

FINANCIAL PERFORMANCE

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

Board Strategic Plan Objective: All charter holders in the portfolio are viable organizations with strong fiscal management practices.

1. NEAR-TERM INDICATORS

1a. Going Concern

Meets Standard:

The most recent audit reporting package does not include explanatory paragraph in Independent Auditor's Report or disclosure in the notes to the financial statements

Does Not Meet Standard:

Blank

Falls Far Below Standard (in one of two ways):

Independent Auditor's Report for the most recent audit reporting package includes an explanatory paragraph and disclosure is included in notes to the financial statements

or

Disclosure included in notes to the financial statements for the most recent audit reporting package, but no modification to Independent Auditor's Report

1b. Unrestricted Days Cash: Unrestricted Cash divided by (Total Expenses/365)

[Note: The Classroom Site Fund cash carryover balance at June 30th would be considered restricted cash and, therefore, would be removed as part of identifying a charter holder's unrestricted cash as of June 30th.]

Meets Standard:

30 or more days cash

Does Not Meet Standard:

At least 15 days cash but fewer than 30 days cash

Falls Far Below Standard:

Fewer than 15 days cash

1c. Default: Defined as in True Default on Obligations

Meets Standard:

School is not in default on material loans

Does Not Meet Standard:

Blank

Falls Far Below Standard:

School is in default on material loans

2. SUSTAINABILITY INDICATORS

2a. Debt to Equity Ratio: Total Liabilities divided by Net Assets

Meets Standard:

Debt to Equity Ratio is positive and less than or equal to 4.0

Does Not Meet Standard:

Debt to Equity Ratio is positive and greater than 4.0

Falls Far Below Standard:

Debt to Equity Ratio is negative

2b. Net Income: Total Revenues less Total Expenses

Meets Standard:

Net income is greater than or equal to \$1

Does Not Meet Standard:

Net income is zero or negative

Falls Far Below Standard:

Blank

2c. Cash Flow

Meets Standard (in one of two ways):

Three-year cumulative cash flow is positive *and* cash flow is positive each year
or

Three-year cumulative cash flow is positive, cash flow is positive in two of three years, *and* cash flow in the most recent year is positive

Note: Criteria currently do not include charters that have operated for less than three years.

Does Not Meet Standard (in one of two ways):

Three-year cumulative cash flow is negative

or

Three-year cumulative cash flow is positive, but does not meet "Meets Standard"

Falls Far Below Standard:

Blank

2d. Fixed Charge Coverage Ratio: (~~Net Income After Tax~~ **CHANGE IN NET ASSETS** + Depreciation + **AMORTIZATION** + Interest Expense + Lease Expense)/(Current Portion of Long-Term Debt and Capital Leases + Interest + Lease Expense)

[Note: The Debt Service Coverage Ratio will be calculated by the audit firm and disclosed in the audit reporting package.]

Meets Standard:

Debt Service Coverage Ratio is equal to or exceeds 1.10

Does Not Meet Standard:

Debt Service Coverage Ratio is less than 1.10

Falls Far Below Standard:

Blank

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