

Financial Performance Framework

Recommended Revisions

The Financial Performance Framework has four near term and four long term financial measures used to help measure the financial stability of our SPCSA sponsored charter schools. The current version of our Financial Performance Framework is dated 8/19/2014. Criteria for these measures may differ for schools dependent upon how long they have been in operation. Some criteria may not be defined well enough making it more subject to interpretation. Some criteria do not cover the full range of possibilities. Some criteria may contain “holes” or “overlap” causing the results to not meet any standard or meet multiple standards. Revisions are necessary to eliminate these discrepancies so there is one clear result for each financial measure.

Measures Applicable To All Schools Regardless of Year of Operation

Debt Default – Current Standards

Meets Standard:

- School is not in default of loan covenant(s) and is not delinquent with debt service payments

Does Not Meet Standard:

- Not Applicable

Falls Far Below Standard:

- School is in default of loan covenant(s) or is delinquent with debt service payments

Current Issue: There is not a designation for schools that do not have a loan.

Solution: Add an additional Meets Standard criteria based on a school being in a better financial standing if it does not have a loan.

Meets Standard:

- School is not in default of loan covenant(s) and is not delinquent with debt service payments
or
- School does not have an outstanding loan

Debt to Asset Ratio – Current Standards

Meets Standard:

- Debt to asset ratio is less than 0.90

Does Not Meet Standard:

- Debt to asset ratio is between 0.90 and 1.0

Falls Far Below Standard:

- Debt to asset ratio is greater than 1.0

Current Issue: The criteria do not address the possibility of a Debt to Asset Ratio of 0.90 or 1.0 which would result in N/A.

Solution: Revise the criteria to cover the complete range of possibilities.

Does Not Meet Standard:

- Debt to asset ratio is greater than or equal to 0.90 and less than or equal to 1.0

Debt Service Coverage Ratio – Current Standards

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

Current Issue: There is not a designation for schools that do not have a loan. Also, Debt Service Coverage Ratio cannot be calculated for schools that do not have a loan because all the required variables do not exist.

Solution: Add an additional Meets Standard criteria based on a school being in a better financial standing if it does not have a loan.

Meets Standard:

- Debt service coverage ratio is equal to or exceeds 1.10
or
- School does not have an outstanding loan

Measures Applicable To All Schools Dependent upon Year of Operation

Total Margin – Current Standards

Meets Standard:

- Aggregated three-year total margin is positive *and* the most recent year total margin is positive,
or
- Aggregated three-year total margin is greater than -1.5%, the trend is positive for the last two years, *and* the most recent year total margin is positive

Note: For schools in their first or second year of operation, the aggregate total margin must be positive.

Does Not Meet Standard:

- Aggregated three-year total margin is greater than -1.5%, but the trend is negative

Falls Far Below Standard:

- Aggregated three-year total margin is less than -1.5%, or
- Current year total margin is less than -10%

For Schools in Operation for More Than Two Years

2016 Total Revenue	\$ 3,757,740.00	<input checked="" type="checkbox"/> Meets Standard:	Aggregated three-year total margin is positive and the most recent year total margin is positive
2016 Total Expenditures	\$ 3,649,744.00		
Net Surplus	\$ 107,996.00	<input type="checkbox"/> Meets Standard:	Aggregated three-year total margin is greater than -1.5%, the trend is positive for the last two years, and the most recent year total margin is positive
Current Year Total Margin	2.9%		
Previous Year Current Margin	3.0%		
2014 Total Margin	20.8%	<input checked="" type="checkbox"/> Does Not Meet Standard:	Aggregated three-year total margin greater than -1.5%, but the trend is negative
Three-Year Net Surplus	\$ 1,408,684.00		
Three-Year Revenues	\$ 14,581,000.00	<input type="checkbox"/> Falls Far Below Standard:	Aggregated three-year total margin is less than -1.5%
Aggregated Total Margin	9.7%	<input type="checkbox"/> Falls Far Below Standard:	Current year total margin is less than -10%

2016 Total Revenue	\$ 2,228,332.00	<input type="checkbox"/> Meets Standard:	Aggregated three-year total margin is positive and the most recent year total margin is positive
2016 Total Expenditures	\$ 2,185,407.00		
Net Surplus	\$ 42,925.00	<input type="checkbox"/> Meets Standard:	Aggregated three-year total margin is greater than -1.5%, the trend is positive for the last two years, and the most recent year total margin is positive
Current Year Total Margin	1.9%		
Previous Year Current Margin	-2.8%		
2014 Total Margin	-1.9%	<input type="checkbox"/> Does Not Meet Standard:	Aggregated three-year total margin greater than -1.5%, but the trend is negative
Three-Year Net Surplus	\$ (51,974.00)		
Three-Year Revenues	\$ 6,205,497.00	<input type="checkbox"/> Falls Far Below Standard:	Aggregated three-year total margin is less than -1.5%
Aggregated Total Margin	-0.8%	<input type="checkbox"/> Falls Far Below Standard:	Current year total margin is less than -10%

For Schools in the First or Second Year of Operation

2016 Total Revenue	\$ 1,746,356.00	<input checked="" type="checkbox"/> Meets Standard:	Aggregate total margin must be positive
2016 Total Expenditures	\$ 1,554,231.00		
Net Surplus	\$ 192,125.00	<input type="checkbox"/> Meets Standard:	
Current Year Total Margin	11.0%		
Previous Year Current Margin	15.4%		
2014 Total Margin		<input checked="" type="checkbox"/> Does Not Meet Standard:	Aggregated three-year total margin greater than -1.5%, but the trend is negative
Three-Year Net Surplus	\$ 413,519.00		
Three-Year Revenues	\$ 3,185,387.00	<input type="checkbox"/> Falls Far Below Standard:	Current year total margin is less than -10%
Aggregated Total Margin	13.0%		

Current Issue: Criteria is either not defined well enough or excessively defined resulting in the possibility of meeting two standards or not meeting any standard. The criteria for Does Not Meet Standards do not clearly specify which trend (aggregated or annual) is being used leaving it subject to interpretation. Furthermore, the criteria references the “aggregated three-year total margin” which schools in their first or second year would not have three years of data to compute.

Solution: Revise the criteria to a more simplistic language.

Total Margin – Revised Standards

Meets Standard:

- Aggregated three-year total margin is positive *and* the most recent year total margin is positive

Does Not Meet Standard:

- Aggregated three-year total margin is negative *or* the most recent year total margin is negative

Falls Far Below Standard:

- Aggregated three-year total margin is negative *and* the most recent year total margin is negative

Note: For schools in their first or second year of operation, substitute the “aggregated three-year total margin” with the “aggregated total margin.”

Cash Flow – Current Standards

Meets Standard:

- Multi-year cumulative cash flow is positive *and* cash flow is positive each year.
- or
- Multi-year cumulative cash flow is positive, cash flow is positive in two of the three years, *and* cash flow in the most recent year is positive

Note: For schools in their first or second year of operation, they must have positive cash flow.

Does Not Meet Standard:

- Multi-year cumulative cash flow is positive, but the trend is negative.

Falls Far Below Standard:

- Multi-year cumulative cash flow is negative

For Schools in Operation for More Than Two Years

2016 Cash	\$ 323,260.00	<input type="checkbox"/>	Meets Standard:	Multi-year cumulative cash flow is positive and cash flow is positive each year
2015 Cash	\$ 252,881.00	<input type="checkbox"/>		
2014 Cash	\$ 96,544.00	<input checked="" type="checkbox"/>	Meets Standard:	Multi-year cumulative is positive, cash flow is positive in two of the three years, and cash flow in the most recent year is positive
Current Year Cash Flow	\$ 70,379.00	<input checked="" type="checkbox"/>	Does Not Meet Standard:	Multi-year cumulative cash flow is positive, but the trend is negative
Previous Year Cash Flow	\$ 156,337.00	<input checked="" type="checkbox"/>		
2014 Cash Flow	\$ (267,037.00)	<input type="checkbox"/>	Falls Far Below Standard:	Multi-year cumulative cash flow is negative
Multi-Year Cash Flow	\$ 226,716.00	<input type="checkbox"/>		

2016 Cash	\$ 514,620.00	<input type="checkbox"/>	Meets Standard:	Multi-year cumulative cash flow is positive and cash flow is positive each year
2015 Cash	\$ 20,390.00	<input type="checkbox"/>		
2014 Cash	\$ 236,314.00	<input type="checkbox"/>	Meets Standard:	Multi-year cumulative is positive, cash flow is positive in two of the three years, and cash flow in the most recent year is positive
Current Year Cash Flow	\$ 494,230.00	<input type="checkbox"/>	Does Not Meet Standard:	Multi-year cumulative cash flow is positive, but the trend is negative
Previous Year Cash Flow	\$ (215,924.00)	<input type="checkbox"/>		
2014 Cash Flow	\$ (369,976.00)	<input type="checkbox"/>	Falls Far Below Standard:	Multi-year cumulative cash flow is negative
Multi-Year Cash Flow	\$ 278,306.00	<input type="checkbox"/>		

For Schools in the First or Second Year of Operation

2016 Cash	\$ 379,739.00	<input checked="" type="checkbox"/>	Meets Standard:	Must have positive cash flow
2015 Cash	\$ 225,506.00	<input type="checkbox"/>		
2014 Cash	\$ -	<input type="checkbox"/>	Meets Standard:	
Current Year Cash Flow	\$ 154,233.00	<input checked="" type="checkbox"/>	Does Not Meet Standard:	Multi-year cumulative cash flow is positive, but the trend is negative
Previous Year Cash Flow	\$ 225,506.00	<input type="checkbox"/>		
2014 Cash Flow	\$ -	<input type="checkbox"/>	Falls Far Below Standard:	Multi-year cumulative cash flow is negative
Multi-Year Cash Flow	\$ 154,233.00	<input type="checkbox"/>		

Current Issue: Criteria is either not defined well enough or excessively defined resulting in the possibility of meeting two standards or not meeting any standard. The criteria for Does Not Meet Standards do not clearly specify which trend (cumulative or annual) is being used leaving it subject to interpretation. The criteria reference the “multi-year cumulative cash flow” which schools in their first or year does not have multiple years of data to compute.

Solution: Revise the criteria to a more simplistic language.

Cash Flow – Revised Standards

Meets Standard:

Multi-year cumulative cash flow is positive *and* the most recent year cash flow is positive

Does Not Meet Standard:

Multi-year cumulative cash flow is negative *or* the most recent year cash flow is negative

Falls Far Below Standard:

Multi-year cumulative cash flow is negative *and* the most recent year cash flow is negative

Note: For schools in their first or second year of operation, substitute “multi-year cumulative cash flow” with the “cumulative cash flow.”