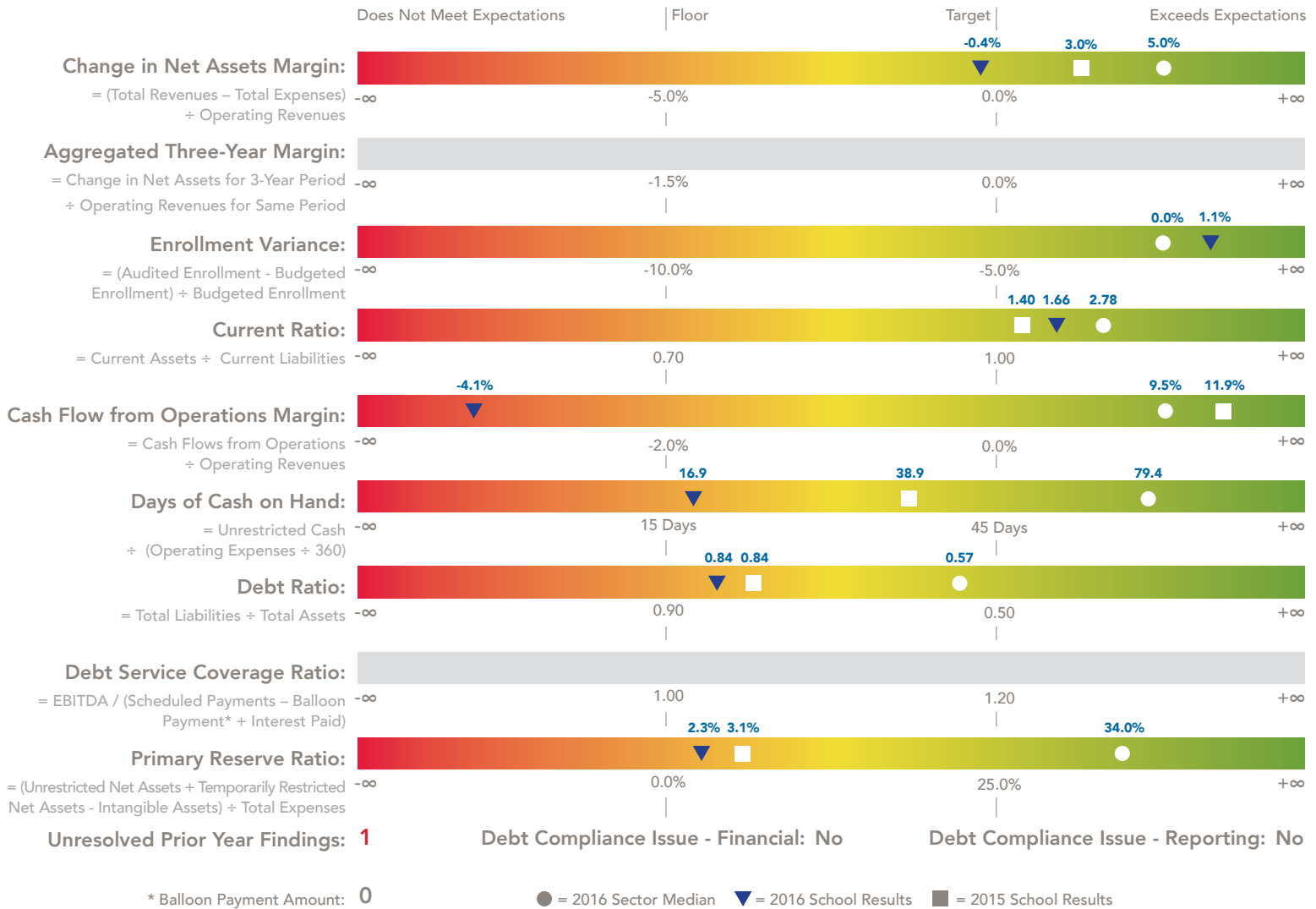
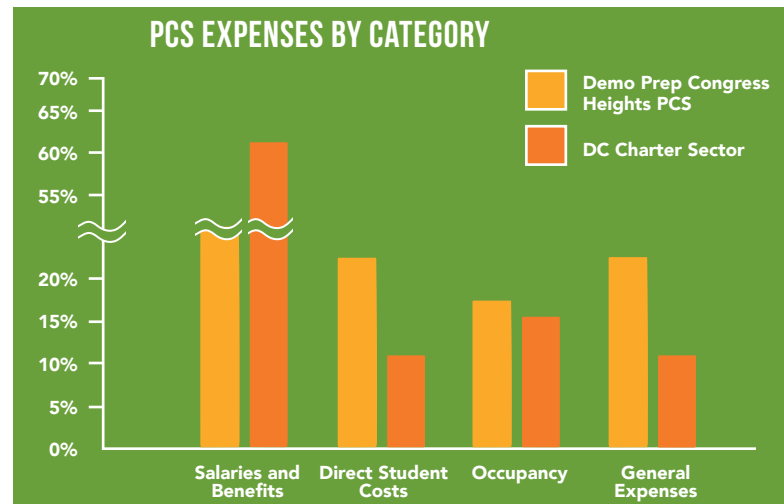


KEY FINANCIAL INDICATORS



Comments from the School



DEMOCRACY PREP CONGRESS HEIGHTS PCS

FY2016 Financial Report Card

FINANCIAL POSITION

| | 2016 | 2015 |
|---------------------|-------------|-------------|
| Total Assets | \$1,810,589 | \$2,106,322 |
| Current Assets | \$1,634,223 | \$1,917,190 |
| Total Liabilities | \$1,527,871 | \$1,770,346 |
| Current Liabilities | \$983,783 | \$1,366,223 |
| Net Asset Position | \$282,718 | \$335,976 |

FINANCIAL ACTIVITIES

| | 2016 | 2015 |
|-----------------------------------|--------------|--------------|
| Revenues and Support | \$12,057,841 | \$11,307,571 |
| Expenses | \$12,111,099 | \$10,971,595 |
| Non-operating Revenues (Expenses) | \$- | \$- |
| Surplus (Deficit) | \$(53,258) | \$335,976 |

AUDIT FINDINGS

| | 2016 | 2015 |
|--|------|------|
| Qualified/Modified/Adverse Opinion on the Financial Statements | No | No |
| Material Weakness in Internal Control over Financial Reporting (GAS) | No | Yes |
| 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 | 3 | 5 |
| Going-Concern Issue | No | No |

REVENUES/EXPENSES PER STUDENT

| | 2016 | 2015 | 2016 Sector Median |
|-----------------------------------|----------|----------|--------------------|
| DC Funding per Student | \$16,987 | \$16,320 | \$17,657 |
| Philanthropic Funding per Student | \$150 | \$77 | \$581 |
| Total Revenues per Student | \$19,231 | \$18,238 | \$20,775 |
| Expenses per Student | \$19,316 | \$17,696 | \$19,644 |

PCSB OBSERVATIONS

FACILITIES:

\$1.5M in rent expense for sublease; expires in June 2026. The lease was modified in December 2015 to allow the school to perform construction on the property.

AUDIT FINDINGS:

The audit report noted two Significant Deficiencies in controls over financial reporting, as well as a finding related to Federal Awards in 2016.

Liabilities were understated, as an accrual for a balance due to the DC government related to fiscal year 2016 was not recorded.

The School recognized a gain by de-recognizing the deferred rent liability when the lease was amended, causing the deferred rent liability to be understated.

The School did not maintain timesheets for salaried staff for a portion of the year until new internal controls were implemented as a result of a prior year audit finding regarding timesheet maintenance. The use of timesheets was implemented in January 2016.

| School Name | FY16 Revenues | FY16 Operating Result |
|--|--------------------|---|
| Democracy Prep Congress Heights PCS | \$12,057,841 | \$(53,258) |
| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | Most Recent Public Financials |
| Democracy Prep Public Schools | Non-Profit | http://www.guidestar.org/FinDocuments/2015/202/629/2015-202629354-0cccc2b9-9.pdf |
| Highest Paid Employee / Head of MO / RP | Title | Total Compensation |
| Katherine Duffy Stanton | CEO | \$245,739 |
| Services Provided | FY16 Payment | % of School Revenue |
| Management fee | \$1,527,375 | 12.7% |
| Rent and payroll expenses | \$70,845 | 0.6% |
| | | |
| Total | \$1,598,220 | 13.3% |
| 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). Transactions between these entities were:</p> <p>\$1,527,375 in management fees (15% of non-competitive public revenue) for fees incurred to DPPS for a two-year management agreement ending June 30, 2016. This fee will decline by 1/2% per year until it reaches 12%.</p> <p>\$70,845 to reimburse DPPS for cost incurred costs on behalf of the School for rent and payroll expenses.</p> <p>\$108,259 paid to DPCS for reimbursable costs related to general operating expenses.</p> <p>There were no transactions with DBI, which provides recruiting and outreach services.</p> <p>The School also has an instruction agreement with the Apple Tree Institute for Education (Apple Tree). Apple Tree fully manages and operates the educational program for Pre-K3 and Pre-K4. As a management fee for these services, Apple Tree receives an amount equal to the per-pupil funding the School receives for its enrolled Pre-K3 and Pre-K4 students, excluding the facilities allotment and less any administrative fees.</p> <p>The School incurred management fees of \$1.7 M in 2016.</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 | | |
| | | |

| School Name | FY16 Revenues | FY16 Operating Result |
|--|------------------|---|
| Democracy Prep Congress Heights PCS | \$12,057,841 | \$(53,258) |
| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | Most Recent Public Financials |
| Democracy Prep Charter School (DPCS) | Non-Profit | http://www.guidestar.org/FinDocuments/2015/203/683/2015-203683193-0cc72708-9.pdf |
| Highest Paid Employee / Head of MO / RP | Title | Total Compensation |
| Evan Jenkins | Teacher | \$132,337 |
| Services Provided | FY16 Payment | % of School Revenue |
| Reimbursements for general operating expenses | \$121,926 | 1% |
| | | |
| Total | \$121,926 | 1% |
| DC PCSB Comments | | |
| The School has a contract for communications services through DPCS, for which the School reimbursed DPCS \$13,667. In addition, during the year ended June 30, 2016, DPCS incurred costs totaling \$108,259 on behalf of the School for general operating expenses and was reimbursed for those costs. | | |
| School Comments | | |
| | | |

| School Name | FY16 Revenues | FY16 Operating Result |
|--|--------------------|---|
| Democracy Prep Congress Heights PCS | \$12,057,841 | \$(53,258) |
| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | Most Recent Public Financials |
| AppleTree Institute for Education Innovation | Non-Profit | http://www.guidestar.org/FinDocuments/2015/043/31/2015-043331760-0c60f25b-9.pdf |
| Highest Paid Employee / Head of MO / RP | Title | Total Compensation |
| William J. McCarthy | President and CEO | \$231,206 |
| Services Provided | FY16 Payment | % of School Revenue |
| Management fee | \$1,650,825 | 14% |
| | | |
| Total | \$1,650,825 | 14% |
| DC PCSB Comments | | |
| AppleTree Institute for Education Innovation, Inc. (AppleTree Institute) was formed to increase the number of effective schools through innovation. AppleTree Institute fully manages and operates the School's pre-school ("Pre-K3") and pre-kindergarten ("Pre-K4") educational programs. AppleTree Institute receives an amount equal to the per-pupil funding the School receives for its enrolled Pre-K3 and Pre-K4 students excluding the facilities allotment and less any administrative fees. | | |
| School Comments | | |
| | | |