DC PUBLIC CHARTER SCHOOL BOARD

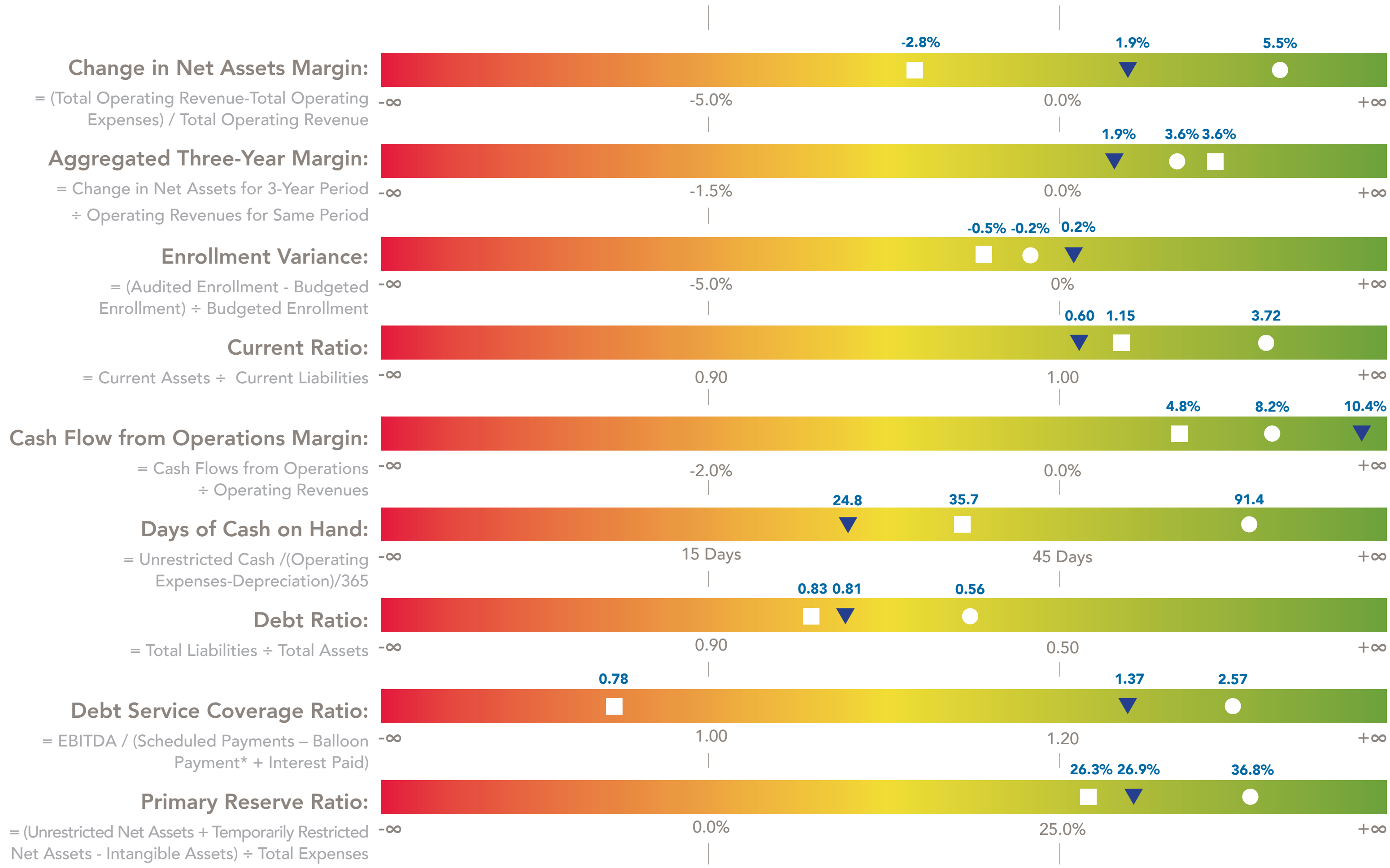
MUNDO VERDE BILINGUAL PCS

FY2018 Financial Analysis Report

Opened: 2011 - 2012

Audited Enrollment: 578

KEY FINANCIAL INDICATORS



Unresolved Prior Year Findings: 0

Debt Compliance Issue - Financial: No

Debt Compliance Issue - Reporting: No

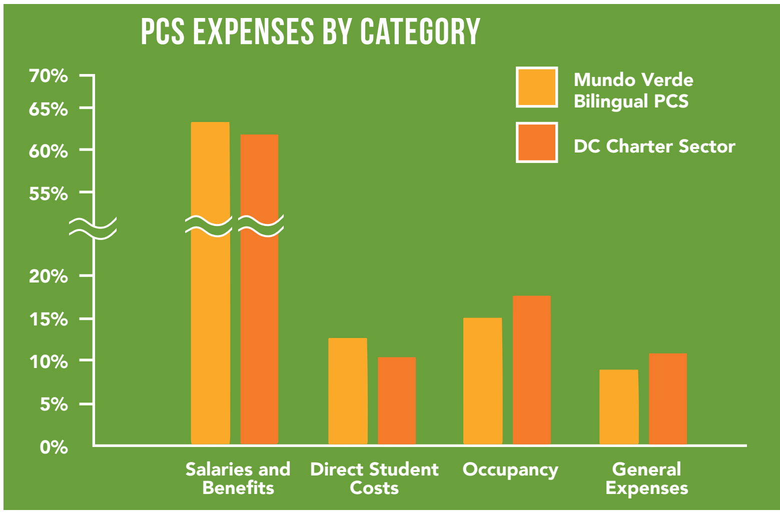
* Balloon Payment Amount: 0

● = 2018 Sector Median ▼ = 2018 School Results ■ = 2017 School Results

Comments from the School

We believe that the current ratio as calculated above does not reflect Mundo Verde's true short-term obligations. At the time of the FY 2018 financial audit, Mundo Verde was renegotiating January 2014 financing from the Office of Public Charter School Financing and Support (OPCSFS) in the amount of approximately $2M. While the balance was due in FY 2019 at the time of the audit, our understanding was that refinancing would be agreed upon in the near future. The obligation of that $2M debt has since been extended to July 2019, resulting in an obligation that is no longer a current liability as of June 30, 2018. If it is not considered a current liability, the current ratio would be calculated as 1.4, well above the target of 1.0 as listed above.

Additionally, the calculation of the days of cash on hand was deflated as a result of the consideration of a debt service account as restricted cash. As of June 30, 2018, Mundo Verde had approximately $9.5M in outstanding debt related to January 2014 DC revenue bond/United Bank financing. According to the debt agreement, we were required to maintain a restricted reserve fund for two consecutive fiscal years with no defaults. This fund was created in January 2014, all requirements were met, and the fund was maintained for two years. We maintained a balance of $540K in the debt service account as of June 30, 2018, as a precaution but considered it to be essentially unrestricted. This $540K reserve fund balance was not considered in the calculation of days of cash on hand above. If it had been, the value would have been 40 days instead of 25.



MUNDO VERDE BILINGUAL PCS

FY2018 Financial Analysis Report

FINANCIAL POSITION

	2018	2017
Total Assets	$16,548,206	$16,675,603
Current Assets	$2,093,392	$1,812,030
Total Liabilities	$13,408,933	$13,761,663
Current Liabilities	$3,490,919	$1,578,571
Net Asset Position	$3,139,273	$2,913,940

FINANCIAL ACTIVITIES

	2018	2017
Revenues and Support	$11,894,508	$10,766,298
Expenses	$11,669,175	$11,068,796
Non-operating Revenues (Expenses)	$0	-$137
Surplus (Deficit)	$225,333	-$302,635

AUDIT FINDINGS

	2018	2017
Qualified/Modified/Adverse Opinion on the Financial Statements	No	No
Material Weakness in Internal Control over Financial Reporting (GAS)	No	No
Non-compliance Material to the Financial Statements (GAS)	No	No
Modified Opinion on Major Federal Award Programs (Uniform Guidance)	No	No
Material Weaknesses in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance)	No	No
Findings and Questioned Costs	0	0
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

	2018	2017	2018 Sector Median
DC Funding per Student	$17,471	$15,834	$19,243
Grants and Contributions Per Student	$691	$848	$492
Total Revenues per Student	$20,579	$19,123	$22,382
Expenses per Student	$20,189	$19,660	$21,375

PCSB OBSERVATIONS

In FY 2018, the school had a positive change in net assets of $225K, indicating that its revenues exceeded it expenses for the year. The school's current ratio declined to 0.55 in FY 2018 from 1.15 in FY 2017. At the time of the issuance of the school's financials, a balloon payment related to a loan from the Office of Public Charter School Financing and Support (OPCSFS) was due at maturity in January 2019. Subsequent to the issuance of the school's financials, the maturity of the loan was extended, and it no longer presents an immediate liquidity concern. The school's unrestricted days of cash on hand also trended negatively from FY 2017; this was largely because $540K was held in a restricted cash account.

The school's debt ratio was 0.81, an improvement from FY 2017, as a result of the school's paydown of liabilities of approximately $350K. The school's remaining outstanding obligations in FY 2018 include:

- In January 2014, the school secured a revenue bond issued for $11.48M to acquire and renovate the building it is using. The bond is set to mature in February 2030 and includes certain financial covenants that the school must maintain.
- In January 2014, the school secured a $2M loan from the OPCSFS. A balloon payment of $1.98 was due at the original maturity of the loan in January 2019; the maturity of the loan has since been extended to July 2019.

In 2014, the school entered into a 30-year lease agreement with the District of Columbia. For every $1M spent on leasehold improvements, the school is eligible for 12 months' rent abatement. Rent expense related to this lease totaled $327K in FY 2018. The school entered into another lease agreement for an additional school location, which is set to expire in June 2047.