



# 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.

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## 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 or on calculations made by Board staff using information from the annual audit conducted by an independent certified public accountant.<sup>1</sup> 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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A charter holder may receive one “Does Not Meet Standard” and still meet the Board’s financial performance expectations. 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 expectations.

### Financial Performance - Fiscal Year 2013 Audit

Demo Charter

#### Near-Term Indicators

**Going Concern**  
**Unrestricted Days Liquidity**  
**Default**

For each measure, this column includes the charter holder’s performance.

No	Meets
41.92	Meets
No	Meets

#### Sustainability Indicators

Note: Negative numbers are indicated below by parentheses.

**Net Income**  
**Fixed Charge Coverage Ratio**  
**Cash Flow (3-Year Cumulative)**

\$205,744	Meets
1.38	Meets
\$276,552	Meets

For each measure, this column includes the charter holder’s rating.

Cash Flow Detail by Fiscal Year

FY 2013	FY 2012	FY 2011
\$137,897	(\$168,872)	\$307,527

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

Meets Board’s Financial Performance Expectations

## 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, and when making decisions about eligibility for certain types of expansion. Because financial health can affect a charter holder’s ability to meet the obligations of its charter contract and applicable laws, a charter holder’s financial performance may also be reviewed 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. More detailed information regarding what the charter holder must do and how that information will be used by the Board may be found in Appendix B and Appendix C of the Board’s [Financial Performance Framework and Guidance](#). 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”. To access this information, use the instructions linked in the footnote as it is stored in the same location as the annual audits.

<sup>1</sup> 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](#).