Financial Health and Sustainability Framework

Core Question: Is the charter school financially viable?

April 2021

The Annual Report Toolkit is a product of CA 2.0—Advancing Equity and Access through Quality Authorizing—an initiative led by the California Charter Authorizing Professionals (CCAP).

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FINANCIAL HEALTH AND SUSTAINABILITY: ANNOTATED

Core Question: Is the charter school financially viable?

Introduction

One of the primary responsibilities of an authorizer is to “monitor the fiscal condition of each charter school under its authority” (Education Code §47604.32). The California Education Code (EC) does not define the fiscal condition of a charter school or say how an authorizer should monitor it — this is left to the authorizer and the charter school and should be articulated in the petition and/or a memorandum of understanding (MOU) between the school and its authorizer. According to the Fiscal Crisis and Management Assistance Team (FCMAT), “fiscal condition” refers to all things financial, including budget, cash flow, and financial reporting.

This Financial Health and Sustainability Framework (Framework) is intended as a starting point for authorizers to adapt so they can evaluate their charter schools’ financial well-being, health, and performance as part of ongoing monitoring and the high-stakes decision-making process. The Framework provides authorizers with a tool to identify schools that are in a healthy fiscal position and those that are currently in, or trending toward, financial difficulty. The Framework also supports authorizers to proactively evaluate and address any problems they identify.[1]

The Framework relies upon a school’s audited financial statements as the primary data source that the authorizer will use to determine near- and long-term fiscal health. Some authorizers use unaudited actuals because of the availability of audited statements, due to the timeframe when audited financial statements are produced. Further, many authorizers do not rely solely upon the audited financial statements to perform an analysis of a school’s fiscal condition, but also monitor schools on a quarterly basis. It is widely held as sound practice to use the audited financials — either as a check on the unaudited statements or as the primary data source for the Framework.

[1] This Toolkit is intended as a resource for authorizers. Authorizers should consult legal counsel before finalizing their templates and guidance.

The guidance and the Framework assume that the majority of the data collection and reporting is the responsibility of the authorizer. However, authorizers may complete this Framework or direct charter schools to complete sections of the Framework — the responsibility for data collection may be shared between the authorizer and the school.

This Framework is based on work by the California Charter Authorizing Professionals and the Tri-State Alliance, the National Association of Charter School Authorizers, FCMAT, the Charter Authorizers Regional Support Network (CARSNet), and several examples from California authorizers.

Framework Structure

The Framework is structured to gauge both near-term financial health and longer-term financial sustainability of charter schools, and is organized around indicators, measures, and metrics. This Framework includes targets and ratings that reflect a general consensus among authorizers implementing nationally accepted best practices. The intent of providing the targets and ratings within this Framework is to establish a foundation for an operational Framework; however, each authorizer should review and modify them as they deem appropriate.

The Framework includes a section where additional context and/or action may be provided by the authorizer and school. This section is necessary for a scenario where a school does not meet a particular target; however, a deeper review was conducted to discern if an appropriate set of circumstances exist to justify not meeting the target.

Overview

	Definition	Example
Indicator	Categories of financial performance	Near-term
Measure	Means to evaluate one aspect of an indicator	Unrestricted days cash
Metrics	Method of quantifying a measure	Formula
Targets	Thresholds that signify success in meeting the standard of performance for a specific measure	Greater than 1.1

Rating	Assignment of a school's performance into a category, based on how the school performs against a target	Meets standard

The Framework includes two indicators used to evaluate a school's financial performance: near-term and sustainability.

1. Near-Term

The section of the Framework that assesses a school's near-term financial health is designed to predict the school's financial position and viability in the upcoming year. Schools meeting the desired standards demonstrate low risk of fiscal distress for the coming year. Schools that fail to meet the standards may currently be experiencing financial difficulty and/or are at risk for financial hardship in the near term.

2. Sustainability

The Framework also includes longer-term financial sustainability measures. This section is designed to predict a school's financial position and viability over time. Schools that meet the desired standards demonstrate a low risk of financial distress in the future. Schools that fail to meet the standards may be at risk for financial hardship in the future.

The law requires schools to submit quarterly financial statements and other financial and enrollment-related information, so that the authorizer can monitor the financial health and well-being of its charter schools (Education Code §47604.33). This Framework assumes that the authorizer relies upon the audited financial statements from the charter school.

Annotated Financial Performance Framework Detail

Indicator 1: Near-Term Measures

Measure 1a: Current Ratio — "Can the school pay its short-term obligations?"

Definition: The current ratio depicts the relationship between a school's current assets and its current liabilities. The current ratio measures a school's ability to pay its obligations over the next 12 months. A current ratio of greater than 1.0 indicates that the school's current assets exceed its current liabilities, thus indicating its ability to meet current obligations. A ratio of less than 1.0 indicates that the school does not have sufficient current assets to cover the current liabilities and is not in a satisfactory position to meet its financial obligations over the next 12 months.

Data source: Audited balance sheet.

Formula:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Measure 1a: Current Ratio
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)**
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**

Example:

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	356,756
Accounts Receivable		503,124
Prepaid Expenses and Other Assets		66,663
Total Current Assets		926,543
Total Assets	$	926,543
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	76,422
Total Current Liabilities		76,422
NET ASSETS		
Without Donor Restriction		850,121
Total Net Assets		850,121
Total Liabilities and Net Assets	$	926,543

Current Ratio = $\frac{926{,}543}{76{,}422}$ = 12.12

Meets Standard:
Current Ratio is greater than or equal to 1.1

Measure 1b: Unrestricted Days Cash — "Does the school have the cash available to pay its bills?"

Definition: The unrestricted days cash ratio indicates how many days a school can pay its expenses without another influx of cash. The unrestricted days cash ratio tells authorizers whether the school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense. National standards state that 60–120 days of cash-on-hand is considered a model practice.

Data sources: Audited balance sheet and income statement.

Note: If cash is restricted due to legislative requirements, donor requirements, or other reasons, the restriction should be listed in the audit.

Formula:

$$Unrestricted\ Days\ Cash = \frac{Unrestricted\ Cash\ and\ Equivalents}{\frac{Total\ Expenses - Depreciation}{365}}$$

Measure 1b: Unrestricted Days Cash
Meets Standard: **60 Days Cash** **or** **Between 30 and 60 Days Cash and one-year trend is positive**
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: **Fewer than 15 Days Cash**

Example:

EXPENSES	
Program Services	1,745,443
Management and General	256,870
Fundraising	13,338
Total Expenses	2,015,651

CASH AND CASH EQUIVALENTS - END OF YEAR	$ 546,474

$$Unrestricted\ Days\ Cash = \frac{546{,}474}{\left(\frac{2{,}015{,}651}{365}\right)} = \frac{546{,}474}{5{,}522.33} = 98.96$$

Meets Standard:
98 Days Cash exceeds 60 Days Cash

Measure 1c: Enrollment Variance — "Does the school's actual student enrollment support the projected revenue?"

Definition: Enrollment variance is the difference between the forecasted enrollment and the actual enrollment. The accuracy of forecasted enrollment indicates to the authorizer whether the school is meeting its enrollment projections and thereby generating sufficient revenue to fund ongoing operations. It also provides the authorizer with an indication of the school's budgeting practices and whether it accurately and/or conservatively projects enrollment.

Data source: Formal school enrollment reports.

Formula:

$$Percent\ Forecast\ Accuracy = 100\ x \left(\frac{Actual\ Enrollment}{Projected\ Enrollment}\right)$$

Measure 1c: Enrollment Variance
Meets Standard: **Enrollment Variance equals or exceeds 95 percent in the most recent year**
Does Not Meet Standard: **Enrollment Variance is between 85 and 95 percent in the most recent year**
Falls Far Below Standard: **Enrollment Variance is less than 85 percent in the most recent year**

Example:

$$100\ x\ \left(\frac{355}{375}\right) = 94.67\%$$

Does Not Meet Standard:
Enrollment variance is between 85 and 95 percent in the most recent year

Note: Many authorizers create a series of targets that accommodate new schools and their enrollment fluctuations, or use trend data over three years.

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance – "Does the school's actual UPP funding support the operating budget?"

Definition: UPP varaince is the difference between the projected and actual percentage of enrolled students who are English learners, qualify for free or reduced-price meals, or are foster. The accuracy of forecasted UPP indicates to the authorizer whether the school is acccurately forecasting its undipulicated pupil enrollment, thereby generating the forecasted revenue under the state Local Control Funding Forumula to fund ongoing operations.

Data source: Charter School Unduplicated Pupil Percentage exhibit (CDE Principal Apportionment Funding Exhibit)

Formula:

$$Percent\ Forecast\ Accuracy = 100\ x\ (Actual\ Percentage/Projected\ Percentage)$$

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance
Meets Standard: **UPP Variance equals or exceeds 95 percent in the most recent year**
Does Not Meet Standard: **UPP Variance is between 85 and 95 percent in the most recent year**
Falls Far Below Standard: **UPP Variance is less than 85 percent in the most recent year**

Example:

$$100\ x\ \left(\frac{60\%}{65.5\%}\right) = 91.6\%$$

Does Not Meet Standard:
UPP Variance is between 85-95 percent in the most recent year.

Measure 1e: Debt Default — "Is the school meeting its debt obligations?"

Definition: The debt default indicator addresses whether a school is meeting its loan or lease obligations or is delinquent with its debt service payments.

Data source: Notes from the audited financial statements are used as the source of data — in most cases, this measure will not be applicable for charter schools that do not have an outstanding loan.

Formula: N/A

Measure 1e: Debt Default
Meets Standard: **School is not in default of loan covenant(s) and/or is not delinquent with debt service payments**
Falls Far Below Standard: **School is in default of loan covenant(s) and/or is delinquent with debt service payments**

Measure 1f: Reserve — "Does the school have resources to weather uncertainties?"

Definition: The charter school meets or exceeds the reserve level defined in the charter petition and/or MOU. The reserve level is the amount of funding saved that is not obligated. If no reserve is established in the charter petition or MOU, the authorizer and school may consider the district reserve levels in 5 CCR §15450, based on the number of Average Daily Attendance (ADA).

Data sources: Formal ADA Report, petition, MOU.

Measure 1f: Reserve
Meets Standard: **School meets or exceeds the reserve level defined in the charter petition and/or MOU, or alternative**
Falls Far Below Standard: **School does not meet the reserve level defined in the charter petition and/or MOU, or alternative**

Indicator 2: Sustainability Measures

Measure 2a: Total Margin and Aggregated Three-Year Total Margin — "Is the school living within its means?"

Definition: Total Margin measures the surplus or deficit that a school generates from its total revenues less its expenses. Total Margin indicates whether the school is operating within its available resources. This measurement reports on each year's performance as well as, where calculable, the school's aggregated three-year margin performance. A positive ratio means the school is living within its means and is not dipping into its fund balance. A negative ratio means the school is spending more than its income.

Data source: Audited income statements; three years of audited statements.

Formula:

$$Total\ Margin = \frac{Net\ Income}{Total\ Revenue}$$

$$Aggregated\ Total\ Margin = \frac{Total\ 3\ Year\ Net\ Income}{Total\ 3\ Year\ Revenues}$$

Measure 2a: Total Margin
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 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive**
Does Not Meet Standard: **Aggregated Three-Year Margin, when calculable, is greater than –1.5 percent, but trend does not Meet Standard** **or** **Total Margin for recent year is negative**
Falls Far Below Standard: **Aggregated Three-Year Total Margin is less than or equal to –1.5 percent** **or** **The most recent Total Margin is less than –10 percent**

Example (audited financial statements for one year provided):

	Academy
REVENUES:	
State revenue:	
State aid	$ 2,298,265
Other state revenue	970,595
Federal revenue:	
Grants and entitlements	376,046
Local revenue:	
In-lieu property tax revenue	616,228
Contributions	-
Investment income	2
Other revenue	16,295
Total revenues	4,277,431
EXPENSES:	
Program services	4,115,800
Management and general	459,509
Total expenses	4,575,309
TRANSFERS:	
Intracompany transfers	-
Change in unrestricted net assets	(297,878)
Beginning unrestricted net assets	1,185,155
Ending unrestricted net assets	$ 887,277

Current Year Total Margin: (297,878)/4,277,431 = –6.96%

Aggregated Three-Year Total Margin (hypothetical)
Revenue Year One = 3,950,000, Revenue Year Two = 4,000,000, Revenue Year Three = 4,277,431
Expenditures Year One = 3,500,000, Expenditures Year Two = 3,600,000, Expenditures Year Three = 4,575,309

Three-Year Net Surplus (Deficit)
Year One: 3,950,000 – 3,500,000 = 450,000
Year Two: 4,000,000 – 3,600,000 = 400,000
Year Three: 4,277,431 – 4,575,309 = (297,878)
450,000 + 400,000 + (297,878) = 552,122

Aggregated Three-Year Net Surplus (Deficit) = 552,122

Formula to determine Aggregated Three-Year Total Margin:

Aggregated Three-Year Net Surplus / (Revenue Year One + Revenue Year Two + Revenue Year Three)

$$\frac{552{,}122}{12{,}227{,}431} = 4.52\%$$ Does Not Meet Standard: Total Margin for recent year is negative However, the trend is positive and is worth further discussion with the school.

Measure 2b: Debt to Asset Ratio — "What the school owns versus what it owes."

Definition: The Debt to Asset Ratio measures the amount of debt a school owes compared to the assets it owns, or the extent to which the school relies on borrowed funds to finance operations. This is a generally accepted indicator of potential long-term financial challenges since the organization owes more than it owns. A Debt to Asset Ratio greater than 1.0 indicates that a school has more debt than it has assets to pay off the debt. A ratio less than 0.9 indicates a financially healthy balance sheet.

Data source: Statement of Net Position, Net Pension Liability balance information, confirmation that employer contribution expenses are not backed out from Statement of Activities.

Formula:

$$Debt\ to\ Asset\ Ratio = \frac{(Total\ Liabilities - Net\ Pension\ Liabilities)}{Total\ Assets}$$

Measure 2b: Debt to Asset Ratio
Meets Standard: **Debt to Asset Ratio is less than 0.90**
Does Not Meet Standard: **Debt to Asset Ratio is greater than or equal to 0.90 and less than or equal to 1.0**
Falls Far Below Standard: **Debt to Asset Ratio is greater than 1.0**

Example:

ASSETS	
Current assets	
Cash and cash equivalents	$ 6,134,558
Accounts receivable	1,666,184
Prepaid expenses	9,677
Total current assets	7,810,419
Capital assets	
Property and equipment	484,829
Less accumulated depreciation	(323,826)
Total capital assets, net	161,003
Total Assets	**$ 7,971,422**
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 2,688,282
Deferred revenue	199,962
Total liabilities	2,888,244
Net assets	
Unrestricted	3,966,247
Temporarily restricted	1,116,931
Total net assets	5,083,178
Total Liabilities and Net Assets	**$ 7,971,422**

$$Debt\ to\ Asset\ Ratio = \frac{2{,}888{,}244}{7{,}971{,}422} = 0.36$$

Meets Standard:
Debt to Asset Ratio is less than 0.90

Measure 2c: Cash Flow — "How much money the school has available to spend."

Definition: The Cash Flow measure compares changes in a school's end-of-year cash balances from year to year and over multiple years, as a sign of a school's financial health and well-being. This measure is similar to Days Cash-on-hand, but it measures longer-term financial health; measures may include three-year cumulative cash flow and annual cash flow. Like Total Margin, this measure is not intended to encourage amassing resources instead of deploying the resources in support of the school's program; rather, it is intended to provide for stability in an uncertain funding environment.

Data source: Audited balance sheet, three years. Total Cash includes the unrestricted and restricted cash balances.

Formula:

$$Multi\ Year\ Cash\ Flow = Year\ Three\ Total\ Cash - Year\ One\ Total\ Cash$$
$$One\ Year\ Cash\ Flow = Year\ Two\ Total\ Cash - Year\ One\ Total\ Cash$$

Measure 2c: Cash Flow
Meets Standard: **Multi-Year Cash Flow is positive and Cash Flow is positive for each year** **or** **Multi-Year Cash Flow is positive, Cash Flow is positive in one or two years, and Cash Flow in the most recent year is positive**
Does Not Meet Standard: **Multi-Year Cash Flow is positive, but trend does not Meet Standard**
Falls Far Below Standard: **Multi-Year Cash Flow is negative**

Example:

NET CHANGE IN CASH AND CASH EQUIVALENTS	57,808
Cash and Cash Equivalents, Beginning of Year	298,948
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 356,756

The Cash Flow is positive between the most current year and the earlier year. Similar analysis is conducted for a school with three years of audited financials. For example, with Year Three being most recent:
Year Three – Year One = 57,808 – 51,000 = 6,808

The example above Meets Standard, given that the Multi-Year Cash Flow is positive, and Cash Flow is positive for each year.

Indicator 3: Fiscal Controls

Measure 3: Audit Performance — "Did the auditors provide a clean opinion?"

Definition: This measure is based on the independent auditor's report and the auditor's formal opinion and findings of material weaknesses or significant deficiencies.

Data source: Annual Audit Report pursuant to EC §47605(m).

Formula: N/A

Measure 3: Audit Performance
Meets Standard: **Unqualified Opinion expressed by independent auditor, with no material weaknesses or significant deficiencies**
Does Not Meet Standard: **Unqualified Opinion with two or fewer significant audit findings noted, but school has plan to address within 12 months**
Falls Far Below Standard: **Qualified, Adverse, or Disclaimer Opinion expressed by independent auditor** **or** **Unqualified Opinion with a noted material weakness or three or more significant deficiencies**

Example:

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Meets Standard:
Unqualified Opinion expressed by independent auditor, with no material weaknesses or significant deficiencies

Example:

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of [redacted] as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

State Awards	
Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

Does Not Meet Standard:

Unqualified Opinion with two or fewer significant deficiencies noted, but school has plan to address within 12 months

FINANCIAL HEALTH AND SUSTAINABILITY: TEMPLATE

Core Question: Is the charter school financially viable?

Indicator 1: Near-Term Measures

Measure 1a: Current Ratio — "Can the school pay its short-term obligations?"

Measure 1a: Current Ratio
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)**
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**

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 1b: Unrestricted Days Cash — "Does the school have the cash available to pay its bills?"

Measure 1b: Unrestricted Days Cash
Meets Standard: 60 Days Cash or Between 30 and 60 Days Cash and one-year trend is positive
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: Fewer than 15 Days Cash

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 1c: Enrollment Variance — "Does the school's actual student enrollment support the projected revenue?"

Measure 1c: Enrollment Variance
Meets Standard: Enrollment Variance equals or exceeds 95 percent in the most recent year
Does Not Meet Standard: Enrollment variance is between 85 and 95 percent in the most recent year
Falls Far Below Standard: Enrollment Variance is less than 85 percent in the most recent year

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance – "Does the school's actual UPP funding support the operating budget?"

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance
Meets Standard: **UPP Variance equals or exceeds 95 percent in the most recent year**
Does Not Meet Standard: **UPP Variance is between 85 and 95 percent in the most recent year**
Falls Far Below Standard: **UPP Variance is less than 85 percent in the most recent year**

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 1e: Debt Default "Is the school meeting its debt obligations?"

Measure 1e: Default
Meets Standard: School is not in default of loan covenant(s) and/or is not delinquent with debt service payments
Falls Far Below Standard: School is in default of loan covenant(s) and/or is delinquent with debt service payments

Meets			Falls Far Below Standard		
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 1f: Reserve — "Does the school have resources to weather uncertainties?"

Measure 1f: Reserve
Meets Standard: School meets or exceeds the reserve level defined in the charter petition and/or MOU and meets thresholds pursuant to 5 CCR §15450
Falls Far Below Standard: School does not meet the required reserve level

Meets		Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Indicator 2: Sustainability Measures

Measure 2a: Total Margin and Aggregated Three-Year Total Margin — "Is the school living within its means?"

Measure 2a: Total Margin
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 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive**
Does Not Meet Standard: **Aggregated Three-Year Margin, when calculable, is greater than –1.5 percent, but trend does not Meet Standard** **or** **Total Margin for recent year is negative**
Falls Far Below Standard: **Aggregated Three-Year Total Margin is less than or equal to –1.5 percent** **or** **The most recent Total Margin is less than –10 percent**

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 2b: Debt to Asset Ratio — "What the school owns versus what it owes."

Measure 2b: Debt to Asset Ratio
Meets Standard: **Debt to Asset Ratio is less than 0.90**
Does Not Meet Standard: **Debt to Asset Ratio is greater than or equal to 0.90 and less than or equal to 1.0**
Falls Far Below Standard: **Debt to Asset Ratio is greater than 1.0**

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Measure 2c: Cash Flow — "How much money the school has to spend."

Measure 2c: Cash Flow
Meets Standard: **Multi-Year Cash Flow is positive, and Cash Flow is positive for each year** **or** **Multi-Year Cash Flow is positive, Cash Flow is positive in one or two years, and Cash Flow in the most recent year is positive**
Does Not Meet Standard: **Multi-Year Cash Flow is positive, but trend does not "Meet Standard"**
Falls Far Below Standard: **Multi-Year Cash Flow is negative**

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					

Indicator 3: Fiscal Controls

Measure 3: Audit Performance — "Did the auditors provide a clean opinion?"

Measure 3: Audit Performance
Meets Standard: **Unqualified Opinion expressed by independent auditor, with no material weaknesses or significant deficiencies**
Does Not Meet Standard: **Unqualified Opinion with two or fewer significant audit findings noted, but school has plan to address within 12 months**

Falls Far Below Standard:
Qualified, Adverse, or Disclaimer Opinion expressed by independent auditor
or
Unqualified Opinion with a noted material weakness or three or more significant deficiencies

Meets		Does Not Meet/Falls Far Below Standard			
Comments:					
Action Required?	Yes			No	
Detail Action:					