



Proprietary 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 is used to assist the school with the calculation of a composite score.

Name of Institution:	
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STEP ONE: Calculate the Ratio

Ratio	Formula	Result
Primary Reserve Ratio	$\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$	_____
Equity Ratio	$\frac{\text{Modified Equity}}{\text{Modified Assets}}$	_____
Net Income Ratio	$\frac{\text{Income Before Taxes}}{\text{Total Revenues}}$	_____

STEP TWO: Calculate the Strength Factor Score

Primary Reserve Strength Factor Score = 20 X Primary Reserve Ratio	Result:
Equity Strength Factor Score = 6 X Equity Ratio	Result:
Net Income Strength Factor Score = 1 + (33.3 X Net Income Ratio)	Result:

STEP THREE: Calculate the Weighted Score

Primary Reserve Weighted Score = 30% X Primary Reserve Strength Factor Score	Result:
Equity Weighted Score = 40% X Equity Strength Factor Score	Result:
Net Income Weighted Score = 30% X Net Income Strength Factor Score	Result:

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.