

Section II. Financial Performance

In addition to academic performance, another important indicator of short-term and long-term success of charter schools is the financial performance. Annually, a charter school will be rated on the following near term and sustainability indicators. Any school that receives a “Falls Far Below” rating in any category will receive an immediate Plan of Correction to assist in remedying the deficiencies in this financial area. Three or more successive years of ratings that include a measure in the “Falls Far Below” category may result in a recommendation of immediate revocation of the charter.

Indicators and Measures:

1. Near Term Indicators:
 - a. Current Ratio
 - b. Unrestricted Days Cash
 - c. Enrollment Variance
 - d. Default
2. Sustainability Indicators:
 - a. Total Margin
 - b. Debt to Asset Ratio
 - c. Cash Flow
 - d. Debt Service Coverage Ratio
 - e. Near Term Indicators

1. Near Term Indicators

1(a). Current 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, OR
- If a school is in their first or second year of operation, Current Ratio is less than 1.1.

1(b). Unrestricted Days Cash:

Unrestricted Days Cash divided by ((Total Expense minus Depreciation Expenses) Divided by 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 15-30 days, OR
- Days Cash is between 30-60 days and one-year trend is negative

Falls Far Below Standard

- Fewer than 15 days cash, OR
- For schools in their first or second year of operation, Days Cash is less than 30 days

1(c). Average Daily Membership (ADM) to Budget Variance:

Actual ADM (June 30 ADM) divided by Enrollment Projection used in June 1 Charter School Board-Approved Budget

Meets Standard

- ADM to Budget Variance equals or exceeds 95 percent in the most recent year

Does Not Meet Standard

- ADM to Budget Variance is between 85 percent and 95 percent in the most recent year

Falls Far Below Standard

- ADM to Budget Variance is less than 85 percent in the most recent year

1(d). Default:

Meets Standard

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

Adopted: 10/31/14

Revised:

Does Not Meet Standard

- School is in default of loan covenant(s), but has worked with lender(s) to restructure debt service payments

Falls Far Below Standard

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

2. Sustainability Measures

2(a). Total Margin:

Total Margin is Net Income divided by Total Revenue and Aggregated Total Margin is Total Three-Year Net Income divided by Total Three-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 percent, 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 percent, but trend does not “Meet Standard”

Falls Far Below Standard

- Aggregated Three-Year Total Margin is less than or equal to -1.5 percent,
- The most recent year Total Margin is less than -10 percent, OR
- For schools in their first or second year of operation, the cumulative Total Margin is negative

2(b). Debt to Asset Ratio:

Total Liabilities divided by Total Assets

Meets Standard

Adopted: 10/31/14

Revised:

- Debt to Asset Ratio is less than 0.9

Does Not Meet Standard

- Debt to Asset Ratio is between 0.9 and 1.0

Falls Far Below Standard

- Debt to Asset Ratio is greater than 1.0

2(c). Cash Flow:

Multi-Year Cash Flow = Year 3 Total Cash – Year 1 Total Cash; One-Year Cash Flow = Year 2 Total Cash – Year 1 Total Cash

Meets Standard

- 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: Schools in their first or second year of operation 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, OR
- For schools in their first or second year of operation, cash flow is negative

2(d). Debt Service Coverage Ratio:

(Net Income + Depreciation + Interest Expense) divided by (Annual Principal, Interest, and Lease Payments)

- Meets Standard
 - Debt Service Coverage Ratio is equal to or exceeds 1.1
- Does Not Meet Standard
 - Debt Service Coverage Ratio is less than 1.1
- Falls Far Below Standard
 - Not Applicable

Adopted: 10/31/14

Revised:

Section III: Organizational Performance

A charter school’s performance on the organizational measures is a large piece of the overall evaluation of a charter school. Deficiencies or weaknesses in organizational performance may be an indicator of the overall health of the charter school. Any school that receives a “Falls Far Below” rating in any category will receive an immediate Plan of Correction to assist in remedying the deficiencies in this organizational area. Three or more successive years of ratings that include a measure in the “Falls Far Below” category may result in a recommendation of immediate revocation of the charter.

Indicators and Measures:

- | | |
|---|--|
| <ol style="list-style-type: none">1. Education Program:<ol style="list-style-type: none">a. Charter Termsb. Compliance with Education Requirementsc. Students with Disabilities Rightsd. English Learner Rights2. Financial Management and Oversight<ol style="list-style-type: none">a. Financial Reporting and Compliance Reportingb. Generally Accepted Accounting Principles3. Governance and Reporting<ol style="list-style-type: none">a. Governance Requirementsb. Accountability of Managementc. Reporting Requirements | <ol style="list-style-type: none">4. Students and Employees<ol style="list-style-type: none">a. Rights of Studentsb. Attendancec. Credentialingd. Employment Rightse. Background Checks5. School Environment<ol style="list-style-type: none">a. Facilities and Transportationb. Health and Safetyc. Information Handling6. Additional Obligations<ol style="list-style-type: none">a. All Other Obligations |
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1. Education Program

1(a). Is the school implementing the material terms of the education program as defined in the current charter agreement?

Meets Standard

- The school implemented the material terms of the education program in all material respects and the education program in operation reflects the material terms as defined in the charter agreement, or the school has gained approval for a charter modification to the material terms pursuant to T.C.A. § 49-13-110. If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to implement the material terms of the education program in the manner described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to implement its program in the manner described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

1(b). Is the school complying with applicable education requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of

Adopted: 10/31/14

Revised:

the charter agreement relating to education requirements, including but not limited to:

- Instructional days or minutes requirements
- Graduation, promotion and retention requirements
- Content standards, including implementation of Tennessee Academic Standards
- State Assessments
- Implementation of Response to Instruction and Intervention (RTI²)
- Implementation of mandated programming as a result of state or federal funding

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions described above. Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

1(c). Is the school protecting the rights of students with disabilities?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement (including the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act) relating to the treatment of students with identified disabilities and those suspected of having a disability, including but not limited to:
 - Equitable access and opportunity to enroll
 - Identification and referral
 - Appropriate development and implementation of Individualized Education Plans and Section 504 plans, in compliance with required timelines.
 - Operational compliance, including provision of services in the least restrictive environment and appropriate inclusion in the school’s academic program, assessments, and extracurricular activities
 - Discipline, including due process protections, manifestation determinations, and behavioral intervention plans.
 - Access to the school’s facility and program in a lawful manner and consistent with students’ IEPs or Section 504 Plans
 - Securing and properly accounting for all applicable federal and state funding

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school did not materially comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to the treatment of students with identified disabilities and those suspected of having a disability in the manner described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies, and procedures, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

1(d). Is the school protecting the rights of English Learner (EL) students?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement (including Title I and III of the Every Student Succeeds Act (ESSA)) relating to the English Learner requirements, including but not limited to:
 - Required policies and notifications related to the service of EL students
 - Proper steps for identification of students in need of EL services, in compliance with required timelines.
 - Appropriate and equitable delivery of services to identified students
 - Compliance with 1:35 EL teacher to student ratio

- Annual assessment of EL students (screener and annual assessment)
- Appropriate accommodations on assessments
- Exiting of students from EL services
- Ongoing monitoring of exited students

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school did not materially comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to English Learner requirements in the manner described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

2. Financial Management

2(a). Is the school meeting financial reporting and compliance requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to financial reporting requirements, including but not limited to:
 - Complete and on-time submission of financial reports, including initial and revised budgets, periodic financial reports as required by the State Board via the Reporting Calendar, and any reporting requirements if the board contracts with an Education Service Provider (ESP)
 - On-time submission and completion of annual independent audit and corrective action plans, if applicable
 - Complete and on-time submission of all additional reporting requirements related to the use of public funds

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to financial reporting requirements as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

2(b). Is the school following Generally Accepted Accounting Principles as outlined by the Governmental Accounting Standards Board?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to financial management and oversight expectations as evidenced by an annual independent audit, including but not limited to:
 - An unqualified audit opinion
 - An audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses
 - An audit that does not include a going concern disclosure in the notes or an explanatory paragraph within the audit report

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to financial management and oversight expectations described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance

3. Governance and Reporting

3(a). Is the school complying with governance requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to governance by its board, including but not limited to:
 - Board policies, including those related to oversight of an Education Service Provider (ESP) or Charter Management Organization (CMO), if applicable
 - Board bylaws
 - State open meetings law
 - Code of ethics
 - Conflicts of interest
 - Board composition and/or membership rules pursuant to T.C.A. § 49-13-109 (e.g. inclusion of a parent on board or proper membership on school advisory council.)

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to governance by its board as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into

compliance or the failure was so severe that it outweighed any efforts to come into compliance.

3(b). Is the school holding management accountable (Applicable to schools contracting with an Educational Service Provider (ESP) or Charter Management Organization (CMO))?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA Policies and Procedures, and provisions of the charter agreement relating to oversight of school management through an ESP or CMO, including but not limited to:
 - Maintaining authority over management, holding it accountable for performance as agreed under a written performance agreement, and requiring annual financial reports of the ESP or CMO.

Does Not Meet Standard

- The school failed to comply with all applicable laws, rules, regulations, and provisions relating to oversight of school management; Once the shortcoming(s) were identified , the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with all applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

3(c). Is the school complying with reporting requirements?

Reporting Calendar On-Time Completion Rate*	Meets Standard	Does Not Meet or Falls Far Below
	≥ 85%	< 85%

Reporting Overall Rate*	Calendar Completion

*Period= July –June

*On-Time= Within five (5) business days of the due date. If an item was not required of the school or an extension was granted and met, the item will be considered on time. *Percentages will be rounded to the nearest whole number. (For example, an on time percentage of 84.5 would be rounded up to an 85 and be eligible for a “Meets Standard” rating. An on time percentage of 84.4 would be rounded down to an 84 and a rating of either “Does Not Meet Standard” or “Falls Far Below Standard.”)

*For schools in the first year of operation, completion rates will be reported, however, the school’s rating will not be tied to the on-time completion rate.

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to relevant reporting requirements to the State Board, Tennessee Department of

Education, and/or federal authorities. The school submits timely, complete, and accurate reports, including but not limited to:

- On-time completion rate for Reporting Calendar submissions of at least 85% (not applicable to schools in their first year of operation).
- Timely and accurate attendance and enrollment reporting
- Timely and accurate reporting related to state and federal compliance and oversight
- Timely and accurate reporting of additional information requested by the State Board

Does Not Meet Standard

- The school failed to timely comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to relevant reporting requirements described above.

Falls Far Below Standard

The school exhibited a pattern of failure to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

4. Students and Employees

4(a). Is the school protecting the rights of all students?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to the rights of students, including but not limited to:
 - Policies and practices related to admissions, lottery, waiting lists, fair and open recruitment, and enrollment (including rights to enroll or maintain enrollment)
 - The collection and protection of student information (that could be used in discriminatory ways or otherwise contrary to law)
 - Due process protections, privacy, civil rights, and student liberties requirements, including First Amendment protections and the Establishment Clause restrictions prohibiting public schools from engaging in religious instruction
 - Conduct of discipline (discipline hearings and suspension and expulsion policies and practices)

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to the rights of students as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

4(b). Is the school meeting attendance goals?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to attendance goals, including but not limited to:
 - Meeting attendance goals outlined in the charter agreement
 - Meeting attendance goals outlined in the School or LEA plan (if applicable)

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, LEA policies and procedures, and provisions relating to attendance goals described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

4(c). Is the school meeting teacher and other staff credentialing requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement (including the federal Highly Qualified Teacher and Paraprofessional requirements within Elementary and Secondary Education Act [ESEA] as amended by ESSA) relating to state certification requirements. If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to state certification requirements; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

4(d). Is the school complying with laws regarding employee rights?

Adopted: 10/31/14

Revised:

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to employment considerations, including those relating to the Family Medical Leave Act, the Americans with Disabilities Act, and employment contracts (if applicable). The school does not interfere with employees' rights to organize collectively or otherwise violate staff collective bargaining rights. If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to employment considerations; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

4(e). Is the school completing required background checks?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to background checks of all applicable individuals (including staff, contractors and

volunteers, where applicable). If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to background checks; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

5. School Environment

5(a). Is the school complying with facilities and transportation requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, and provisions of the charter agreement relating to the school facilities, grounds, and transportation, including but not limited to:
 - Americans with Disabilities Act (ADA)
 - Fire inspections and related records
 - Viable certificate of occupancy or other required building use authorization
 - Asbestos inspections
 - Documentation of requisite insurance coverage
 - Student transportation (including transportation for students with disabilities)

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to the school facilities, grounds, and transportation as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into

Adopted: 10/31/14

Revised:

5(b). Is the school complying with health and safety requirements?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions of the charter agreement relating to safety and the provision of health-related services, including but not limited to:
 - Appropriate nursing services, school health reporting requirements, and dispensing of medication
 - Food service requirements
 - Emergency Operations Plan
 - School safety drills
 - Other district requirements

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to safety and the provision of health-related services as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

Page 17 of 19

Performance Frameworks

5(c). Is the school handling information appropriately?

Meets Standard

- The school materially complies with applicable laws, rules, regulations, LEA policies and procedures, and provisions regarding the handling of information, including but not limited to:
 - Maintaining the security of and providing access to student records under the Family Educational Rights and Privacy Act and other applicable laws
 - Access to documents maintained by the school under the state's open records law and other applicable authorities
 - Transferring of student records
 - Proper and secure maintenance of testing materials

If shortcomings were identified, the school promptly came into compliance.

Does Not Meet Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions relating to the handling of information as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance.

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.

6. Additional Obligations

6(a). Is the school complying with all other obligations?

Meets Standard

- The school materially complies with all other material legal, statutory, regulatory, or contractual requirements contained in its charter agreement that are not otherwise explicitly stated herein, including but not limited to requirements from the following sources:
 - Revisions to state charter law
 - LEA policies and procedures
 - Consent decrees
 - Intervention requirements by the authorizer
 - Requirements by other entities to which the school is accountable (e.g. Tennessee Department of Education)

Does Not Meet Standard

- The school failed to materially comply with other material, legal, statutory, regulatory, or contractual requirements as described above; Once the shortcoming(s) were identified, the school did not promptly come into compliance

Falls Far Below Standard

- The school failed to comply with applicable laws, rules, regulations, and provisions described above. Once shortcomings were identified, the school did not come into compliance, or the failure was so severe that it outweighed any efforts to come into compliance.