



Arizona State Board for Charter Schools Interpreting the Financial Performance Dashboard

A.R.S. §15-183(R) requires each charter school sponsor to adopt a performance framework. In August 2012, the Arizona State Board for Charter Schools (“Board”) adopted its *Financial Performance Framework and Guidance* (“financial framework”), which represents one component of the Board’s Performance Framework. The purpose of the financial framework is to communicate the Board’s expectations for ensuring that all charter holders in its portfolio are viable organizations with strong fiscal management practices. The term “charter holder” refers to the entity that has entered into a charter contract with the Board to operate one or more charter schools.

The Board has provided the public with online access to each charter holder’s financial performance as evaluated using the financial framework. The charter holder’s financial performance is represented in a dashboard. This document provides basic information about the financial framework and how to interpret a financial performance dashboard (“dashboard”). A [separate document](#) shows how to access a dashboard through ASBCS Online.

Financial Framework Overview

The financial framework uses two indicators designed to evaluate each charter holder’s near-term financial health (“Near-Term Indicator”) and longer term financial sustainability (“Sustainability Indicator”). For each indicator, the framework includes measures to evaluate the charter holder, which are summarized in the table below.

Financial Framework Measures

Measure	Description	Performance Target
Going Concern (Near-Term)	Risk that the charter holder will discontinue operations within a year	No going concern issue identified in the annual audit
Unrestricted Days Liquidity (Near-Term)	Indicates how many days a charter holder can pay its expenses without an influx of cash	At least 30 days
Default (Near-Term)	Whether or not a lender has issued formal notice of default to the charter holder	No default on material loans
Net Income (Sustainability)	Looks at whether the charter holder is operating within its available resources—that its revenues exceed its expenses	Greater than or equal to \$1
Fixed Charge Coverage Ratio (Sustainability)	Captures the amount of cushion in the charter holder’s cash flow to cover fixed obligations or charges	Greater than or equal to 1.1
Cash Flow (Sustainability)	Reflects the change in the charter holder’s cash balance from one fiscal year to another	Cash flow is positive in each of the last three years or three-year cumulative cash flow is positive with positive cash flow in at least two of the three years, including the most recent year

It is important to note that the financial framework excludes measures of how a charter holder manages and expends its funds as the financial framework is not designed to evaluate a charter holder’s spending decisions. More detailed information is available in the Board’s [Financial Performance Framework and Guidance](#).

Financial Performance Dashboard

The information included in the dashboard is either based on disclosures in the charter holder’s annual audit, which is conducted by an independent certified public accountant, or on calculations made by Board staff using information from the annual audit.¹ For each measure, a charter holder receives one of three ratings based on whether the charter holder met the performance target:

Meets Standard	Does Not Meet Standard	Falls Far Below Standard
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Board staff uses the individual measure ratings to determine whether the charter holder meets the Board’s financial performance standard for the audited fiscal year (“annual financial performance”). A charter holder may receive one “Does Not Meet Standard” and still meet the Board’s financial performance standard. If a charter holder receives two or more “Does Not Meet Standard” and/or one or more “Falls Far Below Standard”, then the charter holder does not meet the Board’s financial performance standard. Board staff then uses the charter holder’s annual financial performance for the two most recent audited fiscal years to determine if the charter holder meets the Board’s financial performance expectations. More detailed information regarding how the two years of information are used to determine whether the charter holder meets the Board’s financial performance expectations may be found in the “Evaluation and Intervention” section of the financial framework.

Financial Performance

Demo Charter

For each measure, these columns include the charter holder’s performance.

	Fiscal Year 2013		Fiscal Year 2014			
	No	Meets	No	Meets		
Near-Term Measures						
Going Concern						
Unrestricted Days Liquidity	57.43	Meets	68.45	Meets		
Default	No	Meets	No	Meets		
Sustainability Measures (Negative numbers indicated by parentheses)						
Net Income	\$41,148	Meets	\$103,004	Meets		
Fixed Charge Coverage Ratio	1.25	Meets	1.35	Meets		
Cash Flow (3-Year Cumulative)	\$292,752	Meets	\$213,883	Meets		
Cash Flow Detail by Fiscal Year	FY 2013	FY 2012	FY 2011	FY 2014	FY 2013	FY 2012
	\$211,894	(\$117,513)	\$198,371	\$119,502	\$211,894	(\$117,513)

For each measure, these columns include the charter holder’s rating.

Meets Board’s Financial Performance Expectations ←

If the charter holder did not meet the Board’s financial performance expectations, “Does Not Meet Board’s Financial Performance Expectations” would display here.

Board’s Consideration of Financial Performance

A charter holder’s financial performance is considered by the Board during five-year interval reviews, in conjunction with the Board’s Academic Intervention Schedule, in considering whether to renew the charter contract, when making decisions about eligibility for certain types of expansion, and at other times when the Board makes decisions related to a charter holder’s academic and/or operational performance. A charter holder that meets the Board’s financial performance expectations is waived from submitting a financial performance response at the times identified above. A charter holder that does not meet the Board’s financial performance expectations at the times identified above is required to submit a financial performance response, which is evaluated by Board staff. If a charter holder has been required to submit a financial performance response, the response and completed evaluation are available in ASBCS Online in the applicable audit year folder and are identified as “Financial Performance Response” and “Evaluation – Financial Response”.¹

¹ Through ASBCS Online, the Board has provided the public with online access to charter holder audits. For more information on how to access the annual audits online, please click [here](#). Charter holder’s financial performance responses and Board staff’s evaluations may also be accessed through this link as this information is stored in the same location as the annual audits.