

**SECTION 3: Example Financial Statements and Composite Score Calculation**

Calculating the Composite Score without pre-implementation leases

	Lines		
*Primary Reserve Ratio = Expandable Net Assets	$24+30-29-(25+26+27)-10-(8+9)+17+(M14+M20+M21+M22)-4$	9,440,000	<b>0.1807</b>
/ Total Expenses and Losses Without Donor Restrictions	$43+46+48+49$	52,230,000	

*Equity Ratio = Modified Net Assets	$24 + 30-10-4$	26,390,000	<b>0.3584</b>
/ Modified assets	$12-10-4$	73,640,000	

Net Income Ratio = Change in Net Assets Without Donor Restrictions	51	(80,000)	<b>0.0015</b>
Total Revenues and Gains Without Donor Restrictions	$38-35+50$	52,900,000	

**\*All pre-implementation right-of-use assets and liabilities are removed from total assets and total liabilities**

**M# - For post-implementation debt not directly related to purchase of assets.**

**Step 1:** Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result: Net Income strength factor = 1 + (25 x net income ratio result)

Positive net income ratio result: Net income strength factor = 1 + (50 x net income ratio result)

Zero result for net income ratio: Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

**Step 2:** Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 40% x the primary reserve strength factor score

Equity weighted score = 40% x the equity strength factor score

Net Income weighted score = 20% x the net income strength factor score

Composite Score = the sum of all weighted scores

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

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.1807	1.8074	40%	0.7230
Equity Ratio	0.3584	2.1502	40%	0.8601
Net Income Ratio	(0.0015)	0.9622	20%	<u>0.1924</u>
				1.7755
<b>TOTAL Composite Score - Rounded</b>				<b>1.8</b>