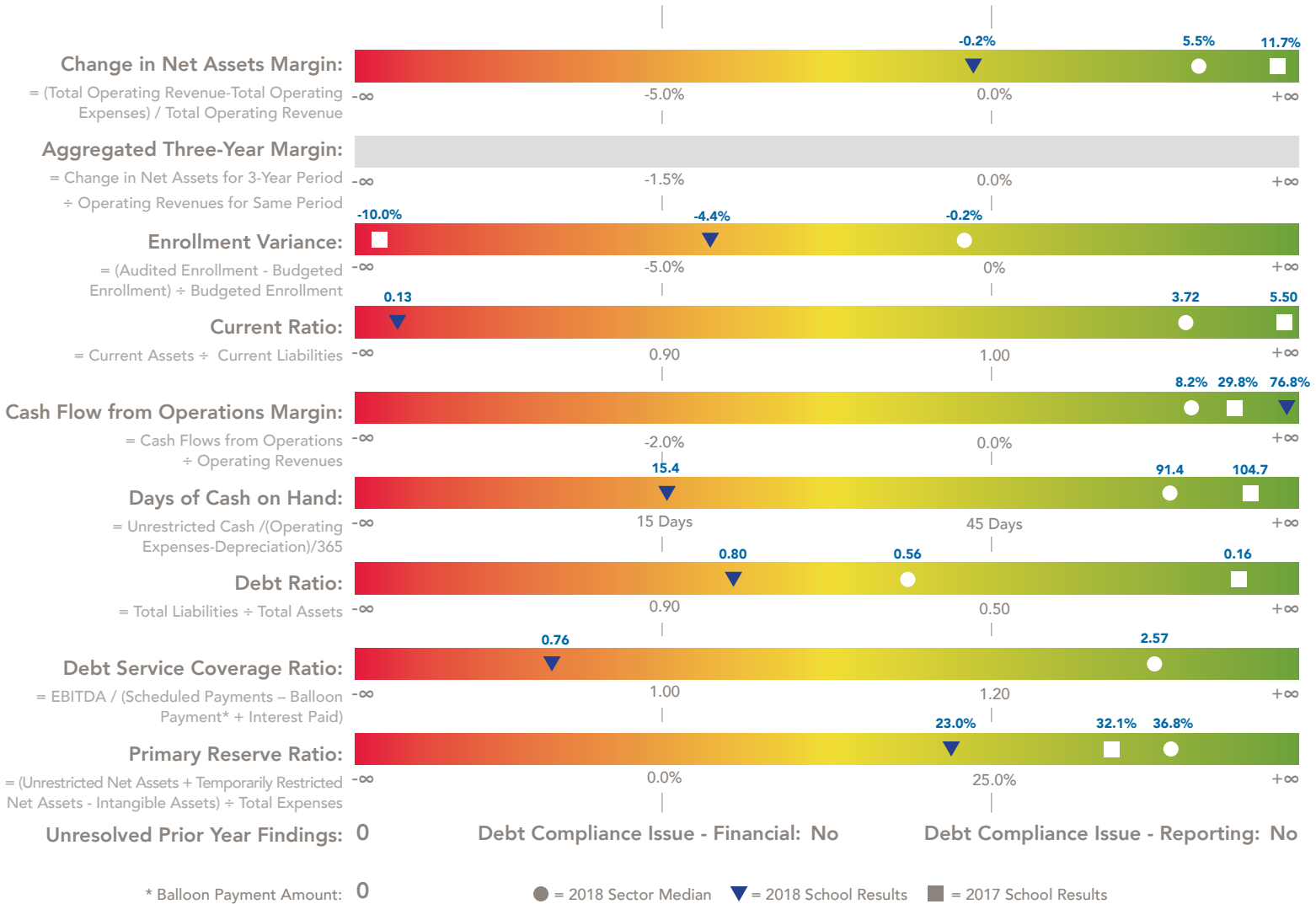


KEY FINANCIAL INDICATORS

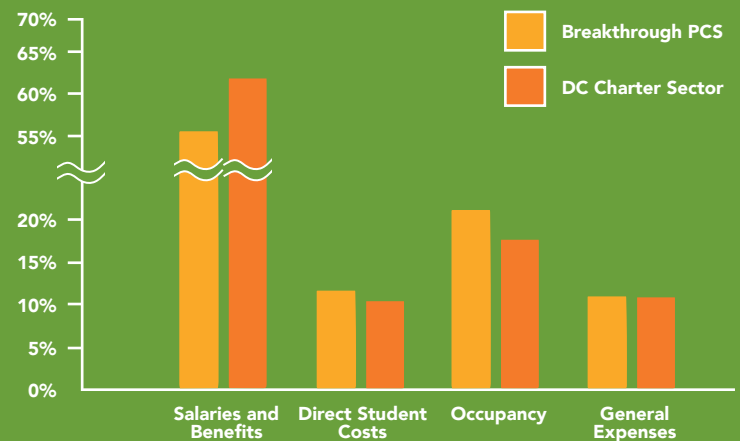


Comments from the School

As noted by the PCSB, our low days of cash and current ratio at the end of FY 2018 were the result of construction costs and related payables that fell due before the final closing and transfer of funds from our construction loans. The school's scores on these measures indicate a timing issue rather than actual liquidity concern.

Our auditor noted two areas of concern related to record keeping. These issues were generated in part by a turnover in school leadership and in part by disorganization of files during the move into our new Takoma facility. To address these concerns, we have reviewed operations procedures, expanded our operations team, and implemented new practices and policies to ensure diligent record keeping.

PCS EXPENSES BY CATEGORY



BREAKTHROUGH MONTESSORI PCS

FY2018 Financial Analysis Report

FINANCIAL POSITION

	2018	2017
Total Assets	\$3,134,152	\$755,844
Current Assets	\$309,409	\$619,508
Total Liabilities	\$2,506,537	\$124,091
Current Liabilities	\$2,355,541	\$112,569
Net Asset Position	\$627,615	\$631,753

FINANCIAL ACTIVITIES

	2018	2017
Revenues and Support	\$2,719,124	\$2,229,334
Expenses	\$2,723,262	\$1,968,474
Non-operating Revenues (Expenses)	\$0	\$0
Surplus (Deficit)	-\$4,138	\$260,860

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	\$19,526	\$18,778	\$19,243
Grants and Contributions Per Student	\$113	\$6,123	\$492
Total Revenues per Student	\$21,078	\$27,523	\$22,382
Expenses per Student	\$21,111	\$24,302	\$21,375

PCSB OBSERVATIONS

The school ended FY 2018 in a weak liquidity position, with a current ratio of 0.13 and 15 days of cash on hand. The liquidity concerns were largely the result of the school's investment of more than \$2.5M in its new facility, which opened in SY 2018 - 19. Subsequent to the school's financial statement date, Breakthrough signed four loan agreements with City First Bank of DC, the Office of the State Superintendent of Education, and Building Hope for a total of \$2M for leasehold improvements of the school's new facility. The new loans will allow the school to pay off its current accounts payable and replace this short-term payable with long-term debt, improving the school's liquidity.

The school's auditor identified two significant deficiencies in the current year: one related to the lack of controls over cash disbursements and the other related to employment records. A significant deficiency is a single weakness or a combination of weaknesses in the internal controls associated with financial reporting which is less severe than a material control weakness but sufficient to merit the scrutiny of those responsible for administering an entity's financial reporting.

On April 5, 2016, the school entered into a sublease agreement with Bridges PCS for its current facility at 1230-1246 Taylor Road, NW. The sublease commenced August 1, 2016, and will expire July 30, 2021. Rent expense for the year ended June 30, 2018, totaled \$496K. In school year 2018, the school announced its intent to lease a second facility and to operate with two campuses before moving to its new facility at the expiration of the lease.