



## Private Non-Profit School Financial Composite Score Calculation Worksheet

Schools shall be exempt from the surety instrument requirement if they can demonstrate a U.S. Department of Education composite financial responsibility score of 1.5 or greater on their current audited or reviewed financial statement; or if they can demonstrate a composite score between 1.0 and 1.4 on their current audited or reviewed financial statement and have scored at least 1.5 on an audited or reviewed financial statement in either of the prior two years. The Worksheet below can be used to assist the school with the calculation of a composite score.

### STEP ONE: Calculate the Ratio

Ratio	Formula	Result
Primary Reserve Ratio	$\frac{\text{Expandable Net Assets}}{\text{Total Expenses}}$	_____
Equity Ratio	$\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$	_____
Net Income Ratio	$\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$	-----

### STEP TWO: Calculate the Strength Factor Score

Primary Reserve Strength Factor Score = 10 X Primary Reserve Ratio Result*	<b>Result:</b>
Equity Strength Factor Score = 6 X Equity Ratio Result*	<b>Result:</b>
Net Income Strength Factor Score = (IF NET INCOME RATIO IN STEP ONE IS POSITIVE), use this formula: 1 + (50 X Net Income Ratio Result) (IF THE NET INCOME RATIO IN STEP ONE IS 0) then the Strength Factor Score = 1 (IF THE NET INCOME RATIO IN STEP ONE IS NEGATIVE), use this formula: 1 + (25 X Net Income Ratio Result)*	<b>Result:</b>

\* Note: If the strength factor for any ration is greater than or equal to 3, the strength factor score for that ratio is 3. If the strength factor score for any ratio is less than to -1, the strength factor score for that ration is -1.

### STEP THREE: Calculate the Weighted Score

Primary Reserve Weighted Score = 40% X Primary Reserve Strength Factor Score	<b>Result:</b>
Equity Weighted Score = 40% X Equity Strength Factor Score	<b>Result:</b>
Net Income Weighted Score = 20% X Net Income Strength Factor Score	<b>Result:</b>

### STEP FOUR: Calculate the Composite Score

Sum of ALL Weighted Scores in STEP THREE above: \_\_\_\_\_

*Round the composite score to one digit after the decimal point to determine the final score*

### Financial Responsibility Composite Score Scale:

1.5 – 3.0	Institution demonstrates overall financial health
1.0 – 1.4	Institution demonstrates minimal financial health; additional monitoring is needed in the areas of viability, liquidity and/or profitability.
-1.0 - .9	Institution demonstrates relative weakness in fundamental elements of financial health; i.e. viability, liquidity and/or profitability.