

# FINANCIAL PERFORMANCE FRAMEWORK

## 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:**

No "Does Not Meet Standard" target established for this measure

**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:**

Charter holder is not in default on material loans

**Does Not Meet Standard:**

No "Does Not Meet Standard" target established for this measure

**Falls Far Below Standard:**

Charter holder is in default on material loans

## 2. SUSTAINABILITY INDICATORS

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

**Meets Standard:**

Total Liabilities to Equity Ratio is positive and less than or equal to 4.0

**Does Not Meet Standard:**

Total Liabilities to Equity Ratio is positive and greater than 4.0

**Falls Far Below Standard:**

Total Liabilities 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:**

No "Falls Far Below Standard" target established for this measure

### 2c. Cash Flow: One-Year Cash Flow = Current Year Total Cash less Prior Year Total Cash

**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

**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:**

No "Falls Far Below Standard" target established for this measure

### 2d. Fixed Charge Coverage Ratio: $(\text{Change in Net Assets}^* + \text{Depreciation} + \text{Amortization} + \text{Interest Expense} + \text{Lease Expense}) / (\text{Current Portion of Long-Term Debt and Capital Leases} + \text{Interest} + \text{Lease Expense})$

\* Net Income After Tax would be used when calculating the ratio for for-profit charter holders.

**Meets Standard:**

Fixed Charge Coverage Ratio is equal to or exceeds 1.10

**Does Not Meet Standard:**

Fixed Charge Coverage Ratio is less than 1.10

**Falls Far Below Standard:**

No "Falls Far Below Standard" target established for this measure