Joe Lombardo
Governor

STATE OF NEVADA

Melissa Mackedon
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY

1749 North Stewart Street Suite 40
Carson City, Nevada 89706-2543
(775) 687-9174 · Fax (775) 687-9113

2080 East Flamingo Road Suite 230
Las Vegas, Nevada 89119-5164
(702) 486-8895 · Fax (702) 486-5543

ACTION MEMORANDUM

TO:	SPCSA Board
FROM:	Mike Dang, Manager of Organizational and Financial Performance Katie Broughton, Director of Authorizing
SUBJECT:	Agenda Item #9: Financial Performance Recommendations for the 2022-23FY
DATE:	March 1, 2024

Background

As the Authority is aware, NAC 387.775 requires that all public charter schools undergo an annual financial audit conducted by an independent third-party. These audits must be submitted to governing boards no later than November 1 of each calendar year, and subsequently must be submitted to the SPCSA by December 1 of each year.

The results of these annual audits are then analyzed against the SPCSA Financial Performance Framework, which is a critical tool in evaluating a charter schools' financial well-being, health, and performance as part of ongoing monitoring. Charter schools manage their finances consistent with state and federal law; however, the SPCSA is responsible for ensuring that sponsored schools are financially stable and meeting the SPCSA board-approved financial performance standards. Ultimately, these standards are intended to ensure that schools are financially healthy and that the financial position of the school is not jeopardizing its ability to operate and effectively serve students in both the short and long-term.

As a reminder, the SPCSA Financial Performance Framework includes eight indicators, four aimed at assessing the near-term health of a school and four aimed at assessing the long-term sustainability and viability of a school. These indicators are as follows:

Near Term Indicators	Sustainability Indicators
Current Ratio	Total Margin and Aggregated Three-Year Total Margin
Unrestricted Days Cash-On-Hand Ratio (UDCOH)	Debt to Asset Ratio
Enrollment Variance	Cash Flow
Debt (or Lease) Default	Debt or Lease Service Coverage Ratio

For each indicator, schools receive one of three ratings: Meets the Standard (MS), Does Not Meet the Standard (DNMS), or Falls Far Below Standard (FFBS).

As stated in the SPCSA Financial Performance Framework Technical Guide, poor financial performance measure ratings may result in intervention by the SPCSA. Generally, a school with financial framework profile results that include either one or more indicators rated Falls Far Below Standard and/or at least three indicators rated at Does Not Meet Standard may be recommended to enter the intervention process.

When schools do not meet financial standards, the Authority has three levels of intervention. These levels are as follows: Notice of Concern, Notice of Breach and Notice of Intent to Terminate. It is important to note that the SPCSA considers the academic, financial, and organizational performance of a charter school, including any past or current notices, when determining whether to approve a request for an amendment to its charter contract (NRS 388A.276 and NAC 388A.400). Additionally, past performance, including any past or current notices is considered when determining whether to renew a charter contract and for how long (NRS 388A.285).

Analysis

SPCSA staff have reviewed all Fiscal Year Ending June 30, 2023 (FY 23) independent financial audits received through the NAC 387.775 deadline of December 1, plus any late audits received before January 31, 2023. All schools submitting audits by this date were provided preliminary ratings against the SPCSA Financial Performance Framework standards. SPCSA staff provided schools with a window to review, confirm and/or comment on their preliminary rated performance against the established standards as adopted by the Authority. This memorandum and the recommendations herein pertain to 30 schools.

At this time, the SPCSA has not received final audits for the following five schools: Equipo Academy, Explore Academy, Nevada Prep, Pinecrest Academy of Nevada, and TEACH Las Vegas. Equipo Academy has provided staff with a draft. Results and recommendations regarding these outstanding audits will be provided at a future meeting.

As part of SPCSA staff's review of the charter school independent financial audits, SPCSA staff took into consideration a few new systemic factors that impacted much of the portfolio.

GASB 68 Impacts

As a school continues to operate or grow, its Public Employee Retirement System (PERS) pension account grows. PERS, pursuant to GASB 68, allocates a book entry amount of a portion of the amount of the state's PERS liabilities and expenses to the schools. These are recognized solely as book entries at the school level and are not considered actual liabilities of the school.

SPCSA staff, in alignment with the practice of other authorizers, typically request visibility of the Net Pension Liability allocated amounts. It is generally accepted in Nevada and other states that there are portions of PERS expense allocations which are the responsibility of the participating entities and/or their employees. The portions that are the responsibility of the schools are PERS contribution expenses.

While PERS liabilities are allocated and required to show on the books of the schools, PERS assets are not allocated to the schools. This unbalanced allocation each year creates a larger and larger apparent negative Net Position (similar to a negative equity) for schools. When analyzing the actual Net Position of a school, staff pulled out the PERS liability because it is generally accepted as not an actual liability of the school.

PERS noncash expense allocations have not traditionally been reversed out of a school's expenses in prior years. Typically, schools have not broken out and shown these expenses explicitly on their audits. Historically, the amounts have been included within relevant larger expense categories, such as Salaries and Benefits. For the fiscal years ending June 30, 2022, and 2023, PERS made significant adjustments, resulting in extraordinary levels of allocations of noncash PERS expenses to schools and significantly impacted several of the financial indicators.

The impact of these noncash PERS expenses has primarily impacted the following revenue and expense related ratings:

- Rating #2 Unrestricted Days Cash On Hand (UDCOH) measure
- Rating #5 Total Margin (TM) measure
- Rating #8 Debt and/or Lease Service Coverage Ratio (D/L SCR) measure

Consequently, staff looked at schools with potentially impacted ratings which could trigger a recommendation of a Notice of Concern (NOC). If the school received a Does Not Meet Standards (DNMS) or Falls Far Below Standards (FFBS) rating in one of these areas, to the level which could trigger a NOC, then staff contacted the school to ask them for more information regarding noncash expense allocations.

After careful analysis, staff may reverse out the noncash PERS expense amounts and then present the preliminary and the recommended ratings to SPCSA leadership. If accepted by internal leadership, the ratings are compiled and described in this memo and presented to the SPCSA board and other stakeholders.

In last year's FY 2022 Financial Performance Ratings recommendation memo, SPCSA staff noted its "questions about whether PERS related adjustments impacting revenues and expenditures are clarifying or distorting the financial ratings of sponsored schools. More specifically, SPCSA staff reviewed the fiscal impacts from certain Public Employee Retirement System (PERS) accounting adjustments to the Debt-to-Asset Ratio, Total Margin and Debt Service Coverage Ratio for each school."

Staff also noted that "the inclusion of the Net Pension Liability in the framework calculations appears to have at least partially distorted the financial picture for several schools. In these circumstances SPCSA staff is not recommending the Authority take any action. Additionally, SPCSA staff intends to examine this issue closely and bring recommendations to the Authority before the beginning of FY 24 regarding how to handle Net Pension Liability adjustments within the Financial Performance Framework in the future." With the change in SPCSA leadership, staff plan to address this matter in the next few months and to return to the SPCSA board with its findings and recommendations.

In FY 23, staff noted several large impacts to ratings from higher-than-normal expense levels for schools. While investigating these impacts, staff noticed significant year-over-year changes to the PERS related Statement of Net Position (similar to a Balance Sheet) accounts. In its investigations, staff asked schools if the schools experienced similarly related PERS impacts to their Statement of Activities (Similar to an Income Statement). Most schools expressed that they had noticed that their allocated noncash PERS expenses were significantly larger than normal.

Staff have received no indication to this point whether the extraordinarily large noncash PERS expense impacts will be followed by actual increased PERS contribution expense requirements, which would impact the actual and not just the apparent cash flow levels of schools.

GASB 87 Impacts

Another exogenous and impacting variable comes with GASB 87, which considers lease accounting. GASB 87 requires schools to show qualifying leases as assets and liabilities rather than simply as an expense. For example, suppose a school is leasing a facility for $600,000 per year and it has a 10-year lease. Under GASB 87 the school may be required to show a $6,000,000 asset and a $6,000,000 liability.

The Debt to Asset ratio impact for this asset and liability lease accounting treatment would be a $6,000,000 impact of 100% ($6,000,000 / $6,000,000 = 100%). A Debt to Asset ratio of 90% or higher generates a Does Not Meet Standards rating. Suppose that prior to GASB 87 the school had debt of $400,000 and assets of $1,000,000. This would have been a 40% Debt to Asset ratio. Now, though, under GASB 87 the combined impact would be assets of $7,000,000 and debt of $6,400,000. The Debt to Asset ratio would now move up from 40% to 91%. This would trigger a Does Not Meet Standards rating for the Debt to Asset ratio measure. SPCSA have monitored the impacts of GASB 87 and are discussing possible adjustments due to this impact.

Reclassification Considerations

Certain schools experienced accounting adjustments or treatments differing from the accounting treatment they originally considered acceptable. Some of these schools requested consideration, and adjustments to their ratings based on these factors.

For example, one school, rather than keep cash idle in a cash account, took some of their funds and put them in T-Bills. T-Bills are usually short term financial or investment instruments which mature in three months, or less if they were bought part-way, such as half-way, through their normal three-month term. They are generally considered risk-free investments and highly liquid, meaning they can typically be sold at any time without the seller having to accept a materially below-market price for them.

While investing in them with available funds may objectively be considered a good money management practice, it could result in a lower cash balance which could result in a Cash Flow rating less than Meets Standards. In this case, the school asked SPCSA to treat it as if it were cash for purposes of the Cash Flow rating. Staff carefully reviewed and considered this request and after such consideration treated the T-Bill funds as cash for financial health rating purposes.

Other schools had different funds treatment issues, such as revenue recognition issues. These happen when auditors deem a revenue or an expense the school included in the FY 23 period should have been classified in FY 22 or should be booked in FY 24 and not in FY 23. These types of issues occur, for example, if the auditors disagree with the school's interpretation of grant guidelines. Staff do not disagree with the auditors but do take into consideration such factors in making recommendations to the SPCSA board.

Schools impacted by such factors are listed within the "Schools with Unique Circumstances" section of the memo.

Finally, some schools had audit findings which were deemed by the auditors as either significant deficiencies or material weaknesses, the standard classifications regarding audits. While the Financial Performance Framework evaluates the financial health of schools, audit findings would typically be reflected under the Organizational Performance Framework which includes a measure related to the financial management and oversight of the school. General information regarding audit findings for sponsored schools is mentioned in discussions regarding the schools. SPCSA staff monitor these schools as they work to resolve these deficiencies or findings.

Conclusion

Overall, results under the SPCSA Financial Performance Framework were positive with the majority of schools demonstrating strong short-term and long-term financial health. However, staff noticed more deductions in ratings this past fiscal year. These declines, however slight, are something staff are mindful of. These declines are more concerning as the COVID-19 initiated Elementary and Secondary School Emergency Relief (ESSER) funding ends at the end of September 2024.

SPCSA staff encourage all schools to be mindful of and prepare for the end of ESSER funding this fall. Even though state per pupil funding has increased, the loss of ESSER funding will impact schools. School boards must factor this into their budgets and adjust their operations accordingly.

A complete listing of the financial performance results which SPCSA staff recommends the Authority adopt can be found in Appendix A. There are, however, a handful of schools for which the Financial Performance Framework raises concerns regarding the school's financial health. As a result, SPCSA staff is recommending that the Authority issues Notices of Concern to seven schools and maintain existing Notices of Concern for four schools. Proposed motions can be found below, and details regarding the financial performance each of school recommended for action, as well as other schools with unique circumstances that are not recommended for action, are provided within the remainder of this memorandum.

Proposed Motions

a. **Adopt the Financial Performance Framework results presented for the schools listed in Appendix A for fiscal year 2023 for all eight indicators.**

b. **Issue a Notice of Concern under the Financial Performance Framework to the following seven schools and require each to develop and submit a financial improvement plan. Require each school to provide quarterly updates regarding the implementation of the improvement plan, including progress in correcting any findings:**
   - i. **Battle Born Academy**
   - ii. **Discovery Charter School**
   - iii. **Mater Academy of Nevada**
   - iv. **Nevada Connections Academy**
   - v. **pilotED Cactus Park**
   - vi. **Sage Collegiate Public Charter School**
   - vii. **Sports Leadership and Management Academy**

c. **Maintain a Notice of Concern for the following schools:**
   - i. **CIVICA Academy**
   - ii. **Democracy Prep, and require additional monitoring as stated within this memo,**
   - iii. **Pinecrest Academy of Northern Nevada**
   - iv. **Signature Preparatory**

d. **Maintain existing Financial Improvement Plan for the following school:**
   - i. **Legacy Traditional Schools**

The remainder of this memorandum is broken down in the following sections:

Section 1: Schools Recommended for Notices of Concern

Section 2: Schools Currently Operating Under a Notice and Recommended to Continue Operating Under a Notice of Concern

Section 3: Schools with Unique Circumstances

Appendix A: Financial Performance Framework Results

Appendix B: Schools Requiring Adjustments

Section 1: Schools Recommended for Notices of Concern

1. Battle Born Academy
2. Discovery Charter School
3. Mater Academy of Nevada
4. Nevada Connections Academy
5. pilotED Cactus Park
6. Sage Collegiate Public Charter School
7. Sports Leadership and Management Academy

1. Battle Born Academy:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	MS	FFBS	N/A	DNMS

Battle Born Academy completed its first year of operations with FY 23 and submitted its first financial audit. The Debt to Asset ratio was very high as the school incurred high debt levels to help cover first year costs. Otherwise, the school performed well for a first-year school, working through the significantly high start-up costs for first-year schools. The school had no Cash Flow rating since this measure requires two years of data.

The school had no audit findings of material weaknesses or significant deficiencies.

2. Discovery Charter School:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
DNMS	DNMS	DNMS	MS	DNMS	FFBS	DNMS	MS

The Authority's initial analysis indicated four FFBS, two DNMS ratings and two MS ratings. During the consultation window afforded to all schools, the school explained that the number of low financial ratings they received were the result of one-time costs they incurred seeking and receiving SPCSA financing approvals then later applying for enrollment approvals which were denied due to other framework performance issues. Staff also reviewed recent Quarterly Financial Statements from the school. They do show some improvements, though the school will need to make additional progress to meet SPCSA financial health standards and to be recommended for removal of a Notice of Concern.

The school had two audit findings for 2023 and one from 2022. The two Material Weaknesses for FY 23 were for understating interest expense and for overstating construction in progress. The finding for 2022 was for the way the school recognized some of its grant revenues.

3. Mater Academy of Nevada:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	DNMS	MS	MS	FFBS	DNMS	DNMS	MS

Mater Academy of Nevada ended FY 23 with four Meets Standard ratings, three Does Not Meet Standard ratings, and one Falls Far Below Standard rating. This is a significant decline from the previous year with six Meets Standard, one Does Not Meet Standard, and one Not Rated. Mater was impacted by the Non-Cash PERS GASB 68 expenses mentioned earlier in the memo; however, the adjustments for these impacts were only enough to change the Debt Coverage Ratio from Does Not Meet Standard to Meets Standard. No other ratings were adjusted due to this adjustment.

Given this decline in ratings from last year, staff is recommending a Notice of Concern be issued to Mater Academy of Nevada.

The school's auditors did note four significant deficiencies, primarily regarding account reconciliations, proper accrual of interest, accounting for leave residual values, and review of capital assets for the removal of fully depreciated items no longer in use.

4. Nevada Connections Academy:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	FFBS	MS	FFBS	DNMS

Nevada Connections Academy (NCA) finished FY23 with a decline in ratings from last year when they earned five Meets Standard ratings, one Does Not Meet Standard rating, one Falls Far Below Standard rating, and one Not Rated rating. NCA was not recommended a Notice of Concern in the prior year due to unique circumstances. Specifically, deference was given due to the school's significant reduction in enrollment due to the required closure of their elementary and middle school grades. NCA's net deficit and cash decline for FY 22 were determined to be caused by necessary changes in the school's structure due to the required elimination of those grades.

During the school year ending June 30, 2023, NCA continued to experience financial shortfalls. Staff had conversations with representatives from the school who have explained that the current financial situation is an extension of the difficulties caused by the reduction in enrollment. The representatives also presented plans that the school has that would bring the school from a net deficit to a net surplus in the current fiscal year. The quarterly financial statements submitted so far this year by NCA do reflect improvements in the school's financial position; however, the statements are not conclusive that the school will Meet Standard by the end of this fiscal year.

Staff recommends a Notice of Concern be issued to Nevada Connections Academy under the Financial Performance Framework based on performance ratings for the School Year Ending June 30, 2023.

NCA's auditors found one material weakness in the school's internal controls related to the proper recognition of revenue**.**

5. **pilotED Cactus Park:**

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
FFBS	FFBS	FFBS	MS	DNMS	FFBS	N/A	DNMS

This was pilotED's first year in operation, requiring significant start-up costs. Unfortunately, the school struggled with meeting enrollment goals for their first year, reducing the available revenue to cover these start-up costs. pilotED was able to more than double their enrollment from SYE23 in this current school year, which has allowed the school to improve their financial position during this current school year. Despite these improvements, staff recommend the issuance of a Notice of Concern to pilotED under the Financial Performance Framework based on the financial performance for FY 23.

The school's auditors identified four material weaknesses and three significant deficiencies. These weaknesses and deficiencies were broadly regarding account reconciliation, proper classification, and payroll review.

6. **Sage Collegiate Public Charter School:**

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
FFBS	MS	DNMS	DNMS	DNMS	FFBS	N/A	DNMS

Sage Collegiate Public Charter School completed their first year of operation in FY 23. They started the year underenrolled. When combined with high first year start-up costs, the under enrollment put Sage Collegiate in a difficult financial position.

Staff recommends issuing Sage Collegiate Public Charter School a Notice of Concern under the Financial Performance Framework based on Financial Performance ratings for the school year ending June 30, 2023.

Sage Collegiate's auditors noted no material weaknesses or significant deficiencies in internal controls.

7. **Sports Leadership and Management Academy:**

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	FFBS	DNMS	MS	MS

Sports Leadership and Management Academy (SLAM) was impacted by GASB 68 adjustments mentioned earlier in this memo, requiring adjustments to both Total Margin and Debt Coverage Ratio ratings. These adjustments, however, were not sufficient enough to move the Total Margin rating from Falls Far Below Standard. It is worth noting that SLAM's Debt to Asset ratio is somewhat disproportionately impacted by GASB 87 leases. Were GASB 87 leases not included in the Debt to Asset ratio, SLAM's Debt to Asset ratio would improve from 99% to 66%. While staff is not concerned by the school's debt level, the Falls Far Below Standard in Total Margin, even after adjustments have been made, compels staff to recommend the issuance of a Notice of Concern to SLAM under the Financial Performance Framework.

SLAM's auditors found one material weakness and one significant deficiency in internal controls, both related to review and reconciliation of accounts. This is an improvement over the three findings in the school's prior audit.

Section 2: Schools Currently Operating Under a Notice of Concern and Recommended to Continue Operating Under a Notice of Concern

There are several schools that have been operating under a Notice of Concern, and their financial performance still does not meet SPCSA standards. SPCSA staff recommends the schools continue to operate under a Notice of Concern for one more fiscal year. However, if these schools do not significantly improve their financial performance in FY 24, SPCSA staff will consider elevating the schools to a Notice of Breach.

1. CIVICA Academy
2. Democracy Prep
3. Pinecrest Academy of Northern Nevada
4. Signature Preparatory

1. CIVICA Academy:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	MS	FFBS	MS	DNMS

CIVICA Academy's financial health ratings improved since the SPCSA board meeting reviewed its prior FY 2022 results when SPCSA staff recommended a Notice of Concern for the school. Previously, the school received two Falls Far Below Standards (FFBS) ratings and one "no rating".

The school still has one FFBS rating for FY 23 but, on the positive side, it has seven out of eight Meets Standards (MS) ratings. The single FFBS rating is for the high level of its Debt to Asset ratio, which currently exceeds 100%. The principal portions of mortgage debts typically take years to decline, which means CIVICA Academy will likely continue to operate at a FFBS level and under a NOC rating for the next several years.

CIVICA Academy had five audit findings for FY 23. While this is down from the nine it had for FY 22, this is still a high number. The audit findings identified primarily involved the overstating of various accounts in the current or the prior FY 22. The amounts ranged from $13,000 to over $500,000. CIVICA Academy contracts with an Education Management Organization (EMO) which performs the relevant underlying accounting work. The school's EMO indicated they were reviewing staffing levels to potentially increase staffing to prevent the reoccurrence of these issues.

2. Democracy Prep:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
FFBS	MS	MS	MS	FFBS	FFBS	MS	DNMS

The financial indicators used to measure the financial health of Democracy Prep deteriorated significantly from last year. The school had 4 DNMS ratings last year when it received a NOC. While it only had one

DNMS rating this year, it had 3 FFBS ratings, reflecting a serious decline. Even if the PERS noncash expense amount was reversed out, and the relevant numbers of the ratios would change, the ratings would remain the same.

SPCSA staff will be conducting ongoing monitoring of Democracy Prep by asking them to submit a comprehensive plan with specific strategies to rectify the three FFBS metrics and the timeframe in which they plan to do so.

The school had no audit findings for FY 23 or for FY 22.

3. **Pinecrest Academy of Northern Nevada:**

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	DNMS	MS	MS	FFBS	FFBS	DNMS	DNMS

Pinecrest Academy of Northern Nevada (PANN) has been operating under a Notice of Concern that was issued for financial performance during the school year ending June 30, 2022. During the past year, the financial performance of PANN has been mixed. In particular, it is important to note that while the school's Total Margin rating has degraded from a Does Not Meet Standard to Falls Far Below Standard, due to the school running multiple years of net deficits, PANN was able to reduce their annual deficit by more than half over the prior year. Additionally, the decline in the Cash Flow rating is due to a relatively small decrease in cash balance over the previous year; however, PANN's cash balance is still significantly higher than two years prior.

PANN's auditors did note four findings regarding the school's internal controls, an improvement over the prior year's 10 findings. Of those 10 findings, eight were resolved and two were only partially resolved and were repeat findings for this year.

4. **Signature Preparatory:**

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	MS	FFBS	MS	MS

Signature Prep is currently operating under a Notice of Concern due to not meeting performance expectations in FY21 and FY22. Over the past year, the school has seen improvements in their financial performance: the Total Margin and Debt Coverage Ratio improved from Does Not Meet Standard to Meets Standard. However, the school did see a degradation of the Debt to Asset Ratio from Does Not Meet Standard to Falls Far Below Standard, with the ratio increasing from 99% to 101%. Despite the overall improvement in the school's financial performance, staff is unable to recommend rescinding the Notice of Concern for Signature Preparatory due to the continued concern over the school's high Debt to Asset Ratio.

Signature Preparatory's auditors did not determine there to be any Material Weaknesses or Significant Deficiencies in Internal Controls.

Section 3: Schools with Unique Circumstances

1. Legacy Traditional Schools:

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	MS	MS	MS	FFBS	MS	MS

Legacy has been operating under a Financial Improvement Plan (formerly known as a Targeted Remediation Plan) for the last two fiscal years. In that time, the school has seen improvement in financial performance. Last year, the school earned a Falls Far Below Standard in Debt to Asset Ratio and a Does Not Meet Standard in Debt Coverage Ratio. This year the school was able to improve their Debt Coverage Ratio to Meets Standard. While the Debt to Asset Ratio remains Falls Far Below Standard, the ratio itself did improve from 105% to 103%, a continuation of a downward trend over the last several years.

Legacy was impacted by the GASB 68 adjustments mentioned earlier in this memo, requiring adjustments to the Total Margin and Debt Coverage Ratio ratings. Additionally, there were reclassifications that needed to be made to cash and cash equivalents due to differences in GASB and SPCSA Technical Guide treatments that required adjustment to the UDCOH rating.

As the school is continuing to make progress on their Financial Improvement Plan, there is no reason to issue a Notice of Concern to Legacy currently; however, continued monitoring of the school's Debt to Asset Ratio through their Financial Improvement Plan is warranted.

Legacy's auditors did not determine there to be any Material Weaknesses or Significant Deficiencies in Internal Controls.

2. Nevada State High School – Meadowwood

Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt Coverage Ratio
MS	MS	FFBS	MS	MS	MS	MS	MS

Overall, Nevada State High School – Meadowwood (NSHSM) has very strong financial performance. NSHSM Met Standard on all ratings except for Enrollment Variance. For this year however, the Enrollment Variance does not accurately capture the school's financial performance. NSHSM based their budget on their "hold harmless" funding level (essentially the minimum funding level that they were guaranteed to receive regardless of actual enrollment). This is a scenario that is not contemplated in the Technical Guide, which only considers actual enrollment compared to budgeted enrollment. The intent of this measure is to gauge a school's ability to adapt their budget to changes in enrollment levels. In this unique circumstance, the school did in fact adjust their budget to match funding levels, albeit funding levels that were independent of actual enrollment.

Given the otherwise strong financial performance of the school and the unique circumstances around why NSHSM received a Falls Far Below Standard on the Enrollment Variance measure, staff does not recommend issuing a Notice of Concern. Additionally, staff plans to explore ways to address Hold Harmless funding levels in a future revision of the Technical Guide to prevent future scenarios such as this one.

Appendix A: Financial Performance Framework Results

	School	Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow Measures	Debt Coverage Service Ratio
1	Alpine Academy	MS	MS	MS	MS	MS	MS	MS	MS
2	Amplus	MS	MS	MS	MS	MS	DNMS	MS	MS
3	Battle Born Academy	MS	MS	MS	MS	MS	FFBS	N/A	DNMS
4	Beacon Academy	MS	MS	DNMS	MS	DNMS	MS	MS	MS
5	CIVICA Academy	MS	MS	MS	MS	MS	FFBS	MS	MS
6	Coral Academy of Science Las Vegas	MS	MS	MS	MS	MS	MS	MS	MS
7	Democracy Prep	FFBS	MS	MS	MS	FFBS	FFBS	MS	DNMS
8	Discovery Charter School	DNMS	DNMS	DNMS	MS	DNMS	FFBS	DNMS	MS
9	Doral Academy of Nevada	MS	MS	MS	MS	MS	MS	MS	MS
10	Doral Academy of Northern Nevada	MS	MS	MS	MS	MS	MS	DNMS	MS
11	Eagle Schools of Nevada	NR	NR	NR	NR	NR	NR	NR	NR
12	Elko Institute for Academic Achievement	MS	MS	MS	MS	MS	MS	MS	MS
13	Equipo Academy	NR	NR	NR	NR	NR	NR	NR	NR
14	Explore Academy	NR	NR	NR	NR	NR	NR	NR	NR
15	Founders Academy	MS	MS	MS	MS	DNMS	DNMS	MS	MS
16	Freedom Classical Academy	MS	MS	MS	MS	MS	MS	MS	MS
17	Futuro Academy	MS	MS	MS	MS	DNMS	MS	MS	MS
18	Girls Empowerment Middle School	NR	NR	NR	NR	NR	NR	NR	NR
19	Honors Academy of Literature	MS	MS	MS	MS	DNMS	MS	DNMS	MS
20	Imagine School at Mountain View	MS	MS	MS	MS	MS	MS	MS	MS
21	Leadership Academy of Nevada	MS	MS	MS	MS	DNMS	MS	MS	NR
22	Learning Bridge Charter School	MS	MS	DNMS	MS	MS	MS	MS	MS
23	Legacy Traditional Schools	MS	MS	MS	MS	MS	FFBS	MS	MS
24	Mater Academy of Nevada	MS	DNMS	MS	MS	FFBS	DNMS	DNMS	MS
25	Mater Academy of Northern Nevada	MS	MS	MS	MS	DNMS	MS	MS	MS

	School	Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow Measures	Debt Coverage Service Ratio
26	Nevada Connections Academy	MS	MS	MS	MS	FFBS	MS	FFBS	DNMS
27	Nevada Prep	NR	NR	NR	NR	NR	NR	NR	NR
28	Nevada Rise	MS	MS	MS	MS	MS	MS	MS	MS
29	Nevada State High School	MS	MS	DNMS	MS	MS	MS	MS	MS
30	Nevada State High School - Meadowwood	MS	MS	FFBS	MS	MS	MS	MS	MS
31	Nevada Virtual Charter School	MS	MS	MS	MS	MS	MS	MS	MS
32	Oasis Academy	MS	MS	MS	MS	MS	MS	MS	MS
33	pilotED Cactus Park	FFBS	FFBS	FFBS	MS	DNMS	FFBS	NR	DNMS
34	Pinecrest Academy	NR	NR	NR	NR	NR	NR	NR	NR
35	Pinecrest Academy of Northern Nevada	MS	DNMS	MS	MS	FFBS	FFBS	DNMS	DNMS
36	Quest Academy	MS	MS	MS	MS	MS	MS	MS	MS
37	Sage Collegiate	FFBS	MS	DNMS	DNMS	DNMS	FFBS	N/A	DNMS
38	Signature Preparatory	MS	MS	MS	MS	MS	FFBS	MS	MS
39	Silver Sands Montessori School	MS	MS	DNMS	MS	MS	MS	DNMS	MS
40	Somerset Academy of Las Vegas	MS	MS	MS	MS	MS	MS	MS	MS
41	Sports Leadership and Management Academy	MS	MS	MS	MS	FFBS	DNMS	MS	MS
42	Strong Start Academy	MS	MS	DNMS	MS	MS	MS	N/A	MS
43	TEACH Las Vegas	NR	NR	NR	NR	NR	NR	NR	NR
44	Young Women's Leadership Academy	MS	MS	MS	MS	MS	MS	N/A	MS

Appendix B: Schools Requiring Adjustments

The table below provides explanations of the most common changes that impacted schools and their ratings.

Adjustment Explanation	Impacted Schools
Current Ratio: Reclassifications of amounts.	-- Elko Institute of Academic Achievement
Unrestricted Days Cash on Hand: Noncash PERS expense.	--Democracy Prep --Futuro Academy --Legacy Traditional Schools
Enrollment Variances: Amended Budgets that were not submitted to the SPCSA.	--Alpine Academy --Battle Born Academy --Coral Academy of Las Vegas --Leadership Academy of Nevada --Legacy Traditional Schools --Young Women's Leadership Academy
Total Margin: Noncash PERS expense.	--Amplus Academy --CIVICA Academy --Doral Academy of Nevada --Doral Academy of Northern Nevada --Founders Classical Academy --Futuro Academy --Leadership Academy of Nevada --Legacy Traditional Schools --Mater Academy of Northern Nevada --Signature Preparatory --Somerset Academy of Las Vegas
Debt to Asset:	--Founders Classical Academy --Futuro Academy
Cash Flow: Reclassification of investments	--Coral Academy of Las Vegas --Doral Academy of Nevada --Oasis Academy[1]
Debt to Lease Service Coverage: Removing some noncash expenses	--Doral Academy of Nevada --Doral Academy of Northern Nevada --Founders Classical Academy --Futuro Academy --Honors Academy of Literature --Legacy Traditional Schools --Mater Academy of Nevada --Mater Academy of Northern Nevada --Nevada Rise Academy --Signature Preparatory --Somerset Academy of Las Vegas --Sports Leadership and Management of Nevada

[1] The SPCSA's current Executive Director was the Executive Director of Oasis Academy during FY23. Oasis Academy's cash flow metric was adjusted, pursuant to the Technical Guide, due to the capital purchase of a new building.