Nevada State Public Charter School Authority
Financial Performance Framework Calculations Workbook

School Somerset Academy of Las Vegas **FY** 2017

*****Standards for a school beyond the first two years of operation are being applied*****

Near Term

Measure 1 - Current Ratio

Purpose: The current ratio depicts the relationship between a school's current assets and current liabilities. In addition, the current ratio is a financial ratio that measures whether or not a school has enough resources to pay its debts over the next 12 months. It compares a school's current assets to its current liabilities.

Data Source: Statement of Net Position

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}} = \frac{\$15{,}299{,}189.00}{\$5{,}979{,}923.00} = 2.56$$

One-Year Trend = 2017 Current Ratio -2016 Current Ratio = 2.56 - 4.13 = -1.57

Total Current Assets	$ 15,299,189.00	X	**Meets Standard:**	**Is 1.1 or greater**
Total Current Liabilities	$ 5,979,923.00		Meets Standard:	Between 1.0 and 1.1 and one-year trend is positive
Current Ratio	**2.56**		Does Not Meet Standard:	Between 0.9 and .99
One-Year Trend	**-1.57**		Does Not Meet Standard:	Between 1.0 and 1.1 and one-year trend is negative
			Falls Far Below Standard:	Less Than 0.9

Measure 2 - Unrestricted Days of Cash-on-Hand

Purpose: The unrestricted days cash-on-hand indicates how many days a school can pay its operating expenses without an inflow of cash. National standards state 60-120 cash-on-hand is considered a model practice.

Data Source: Statement of Net Position; Statement of Revenues, Expenditures and Changes in Fund Balance; Notes to the Financial Statements

$$\text{Average Daily Expenses} = \frac{\text{Annual Expense - Annual Depreciation}}{\text{365 Days}} = \frac{\$51{,}833{,}411.00 - \$1{,}986{,}804.00}{365} = \$136{,}566.05$$

$$\text{Unrestricted Days of Cash-on-Hand} = \frac{\text{Unrestricted Cash and Equivalents}}{\text{Average Daily Expenses}} = \frac{\$6{,}797{,}555.00}{\$136{,}566.05} = 49.8$$

One-Year Trend = 2017 Cash on Hand -2016 Cash on Hand = 49.8 - 58.2 = -8.4

Annual Expense	$ 51,833,411.00		Meets Standard:	60 days of cash or more
Annual Depreciation	$ 1,986,804.00			
Total	**$ 49,846,607.00**		Meets Standard:	Between 30 and 60 and one-year trend is positive
Days	365		Does Not Meet Standard:	Days of cash between 15 and 29
Unrestricted Cash and Equivalents	$ 6,797,555.00	X	**Does Not Meet Standard:**	**Between 30 and 60 and one-year trend is negative**
Average Daily Expenses	**$ 136,566.05**		Falls Far Below Standard:	Less than 15 days of cash
Days of Cash-On-Hand	**49.8**			
One-Year Trend	**-8.4**			

Measure 3 - Enrollment Forecast Accuracy

Purpose: Enrollment forecast accuracy tells sponsors whether or not the school is meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations.

Data Source: Actual Enrollment = certified validation day numbers; Projected Enrollment = charter school board-approved budgeted enrollment

$$\text{2017 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{6432}{6450} = 99.7\%$$

$$\text{2016 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{5778}{5650} = 102.3\%$$

$$\text{2015 Forecast Accuracy} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} = \frac{4523}{4365} = 103.6\%$$

Actual Enrollment	6432	X	**Meets Standard:**	**Enrollment forecast accuracy equals or exceeds 95% in the most recent year and equals or exceeds 95% of each the last three years**
Projected Enrollment	6450			
Current Year Forecast Accuracy	**99.7%**		Does Not Meet Standard:	Enrollment forecast accuracy is between 85% and 94% in the most recent year
Previous Year Forecast Accuracy	**102.3%**			
2015 Forecast Accuracy	**103.6%**		Does Not Meet Standard:	Enrollment forecast accuracy is 95% or greater in the most recent year but does not equal or exceed 95% or greater each of the last three years
			Falls Far Below Standard:	Enrollment forecast accuracy is less than 85% in the most recent year

Measure 4 - Debt Default

Purpose: The debt default indicator addresses whether or not a school is meeting its loan obligations and/or is delinquent with its debt service payments. Notes from the audited financial statements are used as the source of data. ***In most cases this will not be applicable for charter schools that do not have outstanding loan.***

Data Source: Notes to the Financial Statements

Sponsors may consider a school in default only when the charter school is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants.

Does the school have an outstanding loan?	Yes	X	**Meets Standard:**	**School is not in default of loan covenant(s) and is not delinquent with debt service payments**
Is the school in default of loan covenants?	**No**			
			Meets Standard:	School does not have an outstanding loan
			Falls Far Below Standard:	School is in default of loan covenant(s) and is not delinquent with debt service payments

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Sustainability

Measure 1 - Total Margin

Purpose: Total margin measures the deficit or surplus a school yields out of its total revenues, which indicates whether or not the school is operating within its available resources. The measurement looks at the most recent 3 years.

Data Source: Statement of Revenues, Expenditures and Changes in Fund Balance

$$\text{2017 Total Margin} = \frac{\text{Total Revenues - Total Expenditures}}{\text{Total Revenues}} = \frac{\$47,015,649.00 - \$51,833,411.00}{\$47,015,649.00} = -10.2\%$$

$$\text{2016 Total Margin} = \frac{\text{Total Revenues - Total Expenditures}}{\text{Total Revenues}} = \frac{\$39,665,718.00 - \$40,838,029.00}{\$39,665,718.00} = -3.0\%$$

$$\text{2015 Total Margin} = \frac{\text{Total Revenues - Total Expenditures}}{\text{Total Revenues}} = \frac{\$31,560,824.00 - \$15,506,389.00}{\$31,560,824.00} = 50.9\%$$

$$\text{Aggregated Total Margin} = \frac{\text{3 Years Total Revenues - 3 Years Total Expenditures}}{\text{3 Years Total Revenues}} = \frac{(\$47,015,649 + \$39,665,718 + \$31,560,824) - (\$51,833,411 + \$40,838,029 + \$15,506,389)}{(\$47,015,649 + \$39,665,718 + \$31,560,824)} = 8.5\%$$

2017 Total Revenue	$ 47,015,649.00	☐	Meets Standard:	Aggregated three-year total margin is positive and the most recent year total margin is positive
2017 Total Expenditures	$ 51,833,411.00			
Net Surplus	**$ (4,817,762.00)**	X	**Does Not Meet Standard:**	**Aggregated three-year total margin is negative or the most recent year total margin is negative**
Current Year Total Margin	**-10.2%**			
Previous Year Current Margin	**-3.0%**	☐	Falls Far Below Standard:	Aggregated three-year total margin is negative and the most recent year total margin is negative
2015 Total Margin	**50.9%**			
Three-Year Net Surplus	**$ 10,064,362.00**			
Three-Year Revenues	**$ 118,242,191.00**			
Aggregated Total Margin	**8.5%**			

Measure 2 - Debt to Asset Ratio

Purpose: The debt to asset ratio measures the amount of debt a school owes versus the assets they own; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations. A debt to asset ratio greater than 1.0 is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position. A ratio less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities, and the implied balance in the equity account.

Data Source: Statement of Net Position

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities*}}{\text{Total Assets}} = \frac{\$48,642,556.00}{\$54,708,786.00} = 0.89$$

* PERS pension liability is excluded from Total Liabilities

Total Assets	54,708,786	X	**Meets Standard:**	**Is less than 0.9**
Total Liabilities	48,642,556	☐	Does Not Meet Standard:	Is greater than or equal to 0.90 and less than or equal to 1.0
Debt to Asset Ratio	**0.89**	☐	Falls Far Below Standard:	Is greater than 1.0

Measure 3 - Cash Flow

Purpose: The cash flow measure indicates a school's change in cash balance from one period to another. This measure includes restricted and unrestricted funds. The measurement looks at the most recent 3 years.

Data Source: Statement of Net Position

2017 Cash Flow =	2017 Total Cash - 2016 Total Cash	=	$6,797,555.00 - $6,205,237.00	= $592,318.00
2016 Cash Flow =	2016 Total Cash - 2015 Total Cash	=	$6,205,237.00 - $3,955,036.00	= $2,250,201.00
2015 Cash Flow =	2015 Total Cash - 2014 Total Cash	=	$3,955,036.00 - $1,723,783.00	= $2,231,253.00
Multi-Year Cash Flow =	2017 Total Cash - 2015 Total Cash	=	$6,797,555.00 - $3,955,036.00	= $2,842,519.00

2017 Cash	$ 6,797,555.00	X	**Meets Standard:**	**Multi-year cumulative cash flow is positive and the most recent year cash flow is positive**
2016 Cash	$ 6,205,237.00			
2015 Cash	$ 3,955,036.00	☐	Does Not Meet Standard:	Multi-year cumulative cash flow is negative or the most recent year cash flow is negative
Current Year Cash Flow	**$ 592,318.00**			
Previous Year Cash Flow	**$ 2,250,201.00**	☐	Falls Far Below Standard:	Multi-year cumulative cash flow is negative and the most year recent cash flow is negative
2015 Cash Flow	**$ 2,231,253.00**			
Multi-Year Cash Flow	**$ 2,842,519.00**			

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Measure 4 - Debt Service Coverage Ratio

Purpose: The debt service coverage ratio indicates a school's ability to cover its debt obligations in the current year. In most cases this will not be applicable for charter schools that do not have an outstanding loan. This ratio measures whether or not a school can pay the principal and interest due on its debt based on the current year's net income. Depreciation expense is added back to the net income because it is a non-cash transaction and does not actually cost the school money. The interest expense is added back to the net income because it is one of the expenses an entity is trying to pay, which is why it is included in the denominator.

Data Source: Statement of Revenues, Expenditures and Changes in Fund Balance; Notes to the Financial Statements

$$\text{Debt Service Coverage Ratio} = \frac{\text{Net Income + Depreciation Expense + Interest Expense}}{\text{Annual Principal + Interest Payments}} = \frac{\$(4{,}817{,}762.00) + \$1{,}986{,}804.00 + \$2{,}150{,}124.00}{\$2{,}095{,}699.00 + \$2{,}150{,}124.00} = -0.16$$

Does the school have an outstanding loan?	Yes		Meets Standard:	Is equal to or exceeds 1.10
Net Income	$ (4,817,762.00)		Meets Standard:	School does not have an outstanding loan
Depreciation Expense	$ 1,986,804.00	X	**Does Not Meet Standard:**	**Less than 1.10**
Interest Expense	$ 2,150,124.00			
Total	**$ (680,834.00)**			
Annual Principal	$ 2,095,699.00			
Interest Payments	$ 2,150,124.00			
Total	**$ 4,245,823.00**			
Debt Service Current Ratio	**-0.16**			