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Wyoming Charter School Authorizing Board
Financial Performance Framework

Indicator 1: Near-Term Financial Health

Measure 1a: Current Ratio

Question: Is the school positioned to meet its financial obligations over the next year?

- **Meets Standard:** Current Ratio ≥ 1.1.
- **Does Not Meet Standard:** 0.9 ≤ Current Ratio < 1.
- **Falls Far Below Standard:** Current Ratio < 0.9.

Formula: Current Ratio = Current Assets ÷ Current Liabilities.

Data Source: Audited balance sheet.

Basis for Standard: The Current Ratio assesses the school's ability to cover its short-term obligations using its short-term assets. A ratio above 1.0 is generally sufficient, with 1.1 preferred for financial resilience against unforeseen events such as delayed payments or economic downturns.

Measure 1b: Unrestricted Days Cash

Question: Does the school have sufficient cash available to fund day-to-day operations?

- **Meets Standard:**
  - ≥ 60 days unrestricted cash.
  - OR ≥ 30 days with a positive trend from the prior year.
- **Does Not Meet Standard:** 30–59 days with a negative trend.
- **Falls Far Below Standard:** < 30 days unrestricted cash.

Note: Schools in years 1 or 2 of operation must have at least 30 days cash.

Formula: Unrestricted Days Cash = Unrestricted Cash ÷ ((Total Expenses – Depreciation Expense) ÷ 365).

Data Source: Audited balance sheet and income statement.

Basis for Standard: This ratio indicates how long a school can continue operations without new cash inflows. A threshold of 60 days is considered a best practice. A 30-day standard may be acceptable for newer or low-funded schools, especially if they show a positive trend.

Measure 1c: Debt Default

Question: Has the school defaulted on one or more loan covenant(s) or is it delinquent with debt service payments?

- **Meets Standard:** No defaults or delinquencies.
- **Falls Far Below Standard:** Default or delinquency has occurred.
- **Does Not Meet Standard:** Not applicable.

Data Source: Audited financial statement notes and management letters.

Basis for Standard: A default signals failure to meet debt or covenant obligations, indicating elevated financial risk.

Indicator 2: Long-Term Financial Stability

Measure 2a: Total Margin and Aggregated Three-Year Total Margin

Question: Does the school operate with a surplus?

- **Meets Standard:**
  - Aggregated 3-Year Total Margin > 0, and most recent year is positive.
  - OR Aggregated 3-Year Margin > -1.5%, positive trend, and most recent year is positive.
- **Does Not Meet Standard:** Margin > -1.5% but without a positive trend.
- **Falls Far Below Standard:**
  - Aggregated Margin ≤ -1.5%.
  - OR Most recent year Total Margin < -10%.

Formula:

- Total Margin = Net Surplus (or Deficit) ÷ Total Revenue.
- 3-Year Total Margin = Total Net Surplus over 3 Years ÷ Total Revenues over 3 Years.

Data Source: Three years of audited income statements.

Basis for Standard: This measure helps determine the school's ability to operate sustainably. A surplus indicates long-term viability, while deficits present financial risks.

Measure 2b: Debt to Asset Ratio

Question: Does the school have sufficient resources to manage its debt?

- **Meets Standard:** Debt to Asset Ratio ≤ 0.9.
- **Does Not Meet Standard:** 0.9 and ≤ 1.0.
- **Falls Far Below Standard:** 1.0.

Formula: Debt to Asset Ratio = Total Liabilities ÷ Total Assets.

Data Source: Audited balance sheet and notes.

Basis for Standard: This ratio measures the extent to which a school relies on debt. A ratio above 1.0 signals that liabilities exceed assets—an unsustainable condition.

Measure 2c: Debt Service Coverage Ratio (DSCR)

Question: Is the school able to cover its debt obligations?

- **Meets Standard:** DSCR ≥ 1.1.
- **Does Not Meet Standard:** DSCR < 1.1.

Formula: DSCR = (Change in Net Position + Depreciation + Amortization ± Pension Adjustments + Interest + Lease/Rent Expense) ÷ (Principal + Interest + Amortization + Lease/Rent).

Data Sources:

- Audited income statement.
- Notes to financials.
- Reconciliation schedules.

Basis for Standard: DSCR measures the school's ability to generate sufficient cash to cover its debt and lease payments. A 1.1 threshold is standard in charter school and general finance sectors.

Indicator 3: Fiscal Management and Oversight

Measure 3a: Annual Financial Audit

Question: Do independent financial audits demonstrate sound financial management and controls?

- **Meets Standard:**
  - Unqualified (clean) audit opinion.
  - No significant findings or material weaknesses.
  - No repeat findings.
  - No going concern disclosures.
- **Does Not Meet Standard:** Any of the above conditions are not met.

Data Source: Annual audited financial reports, notes, and management letters

Basis for Standard: An unqualified opinion confirms the financials are materially correct and complete. Repeat or significant findings raise concerns about financial practices and oversight.

Measure 3b: Financial Reporting and Compliance

Question: Has the school met financial reporting and compliance requirements?

- **Meets Standard:**
  - Timely, complete submissions to the state and authorizer.
  - IRS and payroll compliance.
  - Timely budget approvals.
  - Retirement contributions made on time.
- **Does Not Meet Standard:** Material noncompliance with the above requirements.

Data Source: Authorizer and state compliance checks, audit documentation.

Basis for Standard: Ensures that schools meet external reporting requirements and maintain proper internal financial governance.

Measure 3c: Enrollment Variance

Question: Is the school meeting its enrollment projections?

- **Meets Standard:** Enrollment ≥ 95% of projected.
- **Does Not Meet Standard:** 90% ≤ Enrollment < 95%.
- **Falls Far Below Standard:** Enrollment < 90%.

Formula: Enrollment Variance = Actual Enrollment ÷ Projected Enrollment from Original Board-Approved Budget.

Basis for Standard: Enrollment drives most school revenue. A variance of less than 95% can lead to budget shortfalls; under 90% can cause significant financial strain