INSPIRED TEACHING DEMONSTRATION PCS

FY 2022 Financial Analysis Report

DC PUBLIC CHARTER SCHOOL BOARD

Opened: FY 2012

Audited Enrollment: 505

KEY FINANCIAL INDICATORS

Indicator	Formula	Scale	FY 2022 Sector Median	FY 2022 School Results	FY 2021 School Results
Change in Net Assets Margin:	= (Operating Revenues – Operating Expenses) ÷ Operating Revenues	(∞) · (5%) · 0% · +∞	4%	9%	8%
Aggregate Three-Year Margin:	= Three-Year Operating Income ÷ Three-Year Operating Expenses	(∞) · (1.5%) · 0% · +∞	8%	10%	10%
Enrollment Variance:	= (Audited Enrollment – Budgeted Enrollment) ÷ Budgeted Enrollment	(∞) · (5%) · 0% · +∞	(1%)	(3%)	0%
Current Ratio:	= Current Assets ÷ Current Liabilities	(∞) · 0.9 · 1.0 · +∞	5.8	9.7	13.4
Cash Flow from Operations Margin:	= Operating Cash Flow ÷ Operating Revenues	(∞) · (2%) · 0% · +∞	7%	10%	(1%)
Days of Cash on Hand:	= (Cash and Cash Equivalents + Short-Term Investments) ÷ [(Operating Expenses – Depreciation and Amortization) ÷ 365 Days]	(∞) · 30 Days · 45 Days · +∞	146	263	232
Debt Ratio:	= Total Liabilities ÷ Total Assets	(∞) · 0.9 · 0.5 · +∞	0.5	0.6	0.3
Primary Reserve Ratio:	= Net Assets ÷ Operating Expenses	(∞) · 0.0 · 0.2 · +∞	0.6	0.6	0.7

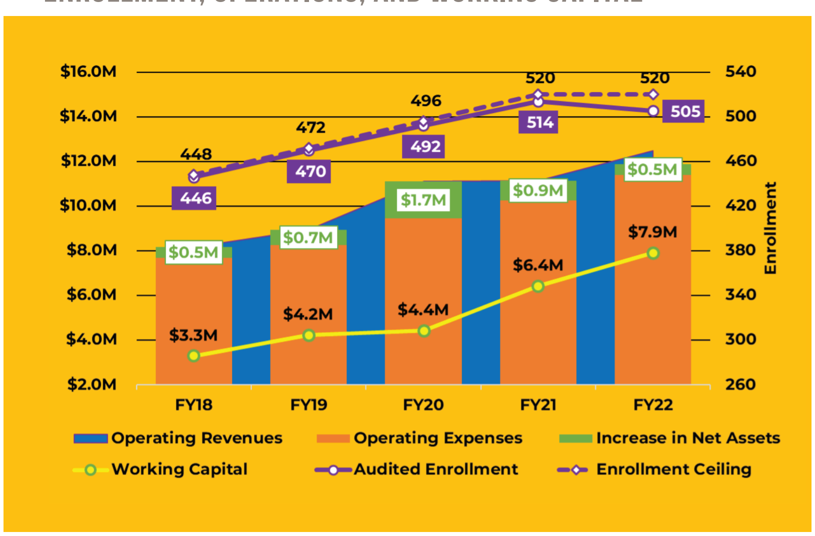
● = FY 2022 Sector Median ▼ = FY 2022 School Results ■ = FY 2021 School Results

Unresolved Prior Year Audit Findings: 0

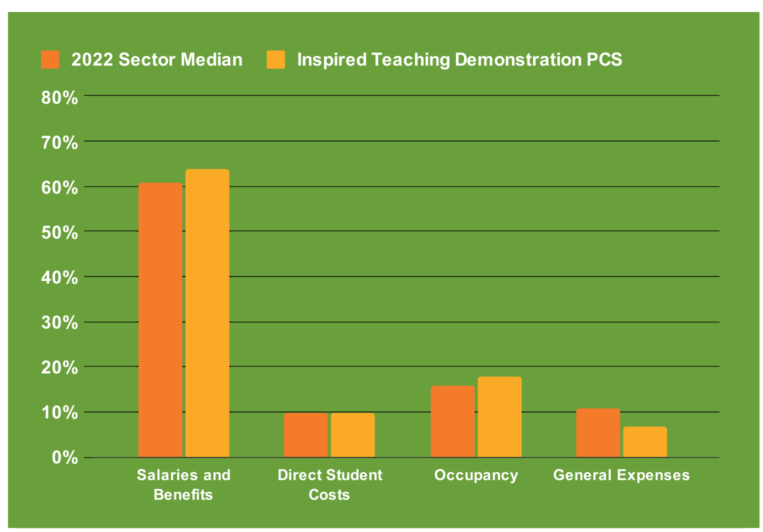
Debt Compliance Issue - Financial: 0

Debt Compliance Issue - Reporting: 0

ENROLLMENT, OPERATIONS, AND WORKING CAPITAL



DC PCS EXPENSES BY CATEGORY



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FINANCIAL POSITION

	Amounts in $000s 2022	2021	% Increase (Decrease)
Total Assets	$19,751	$9,106	117%
Current Assets	$8,820	$6,942	27%
Total Liabilities	$12,554	$2,397	424%
Current Liabilities	$912	$518	76%
Working Capital	$7,908	$6,424	23%
Net Assets	$7,198	$6,709	7%

FINANCIAL ACTIVITIES

	Amounts in $000s 2022	2021	% Increase (Decrease)
Operating Revenues	$12,472	$11,149	12%
Operating Expenses	$11,395	$10,241	11%
Nonoperating Income (Loss)	$0	$0	
Surplus (Deficit)	$1,076	$908	19%
Other Changes in Net Assets	($588)	$0	
Increase (Decrease) in Net Assets	$489	$908	(46%)

AUDIT FINDINGS

	2022	2021
Qualified/Adverse/Disclaimer of Opinion on the Financial Statements (GAAP)	No	No
Material Weaknesses in the Internal Control over Financial Reporting (GAS)	No	No
Noncompliance Material to the Financial Statements (GAS)	No	No
Qualified/Adverse/Disclaimer of Opinion on Major Federal Programs (Uniform Guidance)	No	N/A
Material Weaknesses or Significant Deficiencies in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance)	No	N/A
Findings and Questioned Costs (Uniform Guidance)	0	N/A
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

Per Student	2022	2021	% Increase (Decrease)	2022 Sector Median
DC Local Funding	$21,763	$19,838	10%	$22,259
Grants and Contributions	$600	$415	45%	$874
Operating Revenues	$24,696	$21,692	14%	$29,789
Operating Expenses	$22,565	$19,924	13%	$28,225
Operating Income (Loss)	$2,132	$1,767	21%	$1,472

The numbers presented above may not sum precisely to the totals provided due to rounding, and the percentages are calculated on the unrounded numbers for the greatest precision

DC PCSB OBSERVATIONS

The LEA continued to demonstrate strong financial performance, despite the 9 student (2%) enrollment decrease. From FY 2021 to FY 2022, operating revenues increased $1.3M (12%) primarily from increases in categorical enhancements of $0.7M (35%) reflecting increases in special populations, especially Special Ed Level 4 from 7 to 23 students) and federal entitlements and other federal funds of $0.4M (74%) due to COVID 19 relief funding. Due to the return to in-person learning, a cross-the-board salary increase, the addition of six staff positions, and added COVID-19 safety protocols, operating expenses increased $1.2M (11%) from increases in personnel salaries and benefits of $0.6M (9%), direct student expenses of $0.3M (35%), occupancy expenses of $0.2M (8%), and general expenses of $0.1M (11%). In addition, a $0.6M loss on redemption of the controlling member in Shaed School LLC decreased other changes in net assets.

In May and June 2022, the LEA purchased from Shaed School LLC equipment and leasehold improvements at a $8.2M net book value. The LEA borrowed $10.5M to fund this acquisition under a 5% note. The 0.6 debt ratio at FYE 2022, while greater than the 0.5 target, is not a reason for concern. This is because the LEA can easily service its debt with its strong liquidity. As of FYE 2022, the LEA had 263 days of cash on hand (significantly above the 45-days' target), a 0.6 primary reserve ratio (above the 0.2 target), and a current ratio of 9.7 (above the 1.0 target).

The 263 days of cash on hand, corresponding with an $8.0M unrestricted cash balance, is the result of intentional planning over the past 5 years for several financial contingencies.

- The lease was due to expire in 2019 and was not extended until April 2022. During the intervening period, the LEA began to reserve funds in case an acquisition and/or renovation of a new school building was needed, as it was unclear if DC would extend the lease.
- The HVAC system in the leased building has caused problems since it was installed in 2014 and the LEA has been reserving funds for increased maintenance and repair costs.
- The LEA began renovating the building basement prior to the COVID-19 pandemic, then paused construction during the pandemic. The LEA has been reserving funds to complete the renovation.

The LEA plans to spend down these reserves over the next 3 years and return to the sector median in the following ways.

- The LEA's OSSE construction loan of $1.8M will need to be repaid in full in April 2026 via balloon payment. This will decrease the LEA's cash balance by nearly $1.8M at that time.
- The LEA plans to complete the renovation of the basement which is now estimated to cost approximately $4 million.
- The LEA expects to spend about $0.9M on an HVAC overhaul and other energy enhancements.

The above represents cash outflows of $6.7M over the next 3 years, absent any new financing. This would decrease the LEA's unrestricted cash balance to approximately $1.4M. The LEA will manage those expenses and/or obtain additional financing to ensure continued compliance with DC PCSB's days of cash on hand target.