



Financial Framework Report

DELAWARE DESIGN-LAB HIGH SCHOOL

Reporting Period: July 1, 2016 to June 30, 2017

Published: November 28, 2017

Beginning in SY16/17 for each measure, a school receives one of three ratings:

Meets Standard
Approaching Standard
Far Below Standard

In the years prior to SY16/17 a school received one of the three ratings below:

Meets Standard
Does Not Meet Standard
Far Below Standard

Rating targets for each measure can be referenced on the Organizational Section of the [Delaware Performance Framework](#). Further clarifications for each measure’s data and methodology can be referenced in the [Financial Framework Guidance Document](#). School performance on each measure is presented below.

Each measure is weighted equally with discretion of the Authorizer incorporated to determine an overall rating.

The school has elected to submit a response to one or more measures to provide context of not meeting standard(s). The statements made therein are not made by or on behalf of Delaware Department of Education.

1. NEAR TERM INDICATORS

Measure 1a. Current Ratio:

Current Assets divided by Current Liabilities

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	0.55	0.34

The current ratio measures a school’s ability to pay its obligations over the next twelve months. The preferred result is more than 1.0, which indicates that the school’s current assets exceed its current liabilities.

School Response To Rating:

The school’s ratio is based upon numbers that include a disputed liability of \$768,081. The school disputes the liability for legal reasons and anticipates that this liability will be removed from its books before the end of the next fiscal year. Absent the disputed liability, the schools Measure 1a ratio is 1.00, which “meets standard.”

Measure 1b. Days Cash:

Cash divided by (Total Expenses / 365)

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	73	17

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:

DDLHS recognized its cash position was dwindling at the end of calendar year 2016. To prevent further deterioration in this area, DDLHS implemented substantial financial controls in the first quarter of 2017 aimed at retaining cash on hand. With new controls in place, DDLHS anticipates that available cash at the end of this fiscal year will meet or exceed standard.

Measure 1c. Enrollment Variance:

Actual Enrollment as of September 30 divided by Authorized Enrollment

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	78%	78%

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:

DDLHS finished the 2016-2017 school year in a positive cash flow position. While the enrollment variance data shows that DDLHS did not meet the preferred result, the variance did not materially affect the operations of the school. For the upcoming fiscal year, DDLHS planned for a substantial enrollment variance to ensure adequate funds to support budgeted expenses.

Measure 1d. Default, Loan Covenants, & Debt Service Payments

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	No	No

This metric addresses whether or not a school is meeting its loan covenants and / or is delinquent with its debt service payment, as noted in the notes accompanying the audited financial statements. A school which cannot meet the terms of its loan may be in financial distress.

School Response To Rating:

DDLHS has no loans or other debt service obligations.

2. SUSTAINABILITY INDICATORS

Measure 2a. Total Margin:

Net Income divided by Total Revenue

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
1 YR: N/R	1 YR: N/R	1 YR: N/R	1 YR: 9.08%	1 YR: 7.86%
3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: N/R

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:

Based on this data, the school is living within its available resources.

Measure 2b. Debt to Asset Ratio:

Total Liabilities divided by Total Assets

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	1.65	1.12

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:

The school's ratio is based upon numbers that include a disputed liability of \$768,081. The school disputes the liability for legal reasons and anticipates that this liability will be removed from its books before the end of the next fiscal year. Absent the disputed liability, the schools Measure 2b ratio is .39, which "meets standard."

Measure 2c. Cash Flow

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
1 YR: \$N/R	1 YR: \$N/R	1 YR: \$N/R	1 YR: \$N/R	1 YR: \$-363044
3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: N/R

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:

DDLHS's cash flow projection shows a positive balance in excess of zero.

Measure 2d. Debt Service Coverage Ratio:

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

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	N/R	N/R

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

3. FINANCIAL MANAGEMENT AND OVERSIGHT

2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
N/R	N/R	N/R	D	M

This measure assesses the timeliness of reporting, the implementation of the Citizen Budget Oversight Committee, and the adherence to the policies and procedures of the First State Financial Management System.

DOE Rating Information :

The FY17 independent audit disclosed related party transactions in the notes to the financial statements (Note F).

SUMMARY AND OVERALL RATING

Delaware Design-Lab High School

Year	1a	1b	1c	1d	2a	2b	2c	2d	3	OVERALL RATING
2015-2016	F	M	F	M	N/R	F	N/R	N/R	D	Falls Far Below Standard
2016-2017	F	AS	F	M	N/R	F	N/R	N/R	M	Falls Far Below Standard