Measuring Success Part II

Organizational and Fiscal Performance

SALON 10
Tuesday, October 26, 2004
9:00 – 10:30 AM

Ohio Charter School Sponsor Institute
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Ohio Charter School Sponsor Institute

Defining Fiscal Health

- Positive equity position and adequate cash flow to sustain operations for the next twelve months.
- Recurring revenues are adequate to support the recurring expenditures necessary for essential operations,
- Non-recurring revenue are equal to or greater than expenditures for non-essential operations and secured commitments for all current fiscal year expenditures,
- Systems that produce accurate financial reports and the board is actively and effectively engaged in the school's financial management.
- Cost to benefit ratio that is comparable to other schools.
- Stable revenue sources are adequate to fund the expense of all contractual obligations.

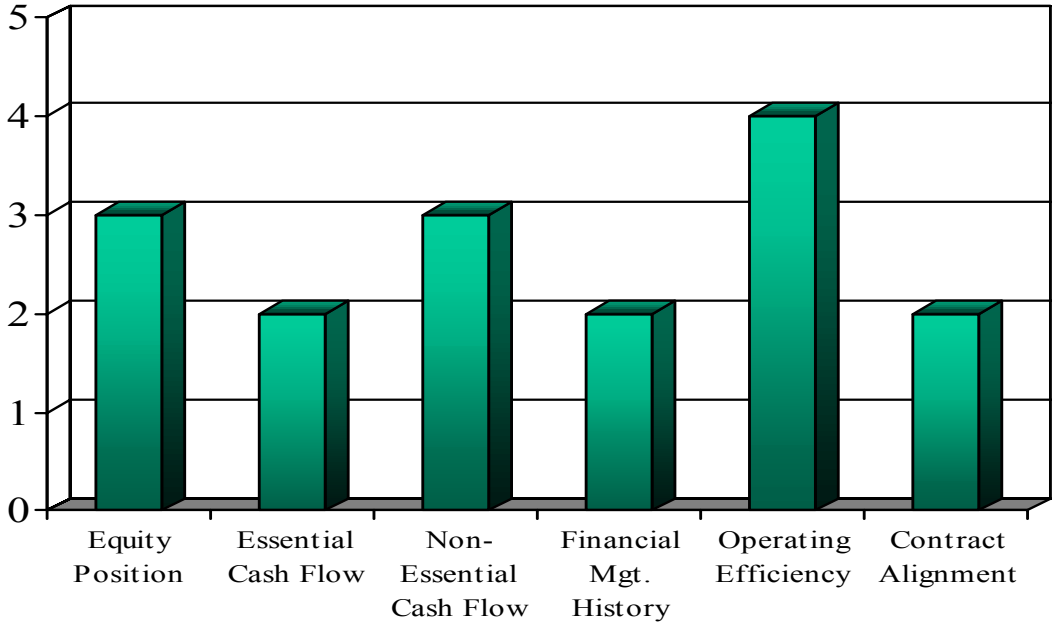
Measuring Fiscal Health

- Content, format, and timeline of periodic financial reports to be produced by the school for its board are defined in the school's financial plan.
- The school sends internal financial reports to the sponsor.
- Track and monitor essential using spread sheet or other data management system.
- Provide feedback to the school
- Intervene as needed.

Summary Report Sample

Overall Financial Benchmark Rating

March 2004 – **Level 2.7**



Equity Position	Level 3	Accrued assets are approximately equal to accrued liabilities with adequate cash flow to sustain positive equity for the next twelve months.
Essential Cash Flow	Level 2	Recurring expenditures for essential operations exceed recurring revenues with plan on track for correction by end of the fiscal year.
Non-Essential Cash Flow	Level 3	Non-recurring revenue are the same as expenditures for non-essential operations and all commitments for current fiscal year expenditures have been secured.
Financial Mgt. History	Level 2	Accurate cash flow statements, fund balance, and budget are in place, but not effectively used to facilitate the management of the school. Long-term financial plan is being developed.
Operating Efficiency	Level 4	The comparative cost/benefit ratio is in the top quartile for at least 80% of the school's core activities and continuous improvement initiatives are in place to sustain this ranking.
Contract Alignment	Level 2	Recurring revenue sources are secured, but they are inadequate to fully fund the expense of contractual obligations. Non-recurring revenue sources are secured, but unstable.

1. Equity Position

A comprehensive list of all assets and liabilities are assembled to determine the school's current equity position. Cash flow trends are evaluated to determine any anticipated impact to the school's future equity position. This information is then used to create an "equity position" rating for the school based upon the following standards.

Level 5	Total assets exceed total liabilities by at least 100% of the school's annual budget. Current assets exceed current liabilities by at least 25% of the annual budget and there is a positive cash flow from ongoing operations.
Level 4	Total assets exceed total liabilities by at least 50% of annual budget. Current assets exceed current liabilities and there is adequate cash flow to sustain current equity position for the next twelve months.
Level 3	Total assets equal to total liabilities with adequate cash flow to sustain positive equity for the next twelve months.
Level 2	Total assets lower than total liabilities with plan on track for correction by end of the fiscal year.
Level 1	Total assets significantly lower than total liabilities with adequate plans for correction within one to two years.
Level 0	Total assets significantly lower than total liabilities with no plans for correction.

2. Cash Flow for Essential Operations

Monthly cash flow trends are tracked and evaluated to identify the alignment between the school's recurring revenue sources and the costs of essential operations. The school's history and trends for sustaining an adequate level of recurring revenue for ongoing operations is reviewed and assumptions for future cash flow projections are tested. This information is then used to create a "cash flow for essential operations" rating for the school based upon the following standards.

Level 5	Recurring revenues exceed recurring expenditures for essential operations by an average of at least 25% per month with board-approved financial plan in place to sustain through the next three to five years.
Level 4	Recurring revenues exceed recurring expenditures for essential operations by an average of at least 10% per month with board-approved financial plan in place to sustain through the next two to three years.
Level 3	Recurring revenues are the same as recurring expenditures for essential operations with an approved budget in place to sustain operations through the end of the fiscal year.
Level 2	Recurring expenditures for essential operations exceed recurring revenues with plan on track for correction by end of the fiscal year.
Level 1	Recurring expenditures for essential operations exceed recurring revenues with adequate plans for correction within one year.
Level 0	Recurring expenditures for essential operations exceed recurring revenues with no plans for correction.

3. Cash Flow for Non-essential Operations

The school's history of sustaining an adequate level of non-recurring revenue for non-core school functions is reviewed and assumptions for future cash flow projections are tested. This information is then used to create a "cash flow for non-essential operations" rating for the school based upon the following standards.

Level 5	Non-recurring revenue exceed expenditures for non-essential operations and all commitments for current fiscal year and next fiscal year expenditures have been fully funded with cash in hand. Board-approved policies and long-term financial plan are in place to assure non-essential expenditures are not incurred until funds are secured.
Level 4	Non-recurring revenue exceed expenditures for non-essential operations and all commitments for current fiscal year expenditures have been fully funded with cash in hand. Board-approved policies and long-term financial plan are in place to assure non-essential expenditures are not incurred until funds are secured.
Level 3	Non-recurring revenue are the same as expenditures for non-essential operations and all commitments for current fiscal year expenditures have been secured.
Level 2	Non-recurring expenditures exceed non-recurring revenues with plan on-track for correction by end of the fiscal year.
Level 1	Non-recurring expenditures exceed non-recurring revenues with adequate plans for correction within twelve months.
Level 0	Non-recurring expenditures exceed non-recurring revenues with no plans for correction.

4. Financial Management History

The school's history of resource allocation, budgeting, cash management, and long-term financial planning will be reviewed. The past practices, internal controls, and policies will also be reviewed to ensure guidelines are in place to direct the financial operations of the school. This information is then used to create a "financial management history" rating for the school based upon the following standards.

Level 5	Accurate cash flow statements, fund balance, activity-based budget, and five-year financial plan are in place and thoroughly understood by Director and Board. Financial reports are updated frequently and used to guide priority setting and strategic planning initiatives of the school. Director frequently compares budget-to-actual data, consistently reviews opportunities for improved efficiency, and effectively uses the expertise of the Board in monitoring the financial health of the school.
Level 4	Accurate cash flow statements, fund balance, budget, and five-year financial plan are in place. Director monitors financial reports, frequently compares budget-to-actual data, and presents timely reports to Board members with recommendations for future action.
Level 3	Accurate cash flow statements, fund balance, budget, and one-year financial plan are in place. Board receives timely reports of information prior to each board meeting.
Level 2	Accurate cash flow statements, fund balance, and budget are in place, but not effectively used to facilitate the management of the school. Long-term financial plan is being developed.
Level 1	Accurate cash reconciliation statement. Basic budget and financial plan are being developed.
Level 0	Cash flow statements, budget and financial plan are not available for review or inaccurate.

5. Operating Efficiency

The cost and performance of the school's core activities are compared to similar activities in other comparable schools. The trends and comparisons of each activity are evaluated to determine the school's past and current efficiency quotient. This information is then used to create a "operating efficiency comparisons" rating for the school based upon the following standards.

Level 5	The comparative cost/benefit ratio is in the top quartile for each of the school's core activities and continuous improvement initiatives are in place to sustain this ranking.
Level 4	The comparative cost/benefit ratio is in the top quartile for at least 80% of the school's core activities and continuous improvement initiatives are in place to sustain this ranking.
Level 3	The comparative cost/benefit ratio is in the top half for each of the school's core activities and continuous improvement initiatives are in place to sustain this ranking.
Level 2	The comparative cost/benefit ratio is in the top half for at least 50% of the school's core activities and a plan is being developed or in place to improve comparative rankings.
Level 1	The comparative cost/benefit ratio is in the top half for at least 25% of the school's core activities and a plan is being developed or in place to improve comparative rankings.
Level 0	The comparative cost/benefit ratio is in the top half for less than 25% of the school's core activities and there is no plan in place or being developed to improve comparative rankings.

6. Contract to Revenue Alignment

All contracts with personnel, property owners, service firms and other individuals/organizations are evaluated to determine alignment between contractual obligations of the school and the level of secured revenue streams. This information is then used to create an "alignment of contract to revenues" rating for the school based upon the following standards.

Level 5	Secured revenues are adequate to fund the expense of all contractual obligations. Expenses for all other activities are not incurred until adequate revenues are in hand.
Level 4	Recurring revenues are stable and adequate to fund the expense of all contractual obligations. Expenses for all other activities are not incurred until adequate revenues are in hand.
Level 3	Recurring and non-recurring revenue sources are stable and adequate to fund the expense of all contractual obligations.
Level 2	Recurring revenue sources are secured, but they are inadequate to fully fund the expense of contractual obligations. Non-recurring revenue sources are secured, but unstable.
Level 1	Recurring revenue sources are secured, but they are inadequate to fully fund the expense of contractual obligations. Non-recurring revenues are unsecured and unstable.
Level 0	All revenue sources are unsecured and unstable. There is no assurance school will continue to receive revenues to cover the expense of contractual obligations.

Defining Organizational Performance

- Self sustaining and self perpetuating board
- The board is actively, effectively and appropriately engaged in overseeing the school's operations.
- The board and administration are engaged in effective strategic and program planning.
- Administrative systems are in place and are faithfully executed.
- Human resource management systems are in place and executed.
- Conducts purposeful internal evaluation of all programs and functions.

Measuring Organizational Performance

- Assessment Instrument
- Indicators
- Analytical questions