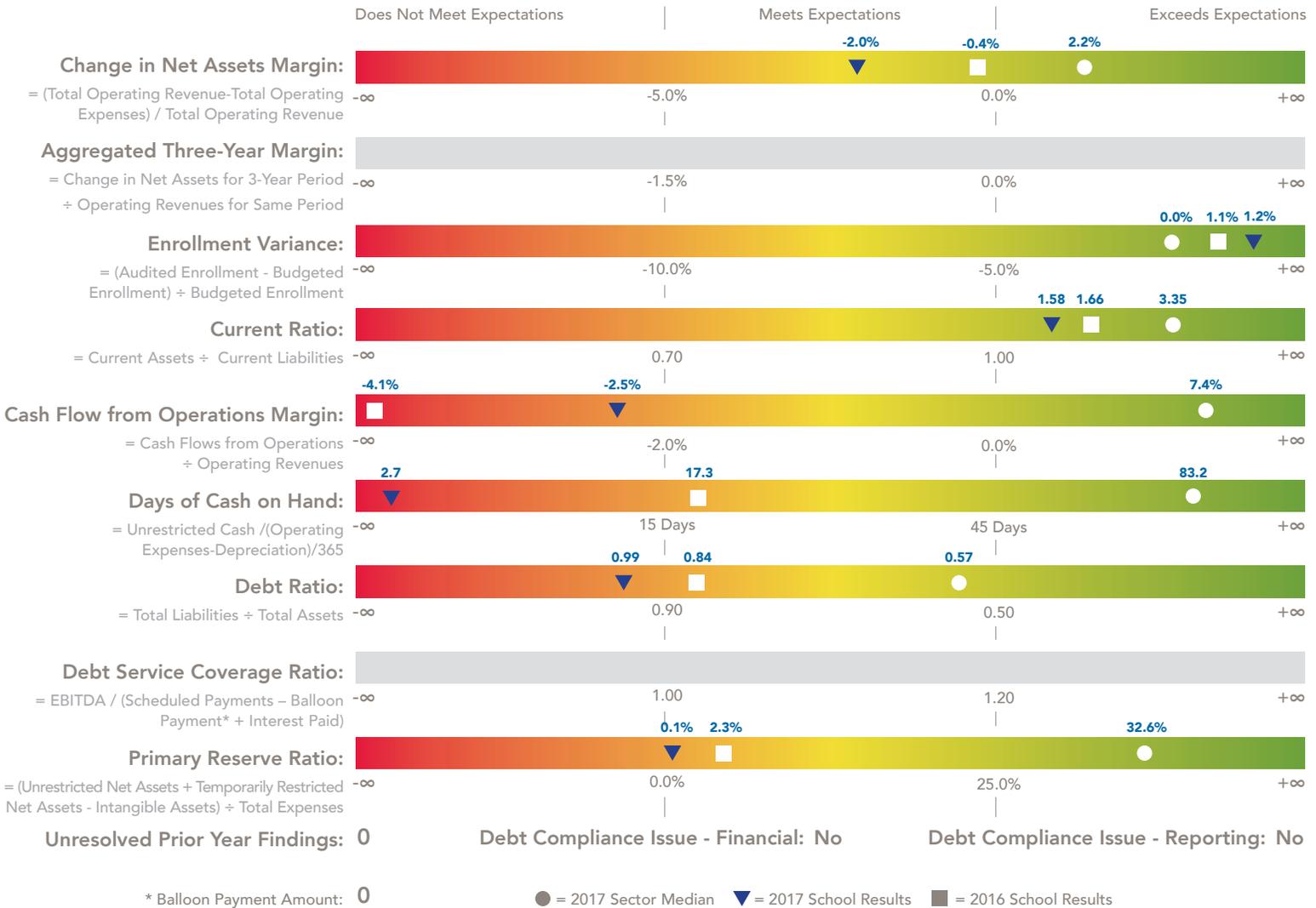


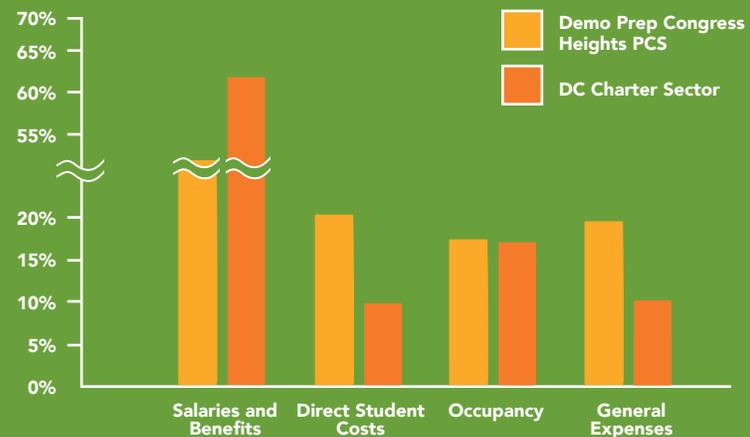
KEY FINANCIAL INDICATORS



Comments from the School

The actual number of scholars we anticipate enrolling is thus far exceeding what we had anticipated. Based on this, we foresee a larger anticipated surplus for FY18-19 which should more than adequately address the concern of days of cash on hand.

PCS EXPENSES BY CATEGORY



DEMOCRACY PREP CONGRESS HEIGHTS PCS

FY2017 Financial Analysis Report

FINANCIAL POSITION

	2017	2016
Total Assets	\$1,672,289	\$1,810,589
Current Assets	\$1,425,832	\$1,634,223
Total Liabilities	\$1,655,369	\$1,527,871
Current Liabilities	\$901,770	\$983,783
Net Asset Position	\$16,920	\$282,718

FINANCIAL ACTIVITIES

	2017	2016
Revenues and Support	\$12,998,775	\$12,057,841
Expenses	\$13,264,573	\$12,111,099
Non-operating Revenues (Expenses)	\$0	\$0
Surplus (Deficit)	-\$265,798	-\$53,258

AUDIT FINDINGS

	2017	2016
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	1
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

	2017	2016	2017 Sector Median
DC Funding per Student	\$17,582	\$16,987	\$18,019
Grants and Contributions Per Student	\$246	\$150	\$298
Total Revenues per Student	\$19,815	\$19,231	\$20,790
Expenses per Student	\$20,220	\$19,316	\$20,387

PCSB OBSERVATIONS

The school has a few key financial indicators that are cause for concern. At June 30, 2017, the school had less than three days of cash on hand, well below the acceptable floor of 15 days. It is worth noting that the school had a current asset in prepaid expenses of \$356K at year-end, which could have caused the low cash on hand. Even adjusting for the prepaid expenses, however, the school had 12 days of cash, which remains below the meets-expectations range.

The school experienced a decline in net assets in both 2017 and 2016, growing from a deficit of (\$53.2K) in 2016 to a deficit of (\$265.8K) in 2017. While the change in net assets margin of -2% is in the meets-expectations range, consecutive years of deficits can be a cause for concern.

While the school's current ratio, a measure of the financial resources available to meet short-term obligations, remains above expectations at 1.58, the school's primary reserve ratio, a measure of financial strength, is 0.1%, barely above the acceptable floor and well below the sector median of 32.6%.

The school leases its facility through an operating sublease that expires in 2026. Rent expense for 2017 was roughly \$1.7M, and the school has roughly \$15.8M in future minimum lease payments.

School Name	FY17 Revenues	FY17 Operating Result
Democracy Prep Congress Heights PCS	\$12,998,775	\$(265,798)
Management Organization ("MO") / Related Party ("RP")	MO/RP Tax Status	
AppleTree Institute for Education Innovation	Non-Profit	
Highest Paid Employee / Head of MO / RP	Title	Total Compensation
William J. McCarthy	President and CEO	\$244,996
Services Provided	FY17 Payment	% of School Revenue
Educational Program for Pre-School and Pre-Kindergarten	\$1,655,118	12.73%
Total	\$1,655,118	12.73%

DC PCSB Comments

The school has an instruction agreement with the AppleTree Institute for Education Innovation (AppleTree). AppleTree fully manages and operates the educational program for PK3 and PK4. As a management fee for these services, AppleTree receives an amount equal to the per-pupil funding the school receives for its enrolled PK3 and PK4 students, excluding the facilities allotment and less any administrative fees.

The school incurred management fees of \$1.7M in 2017.

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

School Name	FY17 Revenues	FY17 Operating Result
Democracy Prep Congress Heights PCS	\$12,998,775	\$(265,798)
Management Organization ("MO") / Related Party ("RP")	MO/RP Tax Status	
Democracy Prep Public Schools	Non-Profit	
Highest Paid Employee / Head of MO / RP	Title	Total Compensation
Katherine Duffy Stanton	CEO	\$255,806
Services Provided	FY17 Payment	% of School Revenue
Management fee	\$823,298	6.33%
Rent and payroll expenses	\$174,495	1.34%
Total	\$997,793	7.67%
DC PCSB Comments		
<p>The school is affiliated with Democracy Prep Public Schools Inc. (DPPS), Democracy Prep Charter School (DPCS), and Democracy Builders Inc. (DBI). On July 1, 2014, the school entered into a management agreement with DPPS to assume responsibility for the school's educational process, management, and operations. The school shall pay DPPS an annual fee equal to 15% of non-competitive public revenue in the initial term. This fee will decline by 0.5% per year until it reaches 12%. \$823,298 incurred by the school for management fees.</p> <p>\$174,495 to reimburse DPPS for incurred costs on behalf of the school for rent and payroll expenses.</p> <p>There were no transactions with DBI, which provides recruiting and outreach services.</p> <p>Please note that the highest paid employee above was taken from the most recent 990 available at the time this report was produced.</p>		
School Comments		