

## 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	F	F	F	M	D	M	Falls Far Below Standard
2016-2017	M	M	M	F	AS	AS	M	M	M	Meets Standard
2017-2018	M	M	M	F	M	AS	M	M	M	Meets Standard
2018-2019	M	M	M	M	M	AS	M	M	AS	Meets Standard

#### DOE Summary:

In SY 16/17 and SY 17/18, Odyssey Charter School received overall ratings of “Meets Standard.” In SY 15/16, the school received an overall rating of “Falls Far Below Standard.” In SY 15/16, the following measures did not meet standard: 1d. Default, Loan Covenants, and Debt Service Payments (“Falls Far Below Standard”); 2a. Total Margin (“Falls Far Below Standard”); 2b. Debt Asset Ratio (“Falls Far Below Standard”); and 2d. Debt Service Coverage Ratio (“Falls Far Below Standard”).

In SY 16/17, the school’s rating for measure 2a. Total Margin improved from “Falls Far Below Standard” to “Approaching Standard” and measure 2b. Debt Asset Ratio improved from “Falls Far Below Standard” to “Approaching Standard.” Measure 1d. Default, Loan Covenants, and Debt Service Payments remained at “Falls Far Below Standard.”

In SY 17/18, the school’s rating for measure 2a. Total Margin improved from “Approaching Standard” to “Meets Standard.” Measure 1d. Default, Loan Covenants, and Debt Service Payments remained at “Falls Far Below Standard.”

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

<b>School Comments 2017-2018</b>	The school continues its growth into a full K-12 configuration, expanding its facility footprint while improving its financial performance metrics, and retaining an overall “Meets Standard” rating.
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<b>School Comments 2016-2017</b>	<p>Measure 1d – Default, Loan Payment and Debt Service</p> <p>The school has loans with WSFS in addition to a bond issue. The loans with WSFS have two ratios: a.) debt coverage and b.) Tangible net worth ratio. In 2016, the school did not meet either ratio while in 2017 the school met the debt coverage ratio but did not meet the tangible net worth ratio. However, the school made considerable progress on the WSFS requirement with the tangible net worth ratio reducing from 30.55 to 11.17. The target for the ratio is 4.0.</p> <p>The loan covenants for the bond issue were met.</p> <p>Although the school may not be meeting its loan covenants on an accrual basis, bond investors are satisfied with the school’s financial position and results.</p> <p>1.</p>
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**b) Financial practices that the school has implemented to improve the school's financial outcomes**

<b>School Comments 2017-2018</b>	Given the growing complexity of school operations, during this school year the finance team developed departmental budgets and reporting systems to ensure that all aspects of operations are measured, and leadership held accountable for the performance of areas under their direct responsibility. The management process is being fully implemented for the 2018 – 2019 school year.
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<b>School Comments 2016-2017</b>	Given the growing complexity of school operations, during this school year the finance team developed departmental budgets and reporting systems to ensure that all aspects of operations are measured, and leadership held accountable for the performance of areas under their direct responsibility. The management process is being fully implemented for the 2018 – 2019 school year.
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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 1d. Default, Loan Covenants, & Debt Service Payments

2017-2018

Yes

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.

#### DOE Rating Information:

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The FY18 independent audit identified that the school has not been compliant with certain financial covenant requirements related to their outstanding bonds and loans (Note 4).

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#### School Response To Rating:

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This is the result of (a) lenders assessing their clients on an accrual versus operating reporting basis, and (b) WSFS having a total debt to assets ratio covenant that will not be met due to the school's bond service obligations. On an operating basis the school continues to demonstrate a strengthening in its financial position.

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## 2. SUSTAINABILITY INDICATORS

### Measure 2b. Debt to Asset Ratio:

*Total Liabilities divided by Total Assets*

2017-2018

0.94

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:

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As the school honors its bond debt service commitments we expect this ratio to continue to improve. This past school year it improved from 0.97 to 0.94.

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<b>School Comments 2016-2017</b>	School comments for SY 16/17 can be found at: <a href="https://www.doe.k12.de.us/Page/2654">https://www.doe.k12.de.us/Page/2654</a>
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<b>School Comments 2015-2016</b>	School comments for SY 15/16 can be found at: <a href="https://www.doe.k12.de.us/Page/2654">https://www.doe.k12.de.us/Page/2654</a>
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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.)**

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During the current 5-year charter period, OCS continues to strengthen its financial results, even though it has expanded enrollment by some 50% over the past five years, requiring a considerable level of working capital to be able to provide the facilities and operating supports to the growing school. Over the past years this has been strongly supplemented with capital fundraising. Administration, with the support of its Business Office and consultants, will continue the strong management of the school’s finances, while implementing policies and procedures that will continue to improve the success of the school.

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

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Over the past charter period the school developed a detailed financial reporting system in FSF (divisions). This gives the board and administration the capability to assess the financial performance of the different divisions (e.g. School, Athletics, Transportation, Food Services, After Care Services, Tenant P&L, Facilities, and I.T. etc.), hold managers accountable, and make timely decisions as may be needed during the school year. More recently, we have started sharing this level of detail with the CBOC.

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

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**Financial Framework Measure 2b. - Debt to Asset Ratio**

The debt the school incurred to purchase the site of its current campus drives its non-compliance of this metric. As the School pays the debt, Administration expects to come into compliance on this

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ratio, unless it funds future expansions with additional debt. With that in mind, over the past three years we see a continued improvement of the ratio, as it has fallen from 0.97 to 0.92. If all conditions continue the same, the school expects to achieve compliance over the next renewal period.

### **Financial Framework Measure 3 – Financial Management and Oversight**

As mentioned by the CSAC in its first renewal application report (p.9), “OCS met standard on all measures except debt-to asset ratio and financial oversight due to the school’s probation.” As the school completes its probationary review process, we believe the school will return to a “Meets Standard” for this measure. It continues to publish its financial reports in a timely manner; it is strengthening its CBOC processes, even beyond those currently used by other schools, while adhering to the policies and procedures of the First State Financial Management System (FSF).

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## Performance Agreement

### Financial Performance Expectations

The Odyssey Charter School's overall financial rating is Meets Standard. By September 2019, our expectation is to achieve the overall rating of "Meets" 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 SY 17/18, Odyssey Charter School earned an overall rating of "Meets Expectations."

#### School Comments 2017-2018

Given the growing complexity of school operations, during this school year the finance team developed departmental budgets and reporting systems to ensure that all aspects of operations are measured, and leadership held accountable for the performance of areas under their direct responsibility. The management process is being fully implemented for the 2018 – 2019 school year.

#### School Comments 2016-2017

We have continued to implement the financial practices approved by our Board and vetted through our CBOC. We strive to increase our transparency with our families and greater community.

**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:

Odyssey Charter School has not had any audit findings in the past two years.

#### School Comments 2017-2018

There were no material findings for the SY 2018 audit. However, the school did not meet the DOE-required audit submission deadline, and will be meeting with Barbacane Thornton to discuss an improved process for the coming year's audit.

#### School Comments 2016-2017

The school has not had any audit findings in the past two years.

**d. Discuss the school's financial performance based on its approved Performance Agreement.**

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Odyssey's commitment during the current charter term was to "Meet Expectations" for its Financial Performance Framework. This has occurred in three of the four years reported above. More importantly, we have continued to demonstrate progress year-over-year with the ratings received for the nine reported metrics.

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

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Please see Odyssey's recent response to CSAC's Initial Renewal Report (Financial Performance section) for the proposed corrective action plans. We are currently implementing these plans.

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**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.)