KEY FINANCIAL INDICATORS

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

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

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

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

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

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

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

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

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

Unresolved Prior Year Findings: 0

Debt Compliance Issue - Financial: Yes
Debt Compliance Issue - Reporting: No

* Balloon Payment Amount: 0

\[\bullet = 2018 \text{ Sector Median} \quad \nabla = 2018 \text{ School Results} \quad \Box = 2017 \text{ School Results}\]

Comments from the School

PCS EXPENSES BY CATEGORY

Latin Amer. Montessori B. PCS
DC Charter Sector
While the school’s financial position remained strong, it should be noted that all of its financial indicators declined from FY 2017 and that a material instance of noncompliance was identified by the school’s auditor related to procurement bidding.

Enrollment grew 8.5% in FY 2018, while revenue increased at a strong 17.9%. Expenses, however, grew 23.7%, resulting in an operating deficit of $111K or 2.2%. The school’s current ratio and days of cash on hand remained strong at 2.2 and 125, respectively, indicating no immediate liquidity concern. The school was appropriately leveraged, with a debt ratio of 0.54, essentially indicating that 54% of total assets were financed using debt. Further, the school breached its debt covenants in FY 2018 but received a waiver from its lender.

The school has estimated a $4.8M balloon payment scheduled to be paid in June 2020 when its mortgage matures. The school maintains a number of sublease agreements, including:

- A sublease rental agreement with the Charter School Incubator Initiative for a school facility for a 15-year period expiring in June 2028 at 3825 18th Street, NE. The lease calls for an annual usage fee of $652.5K, which is inclusive of utilities, maintenance, janitorial, security monitoring, and property management services. In addition, the Charter School Incubator Initiative provided a grant to the school to supplement the annual required usage fee.
- A sub-sublease agreement commencing in June 2016 with Perry Street Preparatory PCS for rental of its facility at 3825 18th Street, NE, expiring June 2028. The rental expense for this property as of year ended June 30, 2018, was approximately $281K.
- A sublease agreement with the District of Columbia International School for the rental of a school facility for 29 years and 11 months. The school entered into this agreement in November 2016.