KEY FINANCIAL INDICATORS

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

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

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

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

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

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

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

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

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

Unresolved Prior Year Findings:

Comments from the School

PCS EXPENSES BY CATEGORY

Washington Leadership Academy PCS FY2018 Financial Analysis Report
Overall, the school’s financial position did not present a concern, as all of its financial indicators improved from FY 2017. The school ended FY 2018 with an operating surplus of $2.2M, almost a $2M increase from FY 2017, largely the result of higher enrollment and a significant private grant. The school’s liquidity did not present a concern, with a strong current ratio of 14.1. Liquidity refers to a school’s ability to convert assets to cash in order to meet its obligations; DC PCSB considers a current ratio above 1.0 as sufficient as it indicates that for every liability coming due in the current year, there is an asset expected to convert to cash that will meet the need. The school’s cash flow from operations margin was also strong, indicating that operations were being managed adequately to generate a cash surplus. Lastly, the school ended the year with 255 days of cash on hand.

The school entered into a use agreement to lease space for its office and schools, which is set to expire on June 30, 2021. The agreement includes an option to purchase the premises at any time after the fifth year but before the 10th year of the lease effective date. The rent payment is determined as a usage fee and is payable quarterly. Total rent expense for this lease in FY 2018 was $651K.