

FINANCIAL PERFORMANCE FRAMEWORK - BALL STATE UNIVERSITY

9/13/12

1. NEAR TERM INDICATORS

**1.a. Current Ratio (Working Capital 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 equal to 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

**1.b. Cash to Current Liabilities: Cash divided by Current Liabilities**

*Meets Standard:*

Ratio is higher than 0.75

*Does Not Meet Standard:*

Ratio is between 0.5 and 0.75

*Falls Far Below Standard:*

Ratio is lower than 0.5

**1.c. Unrestricted Days Cash: Unrestricted Cash divided by ((Total Expenses-Depreciation Expenses)/365)**

*Meets Standard:*

60 Days Cash

or

Between 30 and 60 Days Cash *and* one-year trend is positive

Note: For schools in their first or second year of operation, they must have a minimum of 30 Days Cash.

*Does Not Meet Standard:*

Days Cash is between 15 and 30 days

Or

Days Cash is between 30 and 60 days *and* one-year trend is negative

*Falls Far Below Standard:*

Less than 15 Days Cash

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

*Meets Standard:*

Enrollment Variance equals or exceeds 95% in the most recent year

*Does Not Meet Standard:*

Enrollment Variance is between 85% and 95% in the most recent year

*Falls Far Below Standard:*

Enrollment Variance is less than 85% in the most recent year

**1.e. Default**

*Meets Standard:*

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

*Does Not Meet Standard:*

Blank

*Falls Far Below Standard:*

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

**2. SUSTAINABILITY INDICATORS**

**2.a. Total Margin: Net Income divided by Total Revenue and Aggregated Total Margin: Total 3 Year Net Income divided by Total 3 Year Revenues**

*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 cumulative Total Margin must be positive.

*Does Not Meet Standard:*

Aggregated Three-Year Total Margin is greater than -1.5%, but trend does not meet standard

*Falls Far Below Standard:*

Aggregated Three-Year Total Margin is less than or equal to -1.5%

or

The most recent year Total Margin is less than -10%

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

*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

2.c. Cash Flow: **Multi-Year Cash Flow =** ; **One-Year Cash Flow =**

*Meets Standard (in one of two ways):*

- 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 one of two 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 trend does not meet standard**

*Falls Far Below Standard:*

- Multi-Year cumulative cash flow is negative**

2.d. 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 1.10**

*Does Not Meet Standard:*

- Debt Service Coverage Ratio is less than 1.10**

*Falls Far Below Standard:*

- Not Applicable**