

**FRIENDSHIP PCS** 

FY2019 Financial Analysis Report

Audited Enrollment:

3981

### **KEY FINANCIAL INDICATORS**

							12	% 1.5%  3. <sup>.</sup>	1%		
Change in Net Assets Margin:											
= (Total Operating Revenue-Total Operating Expenses) / Total Operating Revenue	-00	-5.( 	0%				0.0%	1.2% 1.4	%	4.0%	+∞
Aggregated Three-Year Margin:											
= Change in Net Assets for 3-Year Period	-00	-1.!	5%				0.0%				+∞
÷ Operating Revenues for Same Period		-4	. <b>9</b> %			-1.1%	0.0%				
Enrollment Variance:			▼				•				
= (Audited Enrollment - Budgeted	-00	-5.0	0%				0%				+∞
Enrollment) ÷ Budgeted Enrollment									3.3 3.5	3.6	
Current Ratio:										•	
= Current Assets ÷ Current Liabilities	-00	0.	.9				1.0				+∞
							I		8.0%	8.1% 8.3	3%
Cash Flow from Operations Margin:											
= Cash Flows from Operations ÷ Operating Revenues	-00	-2.0	0%				0.0%		107	2 455 0	+∞ 165.2
1 0									107	2 155.3	105.2
Days of Cash on Hand:		15 D	Davs				45 Days				+∞
= Unrestricted Cash /(Operating Expenses-Depreciation)/365			Juys	0.8	0.7		45 Days	>			1 000
Debt Ratio:					•						
= Total Liabilities ÷ Total Assets	-00	0.	.9				0.5				+∞
								1	.6 1.6 2.2		
Debt Service Coverage Ratio:											
= EBITDA / (Scheduled Payments – Balloon	-00	1.	.0				1.2				+∞
Payment* + Interest Paid)									3	8.7% 44.7%	6 <b>45.6</b> %
Primary Reserve Ratio:											
= (Unrestricted Net Assets + Temporarily Restricted Net Assets - Intangible Assets) ÷ Total Expenses	-00	0.C 	)%				25.0%				+∞
Unresolved Prior Year Findings:	0	Debt Compliance Is	sue - F	inancial	: 0	De	bt Com	pliance	Issue - Re	eporting	j: 0
* Balloon Payment Amount:	0	= 2019 Sector N	Vledian	<b>V</b> = 2019	9 School Re	sults	= 2018 Sc	hool Resu	lts		

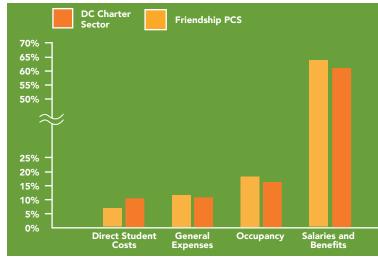
#### **Comments from the School**

**Opened:** 

1998-1999



#### PCS EXPENSES BY CATEGORY



# FRIENDSHIP PCS

FY2019 Financial Analysis Report

### **FINANCIAL POSITION**

	2019	2018
Total Assets	\$164,383,709	\$164,115,958
Current Assets	\$43,933,717	\$40,811,726
Total Liabilities	\$122,600,054	\$124,184,142
Current Liabilities	\$13,175,332	\$11,769,145
Net Asset Position	\$41,783,655	\$39,931,816

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	2019	2018
Qualified/Modified/Adverse Opinion on the Financial Statements	Νο	Νο
Material Weakness in Internal Control over Financial Reporting (GAS)	Νο	Νο
Non-compliance Material to the Financial Statements (GAS)	Νο	Νο
Modified Opinion on Major Federal Award Programs (Uniform Guidance)	Νο	Νο
Material Weaknesses in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance)	Νο	Νο
Findings and Questioned Costs	0	0
Going-Concern Issue	Νο	No

## **FINANCIAL ACTIVITIES**

	2019	2018
Revenues and Support	\$92,712,268	\$90,619,004
Expenses	\$91,554,222	\$89,280,457
Non-operating Revenues (Expenses)	\$693,793	\$253,492
Surplus (Deficit)	\$1,851,839	\$1,592,039

#### **REVENUES/EXPENSES PER STUDENT**

	2019	2018	2019 Sector Median
DC Funding per Student	\$19,908	\$19,088	\$19,863
Grants and Contributions Per Student	\$373	\$209	\$346
Total Revenues per Student	\$23,289	\$21,731	\$23,270
Expenses per Student	\$22,998	\$21,410	\$22,981

## **PCSB OBSERVATIONS**

Friendship PCS' financial position remained very strong in 2019. The school had strong liquidity, including a current ratio of 3.3 and 165 days of cash on hand, indicating that the school has the financial resources to meet short-term obligations, and a cash flow from operations margin of 8.3, which indicates that the school's operations face no difficulty in generating cash even with a -4.9% enrollment variance.

The debt ratio is adequate at 0.7, but the school has a primary reserve ratio of 46%. Strong liquidity and reserves reflect the financial sustainability of the school.

#### Debt:

1. 2012 Note payable: District of Columbia payable quarterly in annual totals ranging from \$800K to \$2.2M through 2042, plus interest at 4.8% to 5.0%. The balance at year-end 2019 was \$32.1M.

2. 2016A Note payable: District of Columbia payable quarterly in annual totals ranging from \$1.8M to \$4.4M through 2046, plus interest at 5.0%. The balance at year-end 2019 was \$57.9M.

3- 2016B Note payable: District of Columbia payable quarterly in annual totals ranging from \$2.0M to \$2.3M through 2026, plus interest at 2.1%. The balance at year-end 2019 was \$15.0M.

4- OPCSFS Note payable of \$3.0M, interest only until maturity in 2046. Interest earnings of the Credit Enhancement Account are remitted quarterly to OPCSFS. The balance at year-end was \$3.0M.

#### Property Lease:

Payments on the Collegiate Academy capital lease are subject to a base rent which increases at 2% annually until 2020. Annual rent payments range from \$472K to \$728K, which are reduced by available rent credits subject to an annual minimum payment of \$63K.

/ RP Nathaniel Davis CEO & Exec. Chairman \$2.1M	School Name	FY19 Revenues	FY19 Operating Result
Related Party ("RP")   For Profit     K-12, Inc.   For Profit     Highest Paid Employee / Head of MO / RP   Total Compensa     Nathaniel Davis   CEO & Exec. Chairman   \$2.1M     Services Provided   FY19 Payment   % of School Revel     Online Educational Operation and Programming   \$1,800,163   1.94%     DC PCSB Comments     K12 operates Friendship's online campus & provides Friendship with online programming, including curriculum and technical supportschool pays K12 \$8,500 per student per year. The school paid \$1.9MM in FY 2019.     Please note that the highest paid employee above was taken from the most recent SEC report available at the time this report was	Friendship PCS	\$92,712,268	\$1,851,839
Highest Paid Employee / Head of MO   Title   Total Compensation     Nathaniel Davis   CEO & Exec. Chairman   \$2.1M     Services Provided   FY19 Payment   % of School Revolution     Online Educational Operation and Programming   \$1,800,163   1.94%     Total     Total   \$1,800,163   1.94%     DC PCSB Comments     K12 operates Friendship's online campus & provides Friendship with online programming, including curriculum and technical support school pays K12 \$8,500 per student per year. The school paid \$1.9MM in FY 2019.     Please note that the highest paid employee above was taken from the most recent SEC report available at the time this report was		MO/RP Tax Status	
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School Comments		Comments	