# Sustainability Indicator 1: Financial Performance

The Financial Performance Indicator evaluates the charter school's fiscal short-term performance and long-term sustainability. The following criteria and their measures make up the Financial Performance Sustainability indicator.

## Annual Rating

*The annual rating summarizes the performance on the indicator's criteria.*

| | Meets Expectations | Approaches Expectations | Does Not Meet Expectations |
|---|---|---|---|
| | For 1.1, 1.2, 1.3, 1.4, and 1.5, no more than one criterion is rated as "Approaches" and all others are rated as "Meets." | For 1.1, 1.2, 1.3, 1.4, and 1.5, no more than one criterion is rated as "Does Not Meet" and all others are rated as "Approaches" or "Meets." | For 1.1, 1.2, 1.3, 1.4, and 1.5, two or more criteria are rated as "Does Not Meet." |

### 1.1 Current Ratio

*Does the organization's current ratio indicate that its current assets can cover its current liabilities?*
Calculation: Current Assets / Current Liabilities
Data Source: Audited Financial Statements

| | Meets Expectations | Approaches Expectations | Does Not Meet Expectations |
|---|---|---|---|
| | Current ratio is equal to or greater than 1. | Current ratio is between .9 and 1 | Current ratio is below .9 |

### 1.2 Unrestricted Days of Cash*

*For how many days can the organization pay its expenses without another inflow of cash?*
Calculation: (Unrestricted Cash & Equivalents x 365 Days) / (Total Operating Expenses - Annual Depreciation)
Data Source: Audited Financial Statements
** The financial structure of District charter schools may not allow for this calculation to be made.*

| | Meets Expectations | Approaches Expectations | Does Not Meet Expectations |
|---|---|---|---|
| | School has 60 days or more of unrestricted cash on hand.<br>OR<br>School has between 30 and 60 days of cash and one-year trend is positive. | School has between 15 and 30 days of unrestricted cash<br>OR<br>School has between 30 and 60 days of cash and one-year trend is negative. | School has 15 days or less of unrestricted cash on hand |

## 1.3 Debt to Asset Ratio

*Does the school have a low level of debt relative to assets?*

Calculation: Total Liabilities / Total Assets

Data Source: Audited Financial Statements

| | Meets Expectations | Approaches Expectations | Does Not Meet Expectations |
|---|---|---|---|
| | School's debt to asset ratio is less than 0.90 | School's debt to asset ratio is between .9 to 1, inclusive | School's debt to asset ratio is greater than 1 |

## 1.4 Total Margin & 3-Year Aggregate Total Margin

*Does the school have a positive net income relative to its total revenues? Does the school have a positive three-year net income relative to its total three-year revenue?*

Calculation: TM = Net Income / Revenue 3ATM = Total 3yr Net Income / Total 3yr Revenue

Data Source: Three years of Audited Financial Statements

| | Meets Expectations | Approaches Expectations | Does Not Meet Expectations |
|---|---|---|---|
| | Aggregated three- year total margin is positive<br><br>AND<br><br>The most recent year total margin is positive | Aggregated three- year total margin is negative<br><br>OR<br><br>The most recent year total margin is negative | Aggregated three- year total margin is negative<br><br>AND<br><br>The most recent year total margin is negative |

## 1.5 Debt Service Coverage Ratio

*Does the school have the ability to cover its debt obligations in the current year?*

Calculation: (Net Income + Depreciation + Principal + Interest Expense) / (Principal + Interest Expense)

Data Source: Audited Financial Statements. Expenses added to net income if not already included in audited amount.

| | Meets Expectations | Does Not Meet Expectations | |
|---|---|---|---|
| | School's debt service coverage ratio is greater than or equal to 1.1 | School's debt service coverage ratio is less than 1.1 | |