



# Financial Framework Report

## MOT CHARTER SCHOOL

Reporting Period: July 1, 2020 to June 30, 2021

Published: March 02, 2022

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*

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
3.20	3.05	2.98	3.24	3.11

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.

#### Measure 1b. Days Cash:

*Cash divided by (Total Expenses / 365)*

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
195	172	169	158	153

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.

**Measure 1c. Enrollment Variance:**

*Actual Enrollment as of September 30 divided by Authorized Enrollment*

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
98%	94%	94%	97%	97%

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%.

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

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
No	No	No	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.

**2. SUSTAINABILITY INDICATORS**

**Measure 2a. Total Margin:**

*Net Income divided by Total Revenue*

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
1 YR: 5.62%	1 YR: -2.95%	1 YR: 0.91%	1 YR: 1.82%	1 YR: -2.69%
3 YR: 9%	3 YR: 1.93%	3 YR: 1.07%	3 YR: 0.05%	3 YR: 0.00%

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:**

MOT’s 2020-2021 1 YR Total Margin is negative due to an overall drop in net assets in the amount of \$446,627. This reduction was driven primarily by lower-than-anticipated revenues, which were due to falling interest rates and other revenues impacted by COVID, as well as increased expenses due to increased accrual for salaries and increased depreciation expenses.

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

*Total Liabilities divided by Total Assets*

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
0.73	0.73	0.73	0.71	0.72

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.

**Measure 2c. Cash Flow**

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
1 YR: \$529038	1 YR: \$301936	1 YR: \$193092	1 YR: \$-81163	1 YR: \$58800
3 YR: \$1355982	3 YR: \$830974	3 YR: \$495028	3 YR: \$111929	3 YR: \$-22363

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:**

In 2019-2020 MOT’s 1 YR cash flow was negative, due to the fact that we spent \$540,035 in capital improvement project funds to improve and expand the athletic fields at our high school campus and to modify the 2nd grade classrooms at our K8 Academy campus. The Board of Directors approved using prior year reserve funds to complete these non-operational capital improvements, resulting in a 1 YR cash flow of <\$81,163>. Our 1 YR cash flow for 2018-2019 was \$193,092, and our 1 YR cash flow for 2020-2021 was \$58,800, meaning that our net 3 YR cash flow is actually \$170,729. For 2020-2021, both our 1 YR (\$58,800) and 3 YR (\$170,729) cash flow are positive, which means that our rating for this measure should be “Meets Standard.”

**Measure 2d. Debt Service Coverage Ratio:**

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

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
0.11	0.72	1.89	1.46	1

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

**School Response To Rating:**

MOT’s 2020-2021 Debt Service Coverage Ratio is “Approaching Standard” due to an overall drop in net assets in the amount of \$446,627. This reduction was driven primarily by lower-than-anticipated revenues, which were due to falling interest rates and other revenues impacted by COVID, as well as increased expenses due to increased accrual for salaries and increased depreciation expenses.

**3. FINANCIAL MANAGEMENT AND OVERSIGHT**

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
M	M	M	M	M

This measures 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.

**SUMMARY AND OVERALL RATING**

## MOT Charter School

Year	1a	1b	1c	1d	2a	2b	2c	2d	3	OVERALL RATING
2016-2017	M	M	M	M	M	M	M	AS	M	Meets Standard
2017-2018	M	M	AS	M	AS	M	M	AS	M	Meets Standard
2018-2019	M	M	AS	M	M	M	M	M	M	Meets Standard
2019-2020	M	M	M	M	M	M	AS	M	M	Meets Standard
2020-2021	M	M	M	M	AS	M	F	AS	M	Meets Standard