, our work, and our city to inform our policies, practices, recommendations, and behaviors](#)
- [We engage all voices in our decision-making process thoroughly and consistently, and we embrace discord that can come when people share their personal experiences and perspectives on our work](#)

[Board Composition and Professional Staff](#)

A Board of seven, [supported by with approximately 50 professional staff of approximately 45](#), is responsible for the oversight and management of the organization's [vision](#), [mission](#), and [vision](#) [REDI work](#). Board members are nominated by the mayor and confirmed by the DC Council.

[Table of Contents \(continued\)](#)

DC PCSB's Financial Analysis Report [Overview](#)

The School Reform Act (SRA) requires that DC PCSB revoke the charter of any public charter school that (1) has engaged in a pattern of nonadherence to generally accepted accounting principles (GAAP); (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable. Further, each ~~DC public charter school~~public charter local education agency (LEA) is required to conduct annually a thorough audit of its finances and operations. Schools/LEAs must choose a third-party auditor from a list of auditors approved by DC PCSB, the Office of the Chief Financial Officer (OCFO), and the Office of the State Superintendent of Education (OSSE). DC PCSB, ~~with support and counsel from OCFO and OSSE~~, analyzes and summarizes the information in these audits to produce the Financial Analysis Report (FAR), which presents consistent and transparent information about ~~DC public charter school~~LEAs' finances and operations.

Each year, DC PCSB convenes a task force of school leaders, business managers, and charter support organizations to give input into the FAR's methodology, design, and production process.

The most critical section of the FAR is the Financial Report Card for each school/LEA, including data on the school's/LEA's management organization, if applicable. Additional data tables and narrative commentary on the key trends and opportunities of ~~DC public charter school~~LEAs' finances provide context and analysis. Each of these is included in more detail within the technical guide, as necessary.

The FAR Technical Guide outlines DC PCSB's process for producing the FAR. It was created so that school leaders, data managers, families, and other stakeholders would understand the FAR's content, methodology, and scope.

[Table of Contents \(continued\)](#)

Financial Report Cards

The FAR includes one Financial Report Card¹ for each LEA, regardless of how many campuses or facilities the LEA operates. DC PCSB does not publish Financial Report Cards for [schools/LEAs](#) that [were](#) closed [at prior to](#) the [end/start](#) of the [current](#) fiscal year, [as the completion of these schools' final year audits is typically significantly delayed due to dissolution activities.](#)

[School/LEA Profile](#)

The top bar of the Financial Report Card includes profile information for each LEA, specifically:

Name: The FAR Report Card refers to each LEA by its familiar name, which may be the registered name of the non-profit corporation that holds the [school's/LEA's](#) charter, or may be a "doing business as" name.

Opened: This refers to the LEA's first year of academic operations.

School Quality Report Rating: DC PCSB's academic report card rating is reported.

Management Organization: If the school contracts with a school management organization, the School Profile bar will identify the name of the organization.

Going Concern: If the auditor has noted a Going Concern, the [School/LEA](#) Profile bar will include a prominent indicator. A Going Concern indicates that the auditor has questioned the ability of the [school/LEA](#) to continue operations.

[Key Financial Metrics Indicators](#)

The primary focus of the Financial Report Card is the Key Financial Indicators. Each [school's/LEA's](#) performance on these indicators is compared to its prior year results and the charter sector median. [The Key Financial Indicators are:](#)

[The Key Financial Indicators are:](#)

¹ The [FY 2019](#) FAR Report Cards are available here: <https://www.dcpesb.org/report/school-finances>
<https://dcpesb.org/financial-analysis-reports>.

Table of Contents (continued)

Enrollment Variance

This indicator is a measure of an LEA's ability to accurately forecast its enrollment. Since per student funding comprises most of the LEAs' funding, inaccurate enrollment forecasting, and its consequential budget variances, can significantly impact financial performance and school stability. This indicator is calculated as:

$$\text{Enrollment Variance} = \frac{\text{Audited Enrollment} - \text{Budgeted Enrollment}}{\text{Budgeted Enrollment}}$$

DC PCSB expects LEAs' Enrollment Variance to be above 0%. Enrollment Variances below -5% may be cause for concern.

Commented [MB1]: This was moved from below in the FY19 FAR Technical Guide and is not new

Change in Net Assets Margin

This is an indicator of the school's LEA's ability to keep expenses aligned with revenue throughout the fiscal year, relative to the size of its budget. It is calculated as:

$$\text{Change in Net Assets Margin} = \frac{\text{Operating Revenues} - \text{Operating Expenses}}{\text{Operating Revenues}}$$

[Table of Contents \(continued\)](#)

DC PCSB expects this change to be above 0%, while changes below -5% may be cause for concern.

Aggregated Three-Year Margin

This metric indicator measures over the long-term whether a school's an LEA's revenues are exceeding its expenses. It is calculated as:

Aggregated Three-Year Margin

$$= \frac{\text{Three-Year Operating Revenues} - \text{Three-Year Operating Expenses}}{\text{Three-Year Operating Revenues}} \text{Income}$$

Where:

$$\begin{aligned} \text{Three-Year Operating Revenues} &= \sum_{\text{3-year}} \text{Operating Revenues (CY, PY-1, PY-2)} \\ \text{Three-Year Operating Expenses} &= \sum_{\text{3-year}} \text{Operating Expenses (CY, PY-1, PY-2)} \end{aligned}$$

And:

- CY = Current year
- PY-CY-1 = Year prior to current year
- PY-CY-2 = Year prior to PY-CY-1

[TABLE OF CONTENTS \(continued\)](#)

DC PCSB expects [schools' LEAs'](#) Aggregated Three-Year Margins to be above 0.0%. ~~Aggregated Three-Year Margins below -1.5% may be cause for concern.~~

Days of Cash on Hand

This [metric/indicator](#) measures the number of days of expenses [a school/an LEA](#) can pay with cash on hand. It is calculated as:

$$\text{Days of Cash on Hand} = \frac{\text{Unrestricted Cash and Cash Equivalents}^3 + \text{Short-Term Investments}^4}{(\text{Operating Expenses} - \text{Total Depreciation and Amortization}) / 365 \text{ Days}}$$

$$\text{Days of Cash on Hand} = \frac{\text{Unrestricted Cash and Cash Equivalents}^3 + \text{Short-Term Investments}^4}{(\text{Operating Expenses} - \text{Total Depreciation and Amortization}) / 365 \text{ Days}}$$

DC PCSB expects [schools/LEAs](#) to have at least 45 days of cash on hand. Fewer than 30 days of cash on hand may be cause for concern. ~~Cash equivalents should include investments that can be easily liquidated with little or no penalty (e.g., Certificates of Deposit, mutual funds, etc.).~~

Cash Flow from Operations Margin

This [metric/indicator](#) measures whether [a school's/an LEA's](#) operations are generating or using cash. It is calculated as:

$$\text{Cash Flow from Operations Margin} = \frac{\text{Net Cash (Used In) Provided by Operating Activities}}{\text{Operating Revenues}}$$

~~$$\frac{\text{Net Cash Provided by (Used In) Operating Activities}}{\text{Operating Revenues}}$$~~

DC PCSB expects [schools' LEAs'](#) Cash Flow from Operations Margins to be above 0%. ~~Cash Flow from Operations Margins below -2% may be cause for concern.~~

Current Ratio

This [metric/indicator](#) measures the financial resources available to meet [a school's/an LEA's](#) short-term obligations. ~~“Current” defines the time period as due within~~ the following 12

[TABLE OF CONTENTS \(continued\)](#)

months. It is calculated as:

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities} - \text{Next Year's Scheduled Balloon Payments}}$$

Commented [2]:

DC PCSB expects schools' LEAs' Current Ratios to be above 1.0. Current Ratios below 0.9 may be cause for concern.

Debt Ratio

This metric/indicator measures how leveraged a school/LEA is, or the extent to which a school/LEA relies on borrowed funds to finance its operations. It is calculated as:

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

DC PCSB expects schools' LEAs' Debt Ratios to be below 0.5. Debt Ratios above 0.9 may be cause for concern.

Debt Service Coverage Ratio

~~This metric is a measure of surplus available for debt servicing to interest and principal. It is calculated as:~~

Debt Service Coverage Ratio

$$= \frac{\text{Change in Unrestricted}^6 \text{ Net Assets}^7 \text{ before Interest Expense}^8 \text{ and Depreciation and Amortization}}{\text{Principal Payments on Notes Payable in Current Year} + \text{Total Interest Expense}}$$

~~DC PCSB expects schools' Debt Service Coverage Ratios to be above 1.2. Debt Service Coverage Ratios below 1.0 may be cause for concern.~~

Commented [MB3]: Proposed for elimination in FY20 as discussed with the LEA Finance Working Group. This will reduce the amount of information we request at year end.

Primary Reserve Ratio

This metric/indicator is a measure of financial strength that compares a school's an

TABLE OF CONTENTS (continued)

LEA's net asset size relative to its operating budget—
a measure of financial strength. It is calculated as:

$$\text{Primary Reserve Ratio} = \frac{\text{Unrestricted Net Assets and Temporarily Restricted Net Assets}}{\text{Operating Expenses}} = \frac{\text{Net Assets}}{\text{Operating Expenses}}$$

DC PCSB expects schools' LEAs' Primary Reserve Ratios to be above 0.25. Primary Reserve Ratios below 0.000 may be cause for concern.

Commented [MB4]: Rounded favorably for consistency with all other ratios to one decimal place.

Enrollment Variance

This metric is a measure of a school's ability to accurately forecast its enrollment. Because per-student funding accounts for the majority of schools' funding, inaccurate enrollment forecasting can have a strong effect on financial performance and school stability. It is calculated as:

$$\text{Enrollment Variance} = \frac{\text{Audited Enrollment} - \text{Budgeted Enrollment}}{\text{Budgeted Enrollment}}$$

DC PCSB expects schools' Enrollment Variance to be above 0%. Enrollment Variances below -5% may be cause for concern.

Commented [MB5]: Moved to front of section.

Unresolved Prior Year Audit Findings

This indicator notes whether the school's auditor disclosed that Disclosure of prior year audit findings from a prior year that have not been corrected. Each school's auditor reviews the prior year's audit findings to ensure that the school has taken appropriate measures to resolve findings.

DC PCSB expects that schools promptly and conclusively address audit findings. Unresolved Prior Year Audit Findings may be cause for concern.

Debt Compliance Issue – Financial

This indicator notes whether the school's auditor disclosed that the school's audited financial statements disclose that the LEA was not in compliance with certain financial covenants required by its debt agreements, specifically covenants related to financial metric indicators. While the lender may have waived the violation, a debt-compliance issue may prelude insolvency.

Debt Compliance Issue – Reporting

This indicator notes whether the school's auditor disclosed that the school's audited financial statements disclose that the LEA was not in compliance with certain financial covenants required by its debt agreements, specifically covenants related to financial

[Table of Contents \(continued\)](#)

reporting. If the [school/LEA](#) has received a waiver of the violation by the audit's completion, DC PCSB will consider debt compliance issues related to reporting to be resolved, and will not include the issue in the Key Financial [Metrics/Indicators](#).

Comments from the School

Schools are encouraged to provide comments regarding their financial and operational strengths, challenges, and future plans. These comments are limited to approximately 1,000 characters; when requested by the school, DC PCSB will aim to provide more space for further comments. DC PCSB may edit schools' comments for length and clarity, but not for content, except in rare cases.

Commented [MB6]: Moved below.

Table of Contents (continued)

Functional Expenses

The Functional Enrollment, Operations, and Working Capital

This chart includes Operating Revenues, Operating Expenses, Change in Net Assets, Working Capital, and Enrollment data for the past five fiscal years or (if fewer) the number of fiscal years since the LEA first began operations.

Commented [MB7]: We introduced this chart in the FY20 FAR to help the reader digest this information in a better context and more effectively. All the information populating this chart has been reported elsewhere in the prior year FARs.

Expenses

The DC PCS Expenses by Category chart provides informational data on each LEA's allocation of resources ~~between~~among the major funding categories shown below. Spending in each category is also compared to the median spending allocation for all and the corresponding DC public charter schools sector median:

- Salaries and benefits;
- Direct student costs, including contracted instructional ~~services~~and food ~~services~~services;
- Occupancy, including rent, facility depreciation and amortization, and interest expense on facility debt; and
- General expenses, including office expenses, professional fees, non-facility depreciation and amortization, and non-facility interest expense. ~~General~~general expenses may also include management fees, if applicable.

Financial Position and Financial Activities

The Financial Report Card ~~also~~ includes financial results for the past two fiscal years, ~~and the percentage increase or decrease from the prior year to the current year,~~ specifically:

Commented [MB8]: Added % change column to provide better information for the reader without the need to manually calculate the % change from information on the page.

Financial Position

The Financial Position table includes:

- Total Assets;
- Current Assets (~~i.e.~~, assets available to the ~~school~~LEA within the following 12 months);
- Total Liabilities;
- ~~Current Liabilities (i.e., liabilities coming due within the following 12 months)⁹;~~
- ~~Working Capital (Current Assets less Current Liabilities);~~ and
- Net ~~Asset Position (i.e., the difference of Assets (Total Assets ~~minus~~less Total Liabilities).~~

Commented [MB9]: Proposed in FY20 to accommodate LEA's who refinance their year-end short-term debt and would otherwise report a lower working capital, consistent with the current ratio discussion with the LEA Finance Working Group. Working capital is a strong indicator of liquidity and was added to give better perspective to the current ratio without the need to manually calculate working capital equal to current assets less current liabilities.

⁹ Total Current Liabilities, for the purpose of calculating Working Capital or the Current Ratio, shall be reduced by the amount of Next Year's Scheduled Balloon Payments, limited to the amount refinanced thereunder, only if an unconditional commitment letter from a bona fide lender has been provided to DC PCSB or closing has occurred, by December 1st immediately following the current fiscal year end, to refinance the balloon payments.

Table of Contents (continued)

Financial Activities

The Financial Activities table includes:

- Operating Revenues and Support, including all federal funding (both entitlement and competitive), state/local funding (DC per pupil funding, including foundational amounts, facilities funding, and categorical add-ons), grants competitive government grants, additional grants and contributions (private grants, cash contributions, and in-kind contributions); and other income;
 - ~~and contributions (private grants, cash contributions, in-kind~~
 - ~~contributions, and competitive government grants), and other income;~~
- Operating Expenses, including program services, general and administrative, and fundraising expenses;
- Non operating revenue or expense, Nonoperating Income (Loss), such as gains or losses on investments; ~~and~~
 - ~~Change in Net Assets, i.e., surplus or deficit.~~
- Surplus (Deficit), equal to Operating Revenues less Operating Expenses plus Nonoperating Income (Loss);
- Other Increases (Decreases) in Net Assets (e.g., cumulative effect of changes in accounting principles); and
- Increase (Decrease) in Net Assets, equal to Surplus (Deficit) plus Other Increases (Decreases) in Net Assets.

Commented [MB10]: Added to reconcile and roll forward changes in net assets. Although the FY19 and prior year FARs did not report this line, it was able to be manually calculated by the difference between change in net assets and surplus (deficit).

Revenues/Expenses per Student

For each LEA, DC PCSB calculates The Revenues/Expenses per Student table, based on the following metrics current year audited enrollment and sector medians, includes:

- DC Funding;
 - Grants and Contributions, including the sector median;
 - DC Funding per Student;

Table of Contents (continued)

- Philanthropic Funding per Student, including private and competitive government grants and cash and in-kind contributions;
- Total Operating Revenues per Student; and;
- Operating Expenses per Student; and
- Operating Income (Loss).

Commented [MB11]: This table is not new for FY21.

Commented [MB12]: Added this line that could previously be calculated manually by subtracting operating expenses from operating revenues.

Commented [MB13]: The changes in this section are synchronized with the language in the audit opinions provided in recent years.

Audit Findings

School/LEA management is responsible for maintaining and reporting accurate, comprehensive financial information. In conducting the annual audit, the external auditor verifies the school's/LEA's effectiveness in doing so. Audit findings address areas of nonconformity with GAAP and other financial reporting or management requirements. In issuing a finding, the auditor ~~must define~~ defines the condition, cause and effect, and recommendation for addressing the area of concern.

Statement Opinion on the Financial Statements (GAAP)

The auditor issues an opinion letter on the basic financial statements. An unmodified opinion means the auditor ~~is satisfied professionally~~ has gathered sufficient and appropriate evidence to provide a basis for the opinion that the statements present fairly the financial position of the school/LEA and the results of operations. Should there be areas of doubt, the opinion may be qualified, adverse, or a disclaimer of opinion.

~~operations. Should there be areas of doubt, the opinion may be modified, adverse, or disclaimed.~~

Material Weakness

Material Weaknesses in the Internal Control over Financial Reporting (GAS)
In planning and performing the audit of the financial statements, the auditor considers internal control over financial reporting. 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/LEA's financial statements will not be prevented, or detected and corrected, in a timely manner.

Statement of Non-Compliance

The Noncompliance Material to the Financial Statements (GAS)
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, the auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements. ~~Non-compliance~~ Noncompliance could have a direct and material effect on the determination of financial statement amounts.

[Table of Contents \(continued\)](#)

[Modified Program Opinion on Major Federal Programs \(Uniform Guidance\)](#)

When expenditures of ~~federal~~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~~LEA's major federal programs. A ~~modified~~qualified or adverse opinion indicates instances of noncompliance.

[Program Material Weaknesses or Significant Deficiencies in the Internal Control over Compliance with Major Federal Programs \(Uniform Guidance\)](#)

In planning and performing the audit ~~defined above 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~~noncompliance with a

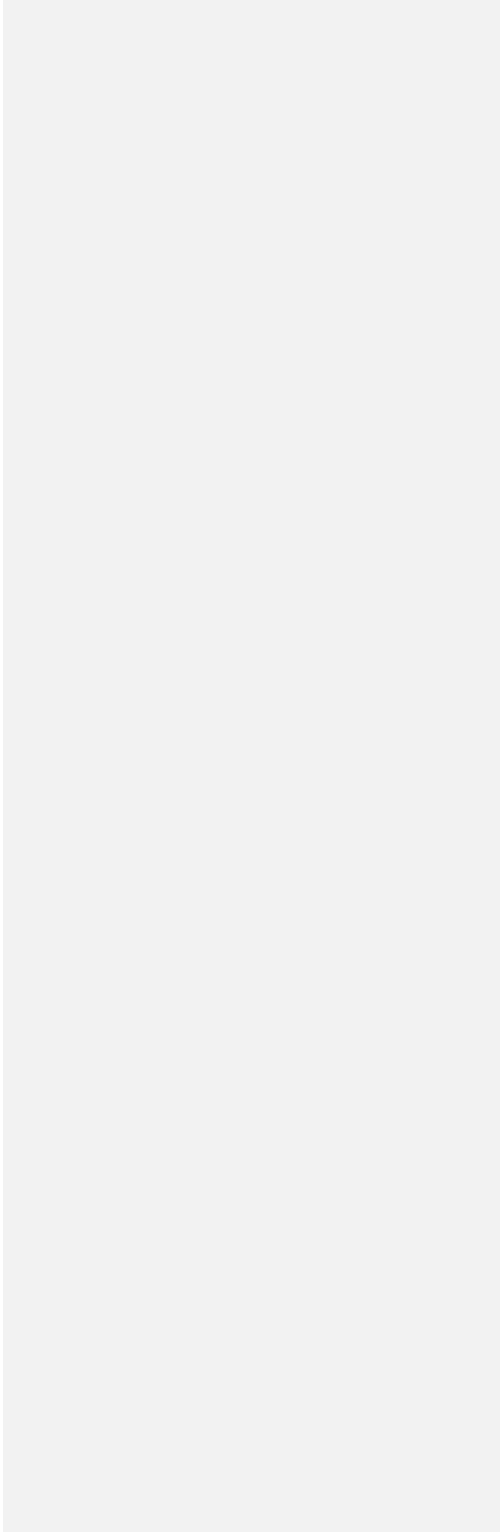


Table of Contents (continued)

requirement of a federal program that will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control indicates noncompliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Findings and Questioned Costs (Uniform Guidance)

~~The auditor discloses~~ Disclosure of audit findings that the auditor determines that are important enough to merit attention by those charged with governance, with documentation of corrective action plans noting the responsible party.

Unresolved Prior Year Findings

~~The auditor discloses prior year audit findings that have not been corrected.~~

Going-Concern Issue

The ~~auditor indicates that the~~ financial ability/strength of the school to continue ~~in the coming year as a going concern~~ is questioned in the audit opinion letter.

Debt-Compliance Issue

~~The auditor discloses that the school was not in compliance with certain debt covenants. A debt-compliance issue may prelude insolvency.~~

DC PCSB Observations

In addition to standardized financial metric/indicators and qualitative components of the audit, DC PCSB synthesizes important, individualized information from each school's/LEA's audit. Where necessary for clarity, DC PCSB may add information from other sources, such as including without limitation the school's/LEA's foundational documents (e.g., charter agreement); lease agreements, and debt instruments. Each LEA is given the opportunity to review and give/provide input into the draft DC PCSB Observations to these observations before the publication of the FAR.

DC PCSB ~~Observations~~ observations may include narratives, tables, and/or charts that address:

- ~~Financial trends;~~
- ~~Financial trends;~~
- Related-Management organization and related party transactions;
- Facility information, such as leasing and financing arrangements, ownership, or and construction work in progress;
- Future plans/Plans that may significantly affect the school's/LEA's financial results, such as additional campuses or facilities; ~~and~~
- Additional information about audit findings; and

Commented [MB14]: The FY19 FAR observations already refer to these and other documents to provide a clearer picture of the LEA's financial condition and performance.

Commented [MB15]: Enhances readability.

Table of Contents (continued)

- Other financial matters of significance

Commented [MB16]: Added to reflect additional information in past FAR observations. The above list is not exhaustive.

LEA Comments

LEAs are encouraged to provide comments regarding their financial and operational strengths, challenges, and plans. Where appropriate, DC PCSB will try to incorporate these comments in its observation to minimize the need for separate comments, but in any event DC PCSB will maintain its independent financial oversight. These comments are limited to approximately 1,000 characters; when requested by the LEA, DC PCSB will aim to provide more space for further comments. DC PCSB may edit LEAs' comments for length and clarity, but not for content, except in rare cases.

Commented [MB17]: This is substantially unchanged from FY19 and reflects a greater degree of collaboration experienced in drafting the FY20 FAR in presenting fairly and clearly the LEAs financial condition and performance in the observations. By incorporating the LEA's preliminary comments in the observations, it makes it easier for the reader and eliminates possible confusion and ambiguity. The LEA's right to express its comments has not been modified.

Management Organizations and Related Parties

Approximately 17 Fifteen DC public charter school LEAs operate operated in FY 2020 with a school management organization (MO). Per the Public Charter School Fiscal Transparency Amendment Act of 2015, an MO is:

Table of Contents (continued)

an entity that a public charter school identifies in its charter petition or petition for charter revision with which the public charter school contracts to provide management or oversight services regarding the school's LEA's expenditures, administration, personnel, or instructional methods. The term "school management organization" does not include an entity with which a public charter school contracts solely to provide administrative support services, such as: (A) Payroll processing or information technology services; (B) Academic support services; or (C) Temporary management services recommended by the eligible chartering authority to improve the performance of a public charter school.

LEAs with MOs and related parties having significant transactions with the LEA (RP) receive an additional supplementary table with information about the school's each MO/RP relationship. The Each table includes:

- Name, MO name and/or RP, tax status;
- Link to the MO's most recent public financial reports, if applicable;
- The name, title, and total compensation of the MO's highest paid employee, if known;
- The goods, city, and services provided by the MO, as well as the cost of those services state;
- Relationship to LEA explanation;
- Agreement start and expiration dates;
- Services described in detail;
- How fee is determined, including cost as a percentage, cost-plus, and other fee arrangements;
- Fee payments during current fiscal year, fee percentage of the school's total revenue; Operating Revenues, and fiscal year end payable to MO/RP; and
 - DC PCSB comments on the school-MO relationship; and
 - School comments on the school-MO relationship;
- Name, title, and latest annual compensation of highest paid MO/RP employee (as supported by the LEA/MO/RP's most recent financial reports).

Data Sources

The FAR's primary data source is each school's LEA's annual financial audit, which is prepared in accordance with DC PCSB's Guidelines and Expectations for audited financial statements. Here are the Guidelines and Expectations for Public Charter School Audited Financial Statements for Fiscal Year 2019: Public Charter School Audited Financial Statements for Fiscal Year 2021.¹⁰

Additional data sources may include school LEA foundational documents (e.g., charter agreement) and publicly available reports (e.g., school management organizations' MOs' IRS Forms 990).

¹⁰ The Guidelines and Expectations for Public Charter School Audited Financial Statements for Fiscal Year 2021 are available here: <https://dcpcsb.egnyte.com/dl/GFu3OR6xJo/>

Commented [MB18]: This information was requested in preparing the FY19 FAR and documented in the MO/RP table and MO/RP observations. In FY20, for better readability, the table was expanded to include all these components, thus eliminating the free-form observations on the MO/RP and making it consistent and easier to read and compare schools.

[Table of Contents \(continued\)](#)

Data Processing

Upon completion of its audit, each [school](#) submits the audit [LEA uploads to the Hub](#), [DC PCSB's internal data system](#), the [audited financial statements](#) and [related auditor reports](#), and uploads and validates in the Hub a standardized data entry form via the [Hub to template that the LEA completes based on information from the audited financial statements](#). DC PCSB ~~DC~~ PCSB reads each ~~aud~~ [LEA audited financial statement](#), verifies the accuracy of the [Hub](#) data against the ~~audit~~ [audited financial statements](#), and follows up with each [school LEA](#) as necessary. ~~DC PCSB~~

[DC PCSB](#) drafts each [school's LEA's](#) Financial Report Card and asks the [school LEA](#) to review the draft for accuracy. Upon validation [in the Hub](#), DC PCSB updates its database and the Financial Report Cards to incorporate any corrections. Finally, DC PCSB generates additional data tables, described below, and writes commentary [observations](#) on the key trends in ~~DC public charter school~~ [LEAs](#)' financial results.

Additional Data Tables

In addition to [school/LEA](#)-specific data, DC PCSB compiles aggregated and comparative data for greater transparency and ease of use by external stakeholders. These tables exclude data for [schools/LEAs](#) that [were](#) closed [at/prior to](#) the [end/start](#) of the [current](#) fiscal year, [as the completion of these schools' final year audits is typically significantly delayed due to dissolution activities.](#)

Aggregated reports provide combined data for all DC public charter schools (*i.e.*, the sum of all [schools/LEAs'](#) results in a particular [metric/indicator](#)). Aggregated data tables include:

- [Statement/Combined Statements](#) of Financial Position;
- [Statement/Combined Statements](#) of Activities;
- [Statement/Combined Statements](#) of Cash Flows; and
- [Statement/Combined Statements](#) of [Functional/Operating](#) Expenses; and
 - [Long-Term Debt](#);

Comparative reports provide a single table comparing each [school's/LEA's](#) results in a particular [metric/for selected indicators](#). Comparative data tables include:

- [Unrestricted Cash, Total Current Assets, and Total Current Liabilities](#);
- [Revenues and Expenses](#);
- [Sources of Revenue](#);
- [Net Asset Position over time](#);
- [Assets, Working Capital, and Days of Cash Position and Future Debt on Hand](#);
 - [Philanthropic Revenue](#); and
 - [Distribution of Expenses](#);
- [DC PCSB also provides an index of schools operating with school management organizations/Net Assets as of the end of each of the five most recent fiscal years](#);
- [Unrestricted Cash, Net Cash from Operations, Current Debt, Long-Term Debt, and Days of Cash on Hand](#);
- [Operating Revenues, Operating Expenses, Nonoperating Income \(Loss\), and Surplus \(Deficit\)](#);
- [Sources of Operating Revenues by amount and percentage of total, including Total DC Funding, Federal Funds, Grants and Other Contributions, and Other Income](#);
- [Grants and Other Contributions by amount and per pupil, for each of the three most recent fiscal years and the three-year averages](#);
- [Distribution of Operating Expenses by amount and percentage, including Personnel Salaries and Benefits, Direct Student Costs, Occupancy Expenses, and General Expenses](#); and
- [Distribution of Expenses by Function by amount and percentage, including Program, General and Administrative, and Fundraising](#);

Commented [MB19]: This report was added in the FY20 FAR from information elsewhere in the FAR.

Finally, a report summarizes LEAs that operated with MOs and/or RPs.

Commented [MB20]: These reports were not changed from FY19, but the names of the reports were changed in this guide to reflect the actual names of the reports in the FY19 and FY20 FARs. The long-term debt and functional expenses were not included in the FY19 FAR and are therefore proposed to be excluded from this FY21 FAR Technical Guide.