



Charter Schools Institute

The State University of New York

May 18, 2010

MEMORANDUM

To: SUNY Authorized Charter School Leaders and Board Chairs

From: David J. Hruby, Charter Schools Institute Associate Vice President of Finance

Subject: New Resource Tool: Fiscal Dashboard

The Charter Schools Institute is pleased to announce the creation and implementation of a new Fiscal Dashboard for all SUNY authorized charter schools. The purpose of the Fiscal Dashboard is to provide a simple yet dynamic and easy to understand tool to view financial data; a visual overview of the fiscal health and trends of any SUNY authorized charter school that has completed one year of operation and as a result has submitted financial statements, i.e. balance sheets, income statements, cash flow and functional expense statements.

We recognize that some schools may have developed their own at-a-glance fiscal documents over the years. If that is the case, we hope this tool serves as an added resource for you and note that it also provides access to a rich amount of comparative data. For those schools that do not have something similar in place, the Fiscal Dashboard will allow you to concisely view the financial information of your school on a yearly/quarterly basis. You and your leadership team will be able to maintain a better sense of the financial health of your school based on the indicators provided as well as identify and address any financial discrepancies or warning signs that may appear.

Several school-specific benefits we hope the Fiscal Dashboard provides include:

- **A resource tool for schools and school boards;**

The Fiscal Dashboard includes commonly utilized financial ratios and per pupil analyses which schools and their boards can use to gauge fiscal stability. Financial ratios are a valuable and easy way to interpret the numbers found in audited financial statements.

- **A more transparent look into what information the Institute uses at the time of renewal; and**

The Institute is tasked with the responsibility of evaluating whether or not a school has maintained adequate financial resources to ensure stable operations and has monitored and successfully managed cash flow. The dashboard will demonstrate to schools some of what the Institute looks at in determining if SUNY's fiscal renewal benchmarks have been met.

- **A means of comparison.**

The Fiscal Dashboard provides a school with the ability to compare itself to other similar schools in the same location, with similar enrollment and grades served, etc. There are also options at the bottom of the schools list to view a dashboard for all SUNY authorized charter schools, and groups of schools by region. Caution should always be exercised in

making school-by-school comparisons since schools serving different missions or student populations are likely to have substantially different educational cost bases. Comparisons with similar schools with similar characteristics are most valid.

Generally, we also see the Fiscal Dashboard as a powerful tool in providing greater transparency and clarity about charter school operations to your school communities and the public at large. The Fiscal Dashboard provides a five year financial history (or number of years in existence if less than five years) for every SUNY authorized school taken from the yearly audited financial statements.

The Fiscal Dashboard is a three page document that consists of three sections: the Financial History section drives the information found in the School Analysis section and related Graphs.

Financial History

This section will contain information provided directly from the school submitted and board approved audited financial statements for the latest five years of operation (or number of years the school has been in existence if less than five years). The information comes from the statement of financial position, activities and functional expenses. Official enrollment information reported to the Institute as well as chartered enrollment and actual grades served will also be provided. Data from this section directly feeds into the remaining two sections of the Fiscal Dashboard.

School Analysis

The Institute would like to assist schools, boards and key staff in interpreting the crucial information that is presented in the financial reports. SUNY's common templates for budget, quarterly reporting and audit reports (coming in June 2010) will help ensure consistent data in this section across the board for the years to come. The School Analysis utilizes key financial history in several fiscal ratio analyses; these ratios are common in measuring the fiscal stability of any school or business and have been used by the Institute for a number of years in evaluating a school's fiscal health:

- *Composite Score*
A financial composite score has been calculated for the school using the methodology developed by the United States Department of Education (USDOE) to determine whether private not-for-profit colleges and universities are financially responsible enough to participate in federal loan programs. These scores can be valid for observing the fiscal trends of a particular school and used as a tool to compare the results of different schools.
- *Working Capital(W/C)*
The W/C ratio indicates if a business has enough short-term assets to cover its immediate liabilities/short term debt.
- *Quick (Acid Test) Ratio*
This ratio is another test that indicates whether a school has enough short-term assets to cover its immediate liabilities. The quick (or acid-test) ratio is a more stringent measure of liquidity. Only liquid assets are taken into account. Inventory and prepaid expenses are excluded, as they may be difficult to dispose of.
- *Debt Ratio*
This ratio indicates what proportion of debt a school has relative to its assets. The measure gives an idea to the leverage of the school along with the potential risks the school faces in terms of its debt-load.

- *Months of Cash*

This ratio indicates solvency and the school's ability to pay debts and claims as they come due. It is recommended that a school work towards having a three-month reserve based on prior year expenses to ensure stable operations.

This section will also use enrollment data from the financial history section to show per pupil breakdowns and analysis. Such per pupil breakdowns will include: revenue per pupil; expenses per pupil; percentage of revenue exceeding expenses; student to faculty; and faculty to administration.

It is the Institute's intention that this section will not only provide schools and school boards with added guidance, but also assist schools in understanding what parameters the Institute reviews when making required findings regarding a school's financial condition. The Institute believes this level of analysis is crucial in addressing SUNY's fiscal benchmarks and ensuring the school is fiscally stable.

As you know, the Institute's primary focus at renewal continues to be the extent to which your school has met its academic accountability plan goals and the school's performance in relation to the SUNY Charter Renewal Benchmarks overall. At the same time, however, particularly in these difficult financial times, your school's ability to handle the unexpected—from delays in district payments to flat or even reduced per pupil funding—while still planning accordingly for the school's future, is important.

The Institute recognizes that there may be multiple circumstances which cause a school to fall into the 'needs monitoring', 'high risk' or 'poor' categories on any of the measures featured on the dashboard. Such labels simply serve as an alert to the Institute and your school that further investigation and analysis may be needed. This is what prompts our questions to you in response to your submission of quarterly reports or during an annual evaluation, etc. The Institute will always make its determination regarding fiscal soundness in consideration of the unique characteristics of your school and any current challenges/goals it faces.

Graphical Representation of Information

This section uses information and ratio analysis from the previous two sections to show a graphical representation of the data presented. Each graph has a brief description of what that particular graph is showing and how it should be interpreted.

Graphs one through four will show data strictly related to the school and graphs five through eight will show data for the school as well as adding a comparison component. These four graphs will allow the user to compare their school to another similar school or region as a whole.

The file has two tabs: "Info Tab" and "DashBoard." When opening the file be sure to hit 'Don't Update' as it will save a few minutes for certain users. Once in the file go to the Info Tab and simply enter in the school number for your school in the *first* green cell. Once that is done your school's information will populate in the dashboard tab. To add a comparison school, simply enter in the school or region number into the *second* green cell. To add guidance on what would be a 'good' comparison school the Info Tab includes a table to the right of the school information box that shows region, grades served and enrollment as of 2009-10, years of existence, management/partner organization or not and facility type. If you do not want to use the comparison tool you simply leave the *second* green cell blank.

Posting the Dashboard Online

In keeping with our commitment to transparency as described above, the Institute plans to post the Fiscal Dashboard file on its website at: <http://www.newyorkcharters.org/schoolsFiscalOperation.htm> later this week. Before this tool is posted publicly on the Institute website we wanted to send it to schools to view first. Due to the size of the Dashboard file, we have posted it on the Institute's website on a non-public page: www.newyorkcharters.org/dashboard.htm. While all of the data used to populate the dashboard is publicly available and primarily from year-end audits (which for recent years are already posted on the Institute's website), when the dashboard is posted to the public site it will be the first time that a graphic depiction of the Institute's fiscal analysis will be available publicly. As we roll-out the dashboard, we will work diligently to be quite clear about the value of this type of analysis but also about areas where one must be cautious in drawing conclusions.

The Institute intends to update the dashboard with any new information, added analysis tools, etc. on a quarterly basis to further assist schools and all updates will be announced to you and posted on our website. The Institute has verified the accuracy of the data presented, but invites schools to review their dashboard to ensure 100% precision.

As always, please do not hesitate to contact me with questions or concerns.

Attachment