**KEY FINANCIAL INDICATORS**

**Change in Net Assets Margin:**
\[
\text{Margin} = \frac{\text{Total Operating Revenue} - \text{Total Operating Expenses}}{\text{Total Operating Revenue}}
\]

**Aggregated Three-Year Margin:**
\[
\text{Margin} = \frac{\text{Change in Net Assets for 3-Year Period}}{\text{Operating Revenues for Same Period}}
\]

**Enrollment Variance:**
\[
\text{Variance} = \frac{\text{Audited Enrollment} - \text{Budgeted Enrollment}}{\text{Budgeted Enrollment}}
\]

**Current Ratio:**
\[
\text{Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

**Cash Flow from Operations Margin:**
\[
\text{Margin} = \frac{\text{Cash Flows from Operations}}{\text{Operating Revenues}}
\]

**Days of Cash on Hand:**
\[
\text{Days} = \frac{\text{Unrestricted Cash}}{\text{Operating Expenses} - \text{Depreciation}/365}
\]

**Debt Ratio:**
\[
\text{Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}
\]

**Debt Service Coverage Ratio:**
\[
\text{Ratio} = \frac{\text{EBITDA}}{\text{(Scheduled Payments} - \text{Balloon*} + \text{Interest Paid)}}
\]

**Primary Reserve Ratio:**
\[
\text{Ratio} = \frac{\text{(Unrestricted Net Assets + Temporarily Restricted Net Assets - Intangible Assets)}}{\text{Total Expenses}}
\]

**Unresolved Prior Year Findings:** 0

**Debt Compliance Issue - Financial:** No

**Debt Compliance Issue - Reporting:** No

* Balloon Payment Amount: 0

**Comments from the School**

**PCS EXPENSES BY CATEGORY**

- **Appletree Early Learning PCS**
- **DC Charter Sector**

**Operates with a Management Organization:**
AppleTree Institute for Education Innovation

**Opened:** 2005 - 2006

**Audited Enrollment:** 653
The local education agency’s financial indicators reflected positive short-term and long-term positions. Specifically, the school’s current ratio increased to 5.22 in the current year as a result of a strong cash flow from operations margin at 9.8%. The school had 146 days of cash for FY 2018, which was more than adequate for its short-term liquidity needs. Further, the school had an aggregate three-year margin of 4.5%, indicating that, on average, the school operated with a 4.5% operating surplus, exhibiting financial stability.

The school has lease agreements with AppleTree Institute (ATI), a related party, for facilities at Columbia Heights, Oklahoma Avenue, Parkland, and Lincoln Park. The school also has a sublease with ATI for office space at Michigan Avenue, NE. Moreover, the school leases certain property from AppleTree Columbia Heights LLC, which is an affiliate of ATI. In addition to these leases, the school has a license to occupy agreement with the District of Columbia to provide a public charter school on the premises of Jefferson Middle School. In total, the school had rent expenses and licensing fees of $1.4M in FY 2018.
<table>
<thead>
<tr>
<th>School Name</th>
<th>FY18 Revenues</th>
<th>FY18 Operating Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>AppleTree Early Learning PCS</td>
<td>$14,531.325</td>
<td>$830,667</td>
</tr>
</tbody>
</table>

| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | AppleTree Institute for Education Innovation | Non-Profit |

<table>
<thead>
<tr>
<th>Highest Paid Employee / Head of MO / RP</th>
<th>Title</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack McCarthy</td>
<td>President/CEO</td>
<td>$225,848</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services Provided</th>
<th>FY18 Payment</th>
<th>% of School Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared services + Rent</td>
<td>$700,978</td>
<td></td>
</tr>
</tbody>
</table>

| Total                                  | $700,978         |                     |

**DC PCSB Comments**

The school was designed by AppleTree Institute for Education Innovation Inc. (the Institute). The Institute supports the school as a strategic partner, with a commitment to fund any operating shortfalls of the school. The school and AppleTree Institute share common board members. The school rents four facilities from the Institute. Effective July 1, 2015, the school entered into a services agreement with the Institute outlining the division of specific operating costs. During 2018, the Institute incurred $984,447 of expenses for shared payroll and administrative costs provided by the school.

Please note that the highest paid employee above was taken from the most recent 990 available at the time this report was produced.