Financial Performance Framework

1. Near-Term Measures

**Measure 1a**
Current Ratio: Current Assets divided by Current Liabilities

*Meets Standard:*
- Current Ratio is greater than or equal to 1.1
- or
- Current Ratio is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year’s)

*Note: For schools in their first or second year of operation, the current ratio must be greater than or equal to 1.1.*

*Does Not Meet Standard:*
- Current Ratio is between 0.9 and 1.0 or equals 1.0
- or
- Current Ratio is between 1.0 and 1.1 and one-year trend is negative

*Falls Far Below Standard:*
- Current ratio is less than or equal to 0.9

**Measure 1b**
Unrestricted Days Cash: Unrestricted Cash divided by ([Total Expenses minus Depreciation Expense] / 365)

*Meets Standard:*
- 60 Days Cash
- or
- Between 30 and 60 Days Cash and one-year trend is positive

*Note: Schools in their first or second year of operation must have a minimum of 30 Days Cash.*

*Does Not Meet Standard:*
- Days Cash is between 15–30 days
- or
- Days Cash is between 30–60 days and one-year trend is negative

*Falls Far Below Standard:*
- Fewer than 15 Days Cash

**Measure 1c**
Enrollment Variance: Actual Enrollment divided by Enrollment Projection in Charter School Board-Approved Budget

*Meets Standard:*
- Enrollment Variance equals or exceeds 95 percent in the most recent year

*Does Not Meet Standard:*
- Enrollment Variance is between 85–95 percent in the most recent year

*Falls Far Below Standard:*
- Enrollment Variance is less than 85 percent in the most recent year
### Measure 1d
**Default**

<table>
<thead>
<tr>
<th><strong>Meets Standard:</strong></th>
<th>School is not in default of loan covenant(s) and/or is not delinquent with debt service payments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Does Not Meet Standard:</strong></td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Falls Far Below Standard:</strong></td>
<td>School is in default of loan covenant(s) and/or is delinquent with debt service payments</td>
</tr>
</tbody>
</table>

### 2. Sustainability Measures

#### Measure 2a
**Total Margin: Net Income divided by Total Revenue**
**Aggregated Total Margin: Total Three-Year Net Income divided by Total Three-Year Revenues**

<table>
<thead>
<tr>
<th><strong>Meets Standard:</strong></th>
<th>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 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Does Not Meet Standard:</strong></td>
<td>Aggregated Three-Year Total Margin is greater than -1.5 percent, but trend does not “Meet Standard”</td>
</tr>
<tr>
<td><strong>Falls Far Below Standard:</strong></td>
<td>Aggregated Three-Year Total Margin is less than or equal to -1.5 percent or The most recent year Total Margin is less than -10 percent</td>
</tr>
</tbody>
</table>

**Note:** For schools in their first or second year of operation, the cumulative Total Margin must be positive.

#### Measure 2b
**Debt to Asset Ratio: Total Liabilities divided by Total Assets**

<table>
<thead>
<tr>
<th><strong>Meets Standard:</strong></th>
<th>Debt to Asset Ratio is less than 0.9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Does Not Meet Standard:</strong></td>
<td>Debt to Asset Ratio is between 0.9 and 1.0</td>
</tr>
<tr>
<td><strong>Falls Far Below Standard:</strong></td>
<td>Debt to Asset Ratio is greater than 1.0</td>
</tr>
</tbody>
</table>
### Measure 2c

**Cash Flow:**

- **Multi-Year Cash Flow = Year 3 Total Cash – Year 1 Total Cash**
- **One-Year Cash Flow = Year 2 Total Cash – Year 1 Total Cash**

**Meets Standard:**
- Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year
- Multi-Year Cumulative Cash Flow is positive, Cash Flow is positive in one of two years, and Cash Flow in the most recent year is positive

*Note: Schools in their first or second year of operation must have positive Cash Flow.*

**Does Not Meet Standard:**
- Multi-Year Cumulative Cash Flow is positive, but trend does not “Meet Standard”

**Falls Far Below Standard:**
- Multi-Year Cumulative Cash Flow is negative

### Measure 2d

**Debt Service Coverage Ratio: (Net Income + Depreciation + Interest Expense) / (Annual Principal, Interest, and Lease Payments)**

**Meets Standard:**
- Debt Service Coverage Ratio is equal to or exceeds 1.1

**Does Not Meet Standard:**
- Debt Service Coverage Ratio is less than 1.1

**Falls Far Below Standard:**
- Not Applicable