### 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:**
\[
\text{EBITDA}/(\text{Scheduled Payments} - \text{Balloon Payment}^* + \text{Interest Paid})
\]

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

**Unresolved Prior Year Findings:**

### Debt Compliance Issue - Financial: 0

### Debt Compliance Issue - Reporting: 0

* * Balloon Payment Amount: 0

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**Comments from the School**

---

**PCS Expenses by Category**

<table>
<thead>
<tr>
<th>Category</th>
<th>DC Charter Sector</th>
<th>AppleTree Early Learning PCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Student Costs</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>General Expenses</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>40%</td>
<td>35%</td>
</tr>
</tbody>
</table>
The school had a strong financial position. The school had a cash flow from operations margin of 8%, 60 days of cash, a low debt ratio, and primary reserves ratio of 49%. All of these are indicative of the school’s financial stability.

The school purchased a property during the year which resulted in a large decrease in cash and increases in both fixed assets and long-term debt. These measures remain at acceptable levels.

During the audit process, a significant deficiency in internal controls was discovered. The audit reported that the school was not properly documenting credit card receipts. The school has taken necessary steps to remedy this issue.

Debt:
The school purchased its 14th St NW Columbia Heights property, which it had been leasing, for $6.1M, including $2.6M in debt and the remainder in cash. The loan matures in 2028.

Property Lease:
The school has lease agreements with AppleTree Institute (ATI), a related party, for facilities at Oklahoma Avenue, Parkland, and Lincoln Park. The school also has a sublease with ATI for office space at Mississippi Avenue, SE. In addition to these leases, the school had a license to occupy agreement with the District of Columbia to provide a public charter school on the premises of Jefferson Middle School, which ended in July 2019. In total, the school had rent expenses and licensing fees of $1M in FY 2019.
<table>
<thead>
<tr>
<th>School Name</th>
<th>FY19 Revenues</th>
<th>FY19 Operating Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>AppleTree Early Learning PCS</td>
<td>$14,733,407</td>
<td>$500,433</td>
</tr>
</tbody>
</table>

**Management Organization (“MO”) / Related Party (“RP”)**

<table>
<thead>
<tr>
<th>MO/RP Tax Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>AppleTree Institute for Education Innovation</td>
</tr>
</tbody>
</table>

**Highest Paid Employee / Head of MO / RP**

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack McCarthy</td>
<td>CEO</td>
</tr>
</tbody>
</table>

**Services Provided**

<table>
<thead>
<tr>
<th>FY19 Payment</th>
<th>% of School Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curriculum; Classroom Observations; Financial; Facilities</td>
<td>$643,993</td>
</tr>
</tbody>
</table>

Total | $643,993 | 4.37%

**DC PCSB Comments**

The school was designed by AppleTree Institute for Education Innovation Inc. (ATI). ATI supports the school as a strategic partner, with a commitment to fund any operating shortfalls of the school. The school and ATI share common board members. The school rents four facilities from ATI. Effective July 1, 2015, the school entered into a service agreement with ATI outlining the division of specific operating costs. During 2019, the Institute incurred $519k of expenses for shared payroll and administrative costs provided by the school. Additionally, the school paid $115k to ATI for classroom observation and Every Child Ready curriculum. Lastly, ATI provided a contribution of $113k for the purpose of developing an innovative and impactful teacher residency program in service for local districts. The bonds issued by the school in the amount of $3.5MM are guaranteed in full by ATI.

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

**School Comments**