

Postsecondary Career School Financial Statement Analysis

School Name		Statement Date	Received
Fiscal Year/Period	12/31/2005		Yes
Accountant		CPA/PA	
Firm			
Address			

Scope	Audited		1. Income Statement
	Reviewed		2. Balance Sheet
	Examined		3. Statement of Changes in Equity or Fund Balance
	Consolidated		4. Statement of Cash Flows
Structure	Sole Proprietorship		5. Notes to Financial Statements
	Partnership		6. Cover Letter
	Corporation		7. School Management Affirmation Statement (FIN 12 or FIN 12A)
	Existing School		8. School Management Statement on Fiscal Position (FIN 13 or FIN 13A)
	New School		9. Other:
			10. Accrual
			11. Cash Basis

RATIO METHODOLOGY FOR PROPRIETARY INSTITUTIONS

Lines	Balance Sheet	
1	Cash	
2	Accts. Receivable	
3	Prepaid Expenses	
4a	Inventories	
4b	Other Current Assets	
5a	N/R Fr. Affiliates Unsec.	
5b	N/R Fr. Affiliates Sec.	
6	Investments	
7	Total Current Assets	-
8	P P & E, Net	
9a	Amt. Due Fr. Owner Unsec.	
9b	Amt. Due Fr. Owner Sec.	
10	Goodwill	
11	Organization Cost	
12a	Deposits	
12b	Other Assets	
13	Total Assets	-
14	Accts. Payable	
15	Accrued Expenses	
16	Curr. Portion Of L/T Debt	
17a	Deferred Revenue	
17b	Other Liabilities	
18	Total Current Liabilities	0
	Other L/T Debt	
19	L/T Debt Net Of Curr. Port.	
20	Total Liabilities	0
21	Contributed Capital	
21	Other Capital/Treasury Stock	
22	Retained Earnings From I/S	
23	Total Owner's Equity	-
24	Total Liabilities & OE	-

Lines	Income Statement	
25	Operating Income (Net of Refunds)	
	Donations	
26	Non-Operating Income	
27	Total Income	-
28	COGS/ Operating	
29	Administrative Expenses	
30	Bad Debt, Mgt Fees, A/R Fee	
31	Interest Expense	
32	Total Expenses	-
33	Other/Income:Gain on Sale Of Inv.	
34	Net Income Before Taxes	-
35	Federal Income Taxes	
36	Net Income After Taxes	-
37	Extr. Loss , Net Of Taxes	
38	Net Income	-
39	R/E Beginning Of Year	
39a	Other Equity Changes (distributions)	
22	R/E End Of Year	-

Primary Reserve Ratio* =	-	#DIV/0!
(see##)	-	
Equity Ratio =	-	#DIV/0!
Net Income Ratio=	-	#DIV/0!
### PPE/LT DEBT LIMITATION		
PPE	-	
LONG TERM DEBT	-	
WILL ADD BACK IF ## IS ()	-	

CALCULATING THE COMPOSITE SCORE:

i) Calculate the Strength Factor Score (SFS):

PRSFS	ESFS	NISFS
#DIV/0!	#DIV/0!	#DIV/0!
3	3	3
RANGE -HIGH		
-LOW	-1	-1

ACT.PRSFS	ACT.ESFS	ACT. NISFS
#DIV/0!	#DIV/0!	#DIV/0!

If the SFS for any ratio is >=3, the SFS is =3.
If the SFS for any ratio is <=-1, the SFS is =-1.

ii) Calculate the Weighted Score (WS):

PRWS	EWS	NIWS
#DIV/0!	#DIV/0!	#DIV/0!

COMPOSITE SCORE =

#DIV/0!

* Long Term Debt (Lines 16+19) cannot exceed PP& E (Lines 8) in this formular.

CALCULATING THE COMPOSITE SCORE

i) CALCULATE THE STRENGTH FACTOR SCORE (SFS):

Primary Reserve Strength Factor Score (PRSFS) = 20 x Primary Reserve Ratio Result
Equity Strength Factor Score (ESFS) = 6 x Equity Ratio Result
Net Income Strength Factor Score (NISFS) 1 + (33.3 x Net Income Ratio Result)

IF THE SFS FOR ANY RATIO IS >=3, THE SFS IS 3. IF THE SFS IS <=-1, THE SFS IS -1.

ii) CALCULATE THE WEIGHTED SCORE:

Primary Reserve Weighted Score = 30% x PRSFS
Equity Weighted Score = 40% x ESFS
Net Income Weighted Score = 30% x NISFS

SCORING SYSTEM:

Financially Responsible	>1.5
"In The Zone"	1.0-1.4
Not Financially Responsible	<1.0

COMPOSITE SCORE = SUM OF ALL WEIGHTED SCORES

ROUND THE COMPOSITE SCORE TO ONE DIGIT AFTER THE DECIMAL POINT TO DETERMINE THE FINAL SCORE.

PR ratio=	<u>Adjusted Equity</u>	lines	<u>23-5a-9a-10-8+(16+19)</u>
	Total Expenses		32
E ratio=	<u>Modified Equity</u>	lines	<u>23-5a-9a-10</u>
	Modified Assets		13-5a-9a-10
NI ratio=	<u>Income Before Taxes</u>	lines	<u>34</u>
	Total Revenue		27+33

Current Ratio - to determine financial commitment amount (liquidity)	
Current Assets	0
Current Liabilities	-
	1.25< Target