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I. Introduction

In the spring of 2008, the Chicago Public Schools’ Office of New Schools (ONS) concluded that the annual accountability system it employed to evaluate charter and contract school financial and operational performance was no longer suitable to review the significant and wide-ranging data necessary to produce a comprehensive evaluation of non-academic performance. Specifically, the system was found to be too simplistic and narrow as it only evaluated three “indicators” (listed below) on a three-grade scale (High, Middle and Low):

- Budget (whether balanced or unbalanced)
- Financial Practices
- Compliance/Contractual Obligations

ONS also found challenges with the transparency of the system and the subjectivity with which scores were assigned. Additionally, some schools had expressed concerns about the scoring to ONS. ONS retained IFF to create a more robust financial management and compliance accountability system, with the specific goals of greater objectivity, transparency, rigor and comprehensiveness.

Based on this analysis, IFF’s 20 year experience monitoring the performance of over 400 nonprofit loan clients, and several discussions with ONS, IFF recommended updating the accountability system. Throughout the first year of implementation of the system, ONS continued to analyze its components and conduct further research to ensure the system is as robust as possible. This manual captures the result of the continued efforts of ONS to refine the system.

In addition to refining the existing indicators by realigning categories and adjusting scoring methods, ONS has added new indicators that allow for a better understanding of the status of schools. Coupled with this is a new system of monitoring the performance of schools and engaging in more dialogue about these indicators. School boards and leadership will be given notice when indicators fall to Below Average or Poor and will be asked to improve these areas in a timely manner. If, however, the issues are severe enough or remain unresolved, ONS will communicate consequences to the school that could, in serious situations, lead to revocation.

The goal of this more comprehensive system is to ensure that matters of financial management and compliance do not get in the way of a school’s ability to provide a high quality education to its students.
II. Annual Performance Evaluation

A. Indicators and Scoring

The Financial Management and Compliance evaluation for the Annual Performance Scorecard will evaluate schools across four categories: Financial Condition and Budget, Financial Controls, Reporting, and Compliance. Each category contains several indicators that are evaluated and reported annually. Each school's performance will be assessed across the four categories (described above), using a four-point scale, where:

(4) Indicates Strong performance;
(3) Indicates Average performance;
(2) Indicates Below Average performance; and
(1) Indicates Poor performance

Scoring rubrics are provided in Appendix A. This section details the components and scoring rubric for each of the four categories.

Categories

Financial Condition and Budget

This category measures the overall financial health of the school based on the following indicators: change in net assets, liquidity, net asset ratio, cash-on-hand, student enrollment, and loan delinquency. Additionally, a school's ability to generate a realistic and reasonable budget is evaluated in this section.

Change in Net Assets

- This measurement indicates the school's ability to effectively earn consistent surpluses on an annual basis.
- The change in net assets is calculated by subtracting total expenses from the total revenues produced in the same time period. The result is then compared to the budgeted projection to determine the score.
- Depending on the result, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for change in net assets:
  - 4 points – Increase in net assets greater than or equal to budgeted surplus
  - 3 points – Increase in net assets less than budgeted surplus or realizing a balanced budget
  - 2 points – Decrease in net assets less than or equal to budgeted deficit
  - 1 point – Unbudgeted decrease in net assets or decrease in net assets greater than budgeted deficit
- For example, a school that budgeted for a deficit of $10,000 but realizes a deficit of only $2,000 will receive a score of 2 because the actual decrease in net assets was less than the budgeted deficit.
**Liquidity**

- The current ratio assesses liquidity and measures the cushion of current assets (those able to convert to cash within one year) to cover bills coming due within a year.

- The current ratio is calculated by dividing total current assets by total current liabilities.

- Depending on the result, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for liquidity:
  - 4 points – Current ratio greater than or equal to 1.3
  - 3 points – Current ratio less than 1.3 but greater than or equal to 1.1
  - 2 points – Current ratio less than 1.1 but greater than or equal to 1.0
  - 1 point – Current ratio less than 1.0

- For example, a school with a current ratio of 1.2 will receive a score of 3 for liquidity.

**Net Asset Ratio**

- This measures the percentage of an agency’s assets that are free and clear of encumbrances or pledges.

- The net asset ratio is calculated by dividing total net assets by total assets.

- Depending on the result, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for net asset ratio:
  - 4 points – Net assets greater than or equal to 30% of total assets
  - 3 points – Net assets greater than or equal to 20% of total assets but less than 30%
  - 2 points – Net assets greater than or equal to 10% of total assets but less than 20%
  - 1 point – Net assets less than 10% of total assets

- For example, a school with a net asset ratio of 8% will receive a score of 1 for net asset ratio.

**Cash-on-hand**

- This measures an agency’s ability to pay debts as they come due even if the agency does not receive any additional revenue.

- Cash-on-hand is calculated by dividing the cash balance by the total expenses, less depreciation, divided by 12 (to determine average monthly expenses).

- Depending on the result, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for cash-on-hand:
  - 4 points – Cash/Average monthly expenses greater than or equal to 3.0
  - 3 points – Cash/Average monthly expenses greater than or equal to 1.0 but less than 3.0
  - 2 points – Cash/Average monthly expenses greater than or equal to 0.75 but less than 1.0
  - 1 point – Cash/Average monthly expenses less than 0.75
For example, a school with a ratio of 0.92 will receive a score of 2 for cash-on-hand.

**Student Enrollment**

- This indicator measures how the actual student enrollment compares to the budgeted enrollment projection, which drives a majority of a school's budgetary decisions.

- The student enrollment indicator is determined by comparing the budgeted enrollment number from the July 1 budget submission to the actual enrollment on the 20th day of the school year for the same fiscal year. The actual enrollment is divided by the budgeted enrollment to determine the percent (%).

- Depending on the result, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for student enrollment.
  - 4 points – Actual enrollment greater than or equal to 100% of budgeted enrollment
  - 3 points – Actual enrollment greater than or equal to 95% of budgeted enrollment
  - 2 points – Actual enrollment greater than or equal to 90% of budgeted enrollment
  - 1 point – Actual enrollment less than 90% of budgeted enrollment

- For example, a school budgeted for an enrollment of 500 students and, on the 20th day of school, the actual enrollment was 483 students. Therefore the actual enrollment is 96.6% of the budgeted enrollment (483/500 *100) and the school will receive a score of 3 for student enrollment.

**Loan Delinquency**

- This indicator will evaluate the agency's ability to make debt service payments in a timely fashion, on all outstanding loans, which is indicative of a school's ability to manage its cash position.

- For schools with loans from IFF, ONS will contact IFF for the history of school loan payments within the previous year. The report indicates number of loan payment delinquencies and duration of lateness.

- If schools borrow from other lenders, as identified in the audit, ONS will request from the school their contact at the respective banks to get credit references on the school's payment history within the past fiscal year.

- After credit references are completed, the number of delinquencies (payments more than 30 days late) will be recorded and using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for loan delinquency:
  - 4 points – no late payments in the last 12 months or no existing debt.
  - 3 points – 1 late payment in the last 12 months
  - 2 points – 2 to 3 late payments in the last 12 months
  - 1 point – more than 3 late payments in the last 12 months.

- For example, a school with 4 late payments in the last 12 months will receive a score of 1 for loan delinquency.
**Budget**

- Schools will be evaluated based on the realistic nature of their projections including consistency with programmatic and operational history, as well as the reasonableness of assumptions.

- A score will be assigned to each school using the rubric provided, comparing the budget to the prior year statement of activities from the audit and analyzing the detailed assumptions provided in the budget. For example, the budget received for the 2008-09 school year will be compared to the statement of activities provided in the audit for the 2007-08 school year. Listed below are the possible scores for the budget:
  - 4 points – Realistic budget with reasonable assumptions and revisions allowed through the end of October
  - 3 points – Realistic budget with mostly reasonable assumptions and revisions allowed through the end of October
  - 2 points – Realistic budget without assumptions and needs to be resubmitted
  - 1 point – Unrealistic budget with unreasonable assumptions and needs to be resubmitted

- For example, a school budget that is realistic and consistent with programmatic and operational history and also provides detailed and reasonable assumptions will receive a score of 4 for budget.

**Financial Controls**

This category assesses the fiscal soundness of the financial system in place at each school, taking into consideration the auditor’s independent review as well as the fiscal policy and procedures of the school.

**Annual Audit**

- This category evaluates the auditor’s independent review of the schools internal controls over financial reporting as it relates to the risk of material misstatement. The opinion expressed is not on the effectiveness of such internal controls but on the financial statements and whether such statements are presented fairly in all material aspects and in conformity with generally accepted accounting principles (GAAP). The auditor’s Report on Internal Control over Financial Reporting will identify any deficiencies that are considered to be material weaknesses or significant deficiencies as they relate to financial reporting.

- The following are definitions of auditor determinations that can be found in audit reports:

<table>
<thead>
<tr>
<th>DEFINITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unqualified opinion</strong> – states that all financial statements have been expressed fairly and conform to GAAP. Such an opinion will be expressed in letter form and submitted along with the audit.</td>
</tr>
<tr>
<td><strong>Qualified opinion</strong> – states that all financial statements have been expressed fairly but the statements in some way deviate from GAAP and/or auditor’s scope is limited in some way. Such an opinion will be expressed in letter form and submitted along with the audit.</td>
</tr>
<tr>
<td><strong>Control deficiency</strong> – the lowest level finding; such a deficiency exists when the design or operation of a control hinders management or employees from preventing or detecting misstatements on a timely basis. Such a deficiency usually relates to the quality of internal controls.</td>
</tr>
</tbody>
</table>
Significant deficiency – a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material weakness – a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Upon review of the audit report, scores will be assigned using the rubric provided. Listed below are the possible scores for annual audits:

- 4 points – Unqualified opinion, no material weaknesses or significant deficiencies
- 3 points – Unqualified opinion, one significant deficiency noted, but school will address in 12 months
- 2 points – Unqualified opinion, with two noted significant deficiencies.
- 1 point – Unqualified opinion, with a noted material weakness or three or more significant deficiencies; or an audit with a qualified opinion.

For example, an unqualified opinion noting two significant deficiencies will receive a score of 2 for annual audit.

The Management Letter will also be reviewed to provide clarity surrounding any issues. Depending on what is discovered in the letter, the score will be adjusted accordingly.

Reporting & Oversight

As the Report on Internal Control over Financial Reporting (referenced above) does not express an opinion on the effectiveness of an agency’s internal control over financial reporting, this measurement evaluates the financial systems in place at the school. Schools will be scored based on the initial review of its fiscal policies and procedures manual; the score will only be changed to reflect updates to the policies and procedures. However, schools that have already submitted their fiscal policies and procedures to ONS will only be required to provide an affidavit stating that no changes have been made.

The fiscal policy and procedures provided by the schools will be reviewed and evaluated based on the following metrics:

FISCAL POLICY AND PROCEDURE METRICS

Comprehensive Reporting - Timely and regular production of three standard monthly financial statements: the statement of activities (including budget-to-actuals), statement of financial position (balance sheet), and statement of cash flows.

Review of Financial Statements – The above referenced reports are reviewed monthly by a member or committee of the Board; budgets and audits are to be reviewed annually.

Meeting Schedule - Board should meet, at a minimum, on a quarterly basis; ideally, the Board would meet monthly or bi-monthly.
Committees - Appropriate committee structures are in place with clearly defined roles and responsibilities as well as regularly scheduled meetings.

Financial Systems – Denotes proper checks and balances, appropriate separation of duties as well as qualified persons for the generation and review of monthly financial statements. For example, persons with check signing authority should also not be able to generate checks.

Qualified Personnel - Persons involved in the generation and review of financial reports would ideally have backgrounds in finance and/or accounting, an MBA, and/or extensive financial experience, preferably in the nonprofit sector.

- After the fiscal policies and procedures have been evaluated, a score will be assigned to each school using the rubric provided. Listed below are the possible scores for reporting & oversight:
  - 4 points – System generates monthly comprehensive financial reports, which are reviewed monthly by a member or committee of the Board. Board meets at least bi-monthly, with appropriate committee structure; strong financial systems and oversight with significant financial expertise.
  - 3 points – Systems generate most reports on a quarterly basis, which are reviewed quarterly by a member or committee of the Board. Board meets quarterly, with adequate committee structure; average financial systems; sufficient financial expertise.
  - 2 points – System generates few reports regularly; school lacks adequate management and/or Board review of financial reports. Board meets less than once a quarter with weak committee structure; financial systems in need of improvement; minimum financial expertise.
  - 1 point – System to generate reports is weak; inadequate or no Board/committee review; board involvement and committee structure is non-existent; poor financial systems; no financial expertise.

- For example, if the financial system in place at the respective school has appropriate checks and balances in place and generates the three standard monthly financial statements (e.g. statement of activities (including budget-to-actuals), statement of financial position (balance sheet), and statement of cash flows) and such reports are then reviewed at the monthly board meeting the school will receive a score of 4 for reporting and oversight.

Reporting

In determining the Reporting score, schools will be evaluated on the frequency of untimely submission rather than simply the duration of the lateness. Timely submission of the items referenced is recorded on the compliance chart maintained by the ONS Compliance Coordinator.

Budget

- Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for submission of the annual budget:
  - 4 points - Submitted on a timely basis
  - 3 points – Budget is submitted with one delay but with prior notification to and acknowledgement by ONS.
• 2 points - Budget is submitted with significant delay or submitted late without prior notification to and acknowledgement by ONS.
• 1 point - Budget is submitted with significant delay for second year in a row, or not submitted at all

For example, if a budget was submitted with significant delay (i.e. 45 days late) for 2009 and 2010, the school will receive a 1 for the budget indicator.

Quarterly Statements

• Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for submission of quarterly statements:
  
  • 4 points - Quarterly statements are submitted on timely basis in accrual format
  • 3 points - Quarterly statements are submitted late one time
  • 2 points - Quarterly statements are submitted late two times
  • 1 point - Quarterly statements are submitted late three or more times, or not submitted at all

For example, if both the first and second quarter statements are submitted late to CPS, the school will receive a score of 2 for quarterly statements.

The Quarterly Statements indicator will reset with each new fiscal year.

Audit

• Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for submission of audits:
  
  • 4 points - Submitted on a timely basis
  • 3 points - Audit is submitted with one delay but with prior notification to and acknowledgement by ONS.
  • 2 points - Audit is submitted with significant delay or submitted late without prior notification to and acknowledgement by ONS.
  • 1 point - Audit is submitted with significant delay for second year in a row, or not submitted at all

For example, if an audit was submitted with significant delay (i.e. 45 days late) for 2009 and 2010, the school will receive a 1 for audits.

CPS/State/Federal Compliance Document Submissions

• Timely submission of required compliance items is recorded on the compliance chart maintained by the ONS Compliance Coordinator.

• Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for compliance with federal, state, and CPS document submission requirements.
  
  • 4 points - Timely submittal of all required documents.
  • 3 points - Late submittal of up to two required documents
2 points - Late submittal of up to three required documents
1 point - Late submittal of more than three required documents

For example, if a school submits the evidence of insurance and the report on special education noting the school's election regarding special education staffing late - the school will receive a score of 3 for CPS/State/Federal Compliance Document Submissions for late submittal of two documents.

The CPS/State/Federal Compliance Document Submissions indicator will reset with each new fiscal year.

**Compliance**

This category is divided into two components. The first component measures legal compliance reflected and reported in the annual audit; the Independent Auditor's Report on Compliance details any findings as it relates to compliance with the requirements of laws, regulations, contracts and applicable grants. The second component measures the number of times a school violates a contract term or any applicable law and how quickly the school responds to and corrects the issue.

**Legal Compliance**

- The Independent Auditor Report on Compliance will be used to determine this score.

- Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for legal compliance as reflected in the audit report:
  
  - 4 points - Auditor report on compliance reflects no findings
  - 3 points - Auditor report on compliance reflects one finding
  - 2 points - Auditor report on compliance reflects two findings
  - 1 point - Auditor report on compliance reflects three or more findings; and/or audit states that corrections have not been made for prior year finding(s).

- For example, an auditor report with no findings will earn the school 4 points for legal compliance.

**Contract Terms and IL Charter School Law/Applicable State/Federal Law**

- The school's adherence to the terms of their contract with CPS and to all applicable laws (Illinois Charter School Law and state and federal laws) will be the basis for scoring this category.

- Using the rubric provided, a score will be assigned to each school. Listed below are the possible scores for compliance with the contract terms and applicable laws:
  
  - 4 points – No violations
  - 3 points – One violation with timely response from school
  - 2 points - Two violations with timely response from school
  - 1 point – Three or more violations or violations without timely response from school

- For example, if a school violates one term of the contract but provides ONS with a detailed response to the violation and a plan for resolving it in a timely manner, the school will earn 3 points for this indicator.
• In the event that the Board deems that there has been a violation of the Agreement or the Illinois Charter Schools Law, the Office of New Schools shall give the School written notice enumerating the specific violation and the period of time during which the School shall have the opportunity to (1) cure such violation or (2) provide an action plan to remedy the violation.

B. Annual Performance Analysis

The majority of the financial information used to determine a school’s annual financial management and compliance performance scores is contained in the 1) annual audit and accompanying notes and possible letters and 2) the annual budget projections and assumptions.

Annual audits conducted by independent certified public accountants (CPAs) are required to be submitted annually by Illinois Charter School Law and the schools’ contract agreements with CPS. As an independent review of an agency’s systems and financial condition, an audit provides a more comprehensive picture and standardized reporting of the school’s overall financial health than is possible with compiled statements or monthly statements prepared internally. The following financial statements/documents are included in an annual audit: statement of financial position (balance sheet), statement of activities, statement of cash flows, notes to the audit, and an auditor’s report/letter noting any findings (i.e. significant deficiencies and/or material weaknesses). When schools submit their annual audits, an affidavit should be provided to ONS verifying that the Board has approved the audit (see Appendix C for Board affidavit). If the audit report of opinion or report on compliance and internal controls reflects any material weaknesses, significant deficiencies, or other non-compliance items, ONS should also receive the Management Letter to get clarification on areas of auditor concern.

Annual budgets are an agency’s projections of revenues and expenses for the upcoming fiscal year. Budgets are largely evaluated on the basis of reasonableness (of assumptions), consistency and timeliness. Consistency and reasonableness are assessed based on programmatic and operating history (revenues and expenses) and alignment with assumptions; the evaluation of school budgets are school specific and therefore, no school will be compared to another. With every budget submitted, each school shall also submit detailed budget assumptions and/or a budget narrative, explaining:

• Projected student enrollment for the coming year,
• How a school arrived at a particular dollar amount for each revenue or expense category,
• Variances (+/-) in revenues or expenses inconsistent with overall budget growth or decline, and
• Reasonable plans to remedy deficits, if any.

Financial system policies and procedures that have been approved by the schools’ Boards will be submitted beginning with the launch of the new system. Thereafter, schools will annually provide an affidavit that no changes were made to the policies or submit the new policies for review. There is no required format for the financial handbook/policies. Samples are available upon request by contacting the Academic and Operational Evaluation Team Compliance Coordinator, Teresa Diaz at 773-553-1539.

ONS’s internal compliance tracking system is used to evaluate the annual timeliness and submission of required federal, state, contract agreement, and Chicago Public Schools reports.

Organizations that manage both charter and contract schools must submit separate financial documents for their charter entity and contract entity.
III. Quarterly Financial Reporting and Analysis

Schools will be required to provide summarized quarterly statement of activities (including budget-to-actuals) and statements of financial position (balance sheets) on an accrual basis. In accordance with nonprofit GAAP accounting standards required of charter and contract schools and how their internal monthly financial statements are produced, this summary statement will be reported on an accrual basis. As these statements are summarized versions of the complete reports schools are preparing each quarter for their Boards and are in the same format as required by GAAP nonprofit accounting standards, these submissions should not be additionally taxing for schools to provide. While the quarterly reporting will not factor into the financial analysis on the annual performance scorecard, these quarterly statements will be monitored throughout the year to identify areas of concern and if necessary, will lead to follow up with the schools. Additionally, the timely submission of these statements will factor into a school's Reporting category score.

**Statement of activities** (including budget-to-actuals) shows the school's resources and how those resources were used for a given period.

**Statement of financial position** (balance sheet) details what a school owns (assets) and what they owe (liabilities) at a specific point in time.

Thirty (30) days after the end of each quarter, schools will submit a summarized quarterly financial statement summary to ONS (see Appendix B); financial statements for year end will be due within forty-five (45) days after the end of 4th quarter. The summary will include both statement of activities (including budget-to-actuals) and statement of financial position (balance sheet).

When submitting quarterly statements, a school should submit them in a year-to-date format. For example, for the revenue and expenses for the second, third, and fourth quarters, the numbers should be treated as year-to-date numbers. In essence, the information a school will be providing will be for the 3, 6, 9, and 12 month periods ending September 30, December 31, March 31, and June 30, respectively. This is because a quarter in isolation does not provide as much insight as the cumulative performance year-to-date, especially when held up to the year-to-date budget projections and total variance from those projections.

Additionally, when submitting the quarterly statements, any large variances (positive or negative) or low financial ratios should be accompanied by a detailed explanation and a plan to improve the situation.
IV. Financial Templates for Reporting and Analysis

In the past, there was great variation in the presentation of financial statements provided by the schools to ONS. A set of standardized reporting allows for consistency across formats used by the schools as well as consistency of assessments performed by ONS. Prior to any school entering any numbers into the templates, the identification information - school name, budget year, fiscal year ending, and date of quarter end – should be entered using the cells provided. For schools with multiple campuses, detailed and summarized budgets will be submitted at both the campus and the network level; quarterly financial statements will be submitted at the network level.

**Templates for Schools (See Appendix B)**

**Budget**

1) Each school is required to submit a detailed budget as well as a summarized budget prepared on an accrual basis. Please note that the template for the detailed budget is optional as schools can choose to provide a detailed budget in a format of their choosing.

2) Both detailed and summarized budget projections are to be provided at the campus level and network level.

3) Two templates are provided for the summarized budget while one is provided for the detailed budget. One summarized budget links to the detailed budget, requiring no additional manual entry. The other template does not link to the detailed budget, therefore, requiring manual entry; this template was created for schools that decide not to use the detail budget template provided but instead submit their own detailed budget format.

For schools wishing to use the provided detailed and summarized templates, schools will manually enter budget projections for each quarter using the detailed budget template; however, schools must NOT manually enter numbers into the Annual Budget column as these numbers will automatically sum the four columns of quarterly projections. This template has been linked to the summarized budget template (linked), completely filling in all cells; therefore, no manual entry is required for the summarized budget. Amounts entered for the following will be summed and collapsed into the line item labeled categorical funding: small schools supplement, non-CPS facility supplement, SGSA, NCLB, ELL, and special education. In addition, quarterly totals for all other categories (i.e. office administration, personnel, occupancy costs, etc.) are linked and collapsed into the summarized budget template. Please note that line items for furniture and equipment can be used to designate non-capitalized or capitalized expenditures.

However, for schools wishing to use their own detailed budget format, schools will summarize the budget categories and manually enter those totals into the summarized budget template (unlinked). Again, schools must NOT manually enter numbers into the Annual Budget column as these numbers will automatically sum the four columns of quarterly projections.

Additionally, schools should plan to provide any necessary revisions to the budget that occur during the beginning of the fiscal year to ONS on the same template. The revisions are due no later than the end of October and should be accompanied with an explanation for what changes have occurred and why.

**Annual Budget Assumptions**

Each school must submit budget assumptions, providing explanations for all revenues and expenses recorded. Additionally, for school networks that employ more than one CMO/EMO, separate budget assumptions can be submitted for each CMO/EMO. For convenience, a template for budget assumptions is
provided to each school; however, schools are not required to use the template provided. Schools are required to describe and enter all relevant assumptions related to revenues and expenses, including the basis of revenues (such as % of eligible students) and the basis of expenses (such as per student costs or historical experience, # of teachers, etc). Also, schools must describe and enter assumptions such as salary bases for personnel, number of positions, annual expense growth, and provide explanations for any significant revenue or expense deviations from prior years as personnel makes up the greatest percentage of a school's budget.

The Budget Assumptions tab is also where the school provides the budgeted student enrollment figure that is used in the Student Enrollment metric described above. In order for schools to be as sustainable as possible without relying heavily on fundraising, enrollment numbers should drive budget figures and assumptions.

Quarterly Statement of Activities and Statement of Financial Position

Schools are required to submit quarterly statement of activities (including budget-to-actuals) and statements of financial position (balance sheets) in accrual format within thirty (30) days after the end of each quarter; financial statements for year end are due within forty-five (45) days after the end of 4th quarter. A summarizing financial template is provided for each quarter, allowing each school to record the statement of activities (including budget-to-actuals) and statement of financial position (balance sheet) on the same worksheet. Schools enter numbers for all necessary categories (i.e. CPS per capita, ELL, accounts receivable, PPE (net), etc.). The total cells for each section automatically calculate; therefore, schools should NOT manually enter the numbers. In addition, the change in net assets for each quarter (as well as the percentage) calculates automatically once all cells have been populated for the statement of activities; these calculations are located at the bottom of the statement of activities section. The change in net assets is calculated by subtracting total expenses from total revenues. The percent increase or decrease in net assets is then calculated by dividing the change in net assets for the period by the total revenues produced in that same period.

Additionally, a current ratio calculation, a net asset ratio calculation, and a cash-on-hand calculation are located below the balance sheet section of each quarterly template to evaluate liquidity health based on meeting a minimum current ratio, net asset base, and cash-on-hand ratio. The current ratio for each quarter is calculated by dividing total current assets by total current liabilities. The net asset ratio for each quarter is calculated by dividing total net assets by total assets. The cash-on-hand ratio for each quarter is calculated by dividing the total cash value by the average monthly expenses reflected in the statement (less depreciation).

Also, there are additional columns attached to the statement of activities: YTD Budget, YTD Variance (YTD budget – quarter total), and % variance (YTD variance divided by YTD budget). These cells will calculate automatically and therefore, no manual entry is required. These additional columns allow for an additional level of analysis by comparing the yearly budget projections to the actual revenues and expenses for the same period, noting any variances and the size (%) of such variances.
**APPENDIX A: Scoring Rubrics**

### Financial Condition and Budget

<table>
<thead>
<tr>
<th>Indicator</th>
<th>+4</th>
<th>+3</th>
<th>+2</th>
<th>+1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>Increase in net assets greater than or equal to budgeted surplus</td>
<td>Increase in net assets less than budgeted surplus or realizing a balanced budget</td>
<td>Decrease in net assets less than or equal to budgeted deficit</td>
<td>Unbudgeted decrease in net assets or decrease in net assets greater than budgeted deficit</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Current ratio is greater than or equal to 1.3</td>
<td>Current ratio is less than 1.3 but greater than or equal to 1.1</td>
<td>Current ratio is less than 1.1 but greater than or equal to 1.0</td>
<td>Current ratio is less than 1.0</td>
</tr>
<tr>
<td><strong>Net Asset Ratio</strong></td>
<td>Net assets are greater than or equal to 30% of total assets</td>
<td>Net assets are greater than or equal to 20% of total assets but less than 30%</td>
<td>Net assets are greater than or equal to 10% of total assets but less than 20%</td>
<td>Net assets are less than 10% of total assets</td>
</tr>
<tr>
<td><strong>Cash-on-hand</strong></td>
<td>Cash/avg. monthly expenses greater than or equal to 3.0</td>
<td>Cash/avg. monthly expenses greater than or equal to 1.0 but less than 3.0</td>
<td>Cash/avg. monthly expenses greater than or equal to 0.75 but less than 1.0</td>
<td>Cash/avg. monthly expenses less than 0.75</td>
</tr>
<tr>
<td><strong>Student Enrollment</strong></td>
<td>Actual enrollment greater than or equal to 100% of budgeted enrollment</td>
<td>Actual enrollment greater than or equal to 95% of budgeted enrollment</td>
<td>Actual enrollment greater than or equal to 90% of budgeted enrollment</td>
<td>Actual enrollment less than 90% of budgeted enrollment</td>
</tr>
<tr>
<td><strong>Loan Delinquency</strong></td>
<td>No late payments in last twelve months, or no existing debt</td>
<td>One late payment in last twelve months</td>
<td>Two or three late payments in last twelve months</td>
<td>More than three late payments in last twelve months</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td>Realistic budget w/ reasonable assumptions and revisions allowed through the end of October</td>
<td>Realistic budget w/ mostly reasonable assumptions and revisions allowed through the end of October</td>
<td>Realistic budget w/o assumptions and needs to be resubmitted</td>
<td>Unrealistic budget w/ unreasonable assumptions and needs to be resubmitted</td>
</tr>
</tbody>
</table>
## Financial Controls

<table>
<thead>
<tr>
<th>Indicator</th>
<th>+4</th>
<th>+3</th>
<th>+2</th>
<th>+1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Audit</td>
<td>Unqualified opinion, no material weaknesses or significant deficiencies</td>
<td>Unqualified opinion; one significant deficiency noted, but school will address within 12 months</td>
<td>Unqualified opinion, with two noted significant deficiencies.</td>
<td>Unqualified opinion, with a noted material weakness or three or more significant deficiencies; or an audit with a qualified opinion</td>
</tr>
<tr>
<td>Reporting &amp; Oversight</td>
<td>System generates monthly comprehensive financial reports, which are reviewed monthly by a member or committee of the Board. Board meets at least bi-monthly, with appropriate committee structure; strong financial systems and oversight with significant financial expertise.</td>
<td>Systems generate most reports on a quarterly basis, which are reviewed quarterly by a member or committee of the Board. Board meets quarterly, with adequate committee structure; average financial systems; sufficient financial expertise.</td>
<td>System generates few reports regularly; school lacks adequate management and/or Board review of financial reports. Board meets less than once a quarter with weak committee structure; financial systems in need of improvement; minimum financial expertise.</td>
<td>System to generate reports is weak; inadequate or no Board/committee review; board involvement and committee structure is non-existent; poor financial systems; no financial expertise.</td>
</tr>
</tbody>
</table>
## Reporting

<table>
<thead>
<tr>
<th>Indicator</th>
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<th>+3</th>
<th>+2</th>
<th>+1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget</strong></td>
<td>Budget is submitted on a timely basis</td>
<td>Budget is submitted with one delay but with prior notification to and acknowledgement by ONS</td>
<td>Budget is submitted with significant delay (45 days late) or submitted late without prior notification to and acknowledgement by ONS</td>
<td>Budget is submitted with significant delay (45 days late) for second year in a row, or not submitted at all</td>
</tr>
<tr>
<td><strong>Quarterly Statements</strong></td>
<td>Quarterly statements are submitted on a timely basis in accrual format</td>
<td>Quarterly statements are submitted late one time</td>
<td>Quarterly statements are submitted late two times</td>
<td>Quarterly statements are submitted late three or more times, or not submitted at all</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>Audit is submitted on a timely basis</td>
<td>Audit is submitted with one delay but with prior notification to and acknowledgement by ONS</td>
<td>Audit is submitted with significant delay (45 days late) or submitted late without prior notification to and acknowledgement by ONS</td>
<td>Audit is submitted with significant delay (45 days late) for second year in a row, or not submitted at all</td>
</tr>
<tr>
<td><strong>CPS/State/Fed Compliance Document Submissions</strong></td>
<td>Timely submittal of all required documents</td>
<td>Late submittal of up to two required documents</td>
<td>Late submittal of three required documents</td>
<td>Late submittal of more than three required documents</td>
</tr>
</tbody>
</table>

## Compliance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>+4</th>
<th>+3</th>
<th>+2</th>
<th>+1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Compliance</strong></td>
<td>Auditor report on compliance reflects no findings</td>
<td>Auditor report on compliance reflects one finding</td>
<td>Auditor report on compliance reflects two findings</td>
<td>Auditor report on compliance reflects three or more findings; and/or audit states that corrections have not been made for prior year finding(s)</td>
</tr>
<tr>
<td><strong>Contract Terms and IL Charter School Law/Applicable State/Federal Law</strong></td>
<td>No violations</td>
<td>One violation w/ timely response</td>
<td>Two violations w/ timely responses</td>
<td>Three or more violations or violations w/o timely response</td>
</tr>
</tbody>
</table>

*In the event that the Board deems that there has been a violation of the Agreement or the Illinois Charter Schools Law, the Office of New Schools shall give the School written notice enumerating the specific violation and the period of time during which the School shall have the opportunity to (1) cure such violation or (2) provide an action plan to remedy the violation.*
APPENDIX B: Financial Templates

(The worksheets listed below are contained in one workbook. In addition each quarterly statement is used to record both the statement of activities and the statement of financial position.)

1. Detailed Budget
2. Budget Assumptions
3. Annual Budget (Linked)
4. Annual Budget (Unlinked)
5. 1st Quarter Statement
6. 2nd Quarter Statement
7. 3rd Quarter Statement
8. 4th Quarter Statement
9. Notes for Using Templates
10. Guideline for Statement of Activities (SOA)
12. Financial Condition and Budget Scoring Rubric
13. Financial Controls Scoring Rubric
14. Reporting Scoring Rubric
15. Compliance Scoring Rubric
APPENDIX C: Board Affidavit

[FORM OF BOARD OF DIRECTORS AFFIDAVIT]

BOARD OF DIRECTORS CERTIFICATE

The undersigned, [Name of Board member] being the duly elected, qualified and acting agent of [Name of Corporation], an Illinois [for profit] [not for profit] corporation, HEREBY CERTIFIES THAT (i) attached hereto is a true, correct, and complete copy of this year’s [Audit Report], (ii) said report has been reviewed and approved by the Board of Directors as of [mm/dd/yyyy] and (ii) such [Audit Report], has not been amended or modified.

IN WITNESS WHEREOF, the undersigned has hereunto set his/her hand this [day] day of [month], [year].

_________________________________
[Name]
Title
## APPENDIX D: Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Task</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July</strong></td>
<td></td>
</tr>
<tr>
<td>1st</td>
<td>Annual Budgets with detailed assumptions and budgeted enrollment numbers for current year due from schools</td>
</tr>
<tr>
<td>30th</td>
<td>ONS will preliminarily review budgets and budget assumptions for current year</td>
</tr>
<tr>
<td><strong>August</strong></td>
<td></td>
</tr>
<tr>
<td>1st</td>
<td>Financial Policies and Procedures due from schools</td>
</tr>
<tr>
<td>15th</td>
<td>4th Quarter Financial Statements for the previous year due from schools</td>
</tr>
<tr>
<td>30th</td>
<td>ONS will review the Financial Policies and Procedures provided by each school and conclude budget reviews</td>
</tr>
<tr>
<td><strong>September</strong></td>
<td></td>
</tr>
<tr>
<td>1st</td>
<td>ONS will analyze the 4th quarter financial statements from previous year</td>
</tr>
<tr>
<td><strong>October</strong></td>
<td></td>
</tr>
<tr>
<td>1st</td>
<td>1st Quarter Financial Statements for the current year due from schools and any budget revisions for current year due</td>
</tr>
<tr>
<td>30th</td>
<td></td>
</tr>
<tr>
<td><strong>November</strong></td>
<td></td>
</tr>
<tr>
<td>1st</td>
<td>Annual Audits due from schools</td>
</tr>
<tr>
<td>14th</td>
<td>ONS will analyze the 1st quarter financial statements</td>
</tr>
<tr>
<td>30th</td>
<td>ONS will input the statement of activity and balance sheet from the annual audit into a workbook for each school and analyze the statements as outlined in the manual</td>
</tr>
<tr>
<td><strong>December</strong></td>
<td></td>
</tr>
<tr>
<td><strong>January</strong></td>
<td></td>
</tr>
<tr>
<td>2nd</td>
<td>ONS to begin annual performance evaluations</td>
</tr>
<tr>
<td>30th</td>
<td>2nd Quarter Financial Statements for the current year due from schools</td>
</tr>
<tr>
<td><strong>February</strong></td>
<td></td>
</tr>
<tr>
<td>14th</td>
<td>ONS will analyze the 2nd quarter financial statements</td>
</tr>
<tr>
<td><strong>March</strong></td>
<td></td>
</tr>
<tr>
<td>30th</td>
<td>ONS to complete performance evaluations</td>
</tr>
<tr>
<td><strong>April</strong></td>
<td></td>
</tr>
<tr>
<td>30th</td>
<td>3rd Quarter Financial Statements for the current year due from schools</td>
</tr>
<tr>
<td><strong>May</strong></td>
<td></td>
</tr>
<tr>
<td>14th</td>
<td>ONS will analyze the 3rd quarter financial statements</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td></td>
</tr>
</tbody>
</table>