

IV. FINANCIAL PERFORMANCE

4.1 Financial Performance

Note: Please utilize the hyperlink in this sentence for more information about the [Financial Performance Framework](#).

Financial Performance Framework Ratings	Near Term Indicators				Sustainability Indicators				Financial Management and Oversight	Overall Rating
	Current Ratio	Days Cash	Enrollment Variance	Default, Loan Covenants, & Debt Service Payments	Total Margin	Debt Asset Ratio	Cash Flow	Debt Service Coverage Ratio		
Year	1a	1b	1c	1d	2a	2b	2c	2d	3	
2015-2016	M	M	M	M	M	M	F	M	D	Meets Standard
2016-2017	M	AS	AS	M	F	M	F	AS	M	Approaching Standard
2017-2018	M	AS	AS	M	F	AS	F	AS	M	Approaching Standard
2018-2019	M	AS	M	M	F	F	F	AS	M	Approaching Standard

DOE Summary:

In SY16/17 and SY17/18, Charter School of New Castle received overall ratings of “Approaching Standard” for financial performance. In SY17/18, the following measures did not meet standard: 1b. Days Cash (“Approaching Standard”), 1c. Enrollment Variance (“Approaching Standard”), 2a. Total Margin (“Far Below Standard”), 2b. Debt to Asset Ratio (“Approaching Standard”), 2c. Cash Flow (“Far Below Standard”), and 2d. Debt Service Coverage Ratio (“Approaching Standard”).

a) School's financial performance over the current charter term

School Comments 2017-2018	Charter School of New Castle’s overall financial rating is approaching standard, but we feel very confident in our financial well-being. FY17 was the first time since the school was taken over by new management that the school received a clean audit with an unmodified opinion. This has continued for FY18 as well. Most of the school’s poor ratings are attributable to one-time investments in our buildings to improve them for our students as well as the mortgage and other carrying costs for the facilities we vacated at 1101 Delaware Street in order to consolidate our elementary and middle schools at one location. The school had a significant amount of funds in reserve which made possible these improvements and the
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	ability to absorb the 1101 Delaware Street carrying costs. We currently have a tenant at the 1101 Delaware Street property that occupies half of the building now and will occupy the full building in FY20. They are expected to purchase the building in FY20. We expect that our ratings will improve over the next two years which will lead to us meeting standard in all areas by FY20.
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School Comments 2016-2017	Charter School of New Castle’s overall financial rating is approaching standard, but we feel very confident in our financial well-being. FY17 was the first time since the school was taken over by new management that the school received a clean audit with an unmodified opinion. Most of the school’s poor ratings are attributable to one-time investments in our buildings to improve them for our students as well as the mortgage and other carrying costs for the facilities we vacated at 1101 Delaware Street in order to consolidate our elementary and middle schools at one location. The school had a significant amount of funds in reserve which made possible these improvements and the ability to absorb the 1101 Delaware Street carrying costs. We expect to sell the 1101 Delaware Street property in 2017-2018 so that our ratings will improve over the next two years which will lead to us meeting standard in all areas by FY19.
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b) Financial practices that the school has implemented to improve the school's financial outcomes

School Comments 2017-2018	Over the past year, the school has taken great strides to improve our payroll internal controls. We continue to have receive a “Strong Internal Controls” rating. The school continues to refine and expand our practices to ensure continued success.
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c) Indicator measure where school did not meet standard or is approaching standard

School Comments
2017-2018

1. NEAR TERM INDICATORS

Measure 1b. Days Cash:

Cash divided by (Total Expenses / 365)

2017-2018
48

The days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash. The preferred result is more than 60 days cash.

School Response To Rating:

Measure 1c. Enrollment Variance:

Actual Enrollment as of September 30 divided by Authorized Enrollment

2017-2018
90%

The enrollment variance depicts actual versus authorized enrollment. A school budgets based on projected enrollment but is funded based on actual enrollment; therefore , a school that fails to meet its enrollment targets may not be able to meet its budgeted expenses. The preferred result is more than 95%.

School Response To Rating:

2. SUSTAINABILITY INDICATORS

Measure 2a. Total Margin:

Net Income divided by Total Revenue

2017-2018
1 YR: -7.96%
3 YR: -5.1%

Total margin measures the deficit or surplus a school yields out of its total revenues ; in other words, whether or not the school is living within its available resources. The preferred result is a positive margin for the past year and the past 3 years.

School Response To Rating:

Measure 2b. Debt to Asset Ratio:

Total Liabilities divided by Total Assets

2017-2018
0.95

The debt to asset ratio compares the school's liabilities to its assets, or what a school owes against what it owns. The preferred result is less than 0.90.

School Response To Rating:

Measure 2c. Cash Flow

2017-2018
1 YR: \$-327863
3 YR: \$-824306

Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash on hand, but indicates long-term stability versus near-term. Since cash flow fluctuations from year-to-year can have a long-term impact on a school's financial health, this metric assesses both three-year cumulative cash flow and annual cash flow. The preferred result is greater than zero.

School Response To Rating:

Measure 2d. Debt Service Coverage Ratio:

(Net Income + Depreciation + Interest Expense) / (Principal and Interest Payments)

2017-2018

-1.82

The debt service coverage ratio indicates a school's ability to cover its debt obligations in the current year.

School Response To Rating:

School Comments 2016-2017	School comments for SY 16/17 can be found at: https://www.doe.k12.de.us/Page/2654
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School Comments 2015-2016	School comments for SY 15/16 can be found at: https://www.doe.k12.de.us/Page/2654
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a. Describe the school's Financial performance over the current charter term (This section is for the school to address any overall rating where the school has not met standards. The school will be able to address individual metrics in the sections below.)

School Comments 2018-2019: The school has had to make a number of strategic decisions over the past five years to help improve the quality of our program. First, we wanted to consolidate from two locations to one. Moreover the former leased space for our Middle School was unattractive and a negative image for the School. However, our very nice 1101 Delaware Street facility was not large enough to accommodate all 760+ students. Therefore we relocated both the Elementary and Middle Schools to our current location on Lukens Drive.

When moving to this campus and scoping out additional classroom space we realized that there was a great need to invest significant amounts of funds from our \$2MM+ reserve to retrofit the space to create the best for our program. We invested roughly \$800,000 over two years into these buildings which had a negative impact on our financial ratios. We have had the 1101 facility on the market to sell or lease since the relocation. We have had tenants in the building which have partially offset our

carrying cost on the building. Our current tenant leases half of the building with reduces our annual carrying cost to about \$150,000. This tenant anticipates leasing the entire building next year which will completely offset our carrying cost. This tenant also has an option to purchase the building in the future.

b. Identify changes to Financial practices that the school has implemented to improve the school's financial outcomes.

School Comments 2018-2019: The school has reached a point that we no longer plan on having to “dip” into our reserves to help offset the operations of the school. The leaders have developed an operating budget that is balanced and we now have a tenant in 1101 Delaware Street which helps offset the costs related to that building. The school fully plans to end the year with a surplus which going forward will have a positive effect on our performance ratios which are heavily dependent on cash flow.

c. Address any measure where school did not meet standard or is approaching standard

School Comments 2018-2019: Charter School of New Castle's overall financial rating is approaching standard, but we feel very confident in our financial well-being. *Historical context: FY17 was the first time since the school was taken over by new management that the school received a clean audit with an unmodified opinion. This has continued for FY18 and is expected for FY19 as well.*

As stated above, most of the school's negative financial ratios have been attributable to one-time investments in our buildings to improve them for our students as well as the continuing carrying costs for the facilities we vacated at 1101 Delaware Street in order to consolidate our elementary and middle schools at one location. However, the positive turning point is a consistent tenant at 1101 with a desire to purchase the property.

We expect that our ratings will improve over the next two years which will lead to us meeting standard in all areas by FY20.

Performance Agreement

Financial Performance Expectations

Family Foundations Academy Charter School overall financial rating is TBD. Draft audit was provided as requested. By September 2019 our expectation is to achieve the overall rating of ""Meets"" or ""Exceeds"" standard as measured by the Financial Performance Framework. Each year, we will be on track to demonstrate economic viability and achieve our financial performance expectation. This progress will be monitored through our annual performance review.

DOE Summary:

In SY17/18, Charter School of New Castle received an overall financial rating of "Approaching Standard."

School Comments 2017-2018	School did not provide a response
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School Comments 2016-2017	Over the past year, the school has taken great strides to improve our payroll internal controls. FY17 was the first time in the past 4 years that the school received a "Strong Internal Controls" rating. The school continues to refine and expand our practices to ensure continued success.
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Note: This data element was included in SY 16/17 for direct school reporting. School information regarding the performance agreement for SY 14/15 and SY 15/16 can be found in their overall annual report at <https://www.doe.k12.de.us/Page/2654>

How the school developed and implemented a corrective action plan in response to audit findings (if applicable)

DOE Summary:

The FY18 independent audit did not have any audit findings.

School Comments 2017-2018	
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School Comments 2016-2017	The school had no audit findings in FY17.
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d. Discuss the school's financial performance based on its approved Performance Agreement.

School Comments 2018-2019: As stated above, negative financial ratios in the past years have been mostly attributable to one time capital expenditures to consolidate and improve our facilities. We expect to Meet Standards in FY20 and going forward.

e. Describe how the school developed and implemented a corrective action plan in response to audit findings (if applicable).

School Comments 2018-2019: After new management took over the School in FY15, significant financial reforms were put into place to address past financial mismanagement. There have been no audit findings since then.

f. As appendices, please provide the following documents:

Appendix 11 Summary of Findings from Independent Audits (if applicable)

Appendix 12 Final Fiscal Year 2018 Revenue & Expenditure Budget Report in the prescribed Department format

Appendix 13 Approved preliminary Fiscal Year 2019 Budget in the prescribed Department format

Appendix 14 Fiscal Year 2018 Audited Financial Statements (if final report is not available, a draft version is acceptable until final version is completed)

Appendix 15 Five-year budget projections sheets and budget narrative based on both 100% projected enrollment 80% projected enrollment. (Note: If the projected enrollment is increasing or decreasing by 5% or more over the term of the charter, please include a separate written justification for the modification request as well as budget documents reflecting the new enrollment figures.)