

# 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 30<sup>th</sup> would be considered restricted cash and, therefore, would be removed as part of identifying a charter holder's unrestricted cash as of June 30<sup>th</sup>.]*

**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:**

Blank

**Falls Far Below Standard:**

Net income is zero or negative

### 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. Debt Service Coverage Ratio: *(Net Income After Tax + Depreciation + 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