



SPCSA

Financial Performance Framework Ratings Recommendations

for the School Year Ending June 30, 2022





Agenda

1. Overview of Financial Performance Ratings
2. Recommendation to issue two notices of concern



Financial Framework: Indicators

Category/Indicator

How is this evaluated by the Authorizer?

- **Near Term Measures**

1. Current Ratio
2. Unrestricted Days Cash-on-Hand Ratio
3. Enrollment Variance¹
4. Debt Default

- **Sustainability Measures**

1. Total Margin
2. Debt to Asset Ratio
3. Cash Flow
4. Debt Service Coverage Ratio

¹ Enrollment Variance was adopted by the Authority at its June 25, 2021 board meeting for FY 23. As such, no results for FYE 22 will be presented. This leaves a total of seven indicators being reported for FY22.



Ratings

Meets Standard Rating

- Schools earning this rating in all or nearly all indicators are performing well and are generally financially viable in both the short and long-term
- The targets for this rating category set the minimum expectations for charter school performance

Does Not Meet Standard

- Schools earning this rating in some indicators have failed to meet minimum expectations which may signal potential concerns
- At a minimum, they should be subject to closer monitoring, and their status for renewal is in question

Falls Far Below Standard

- Schools earning this rating in some indicators have failed to meet minimum expectations by a significant margin signaling concerns, some of which may be immediate
- Staff will closely monitor schools with these designations, and their status for renewal is in question



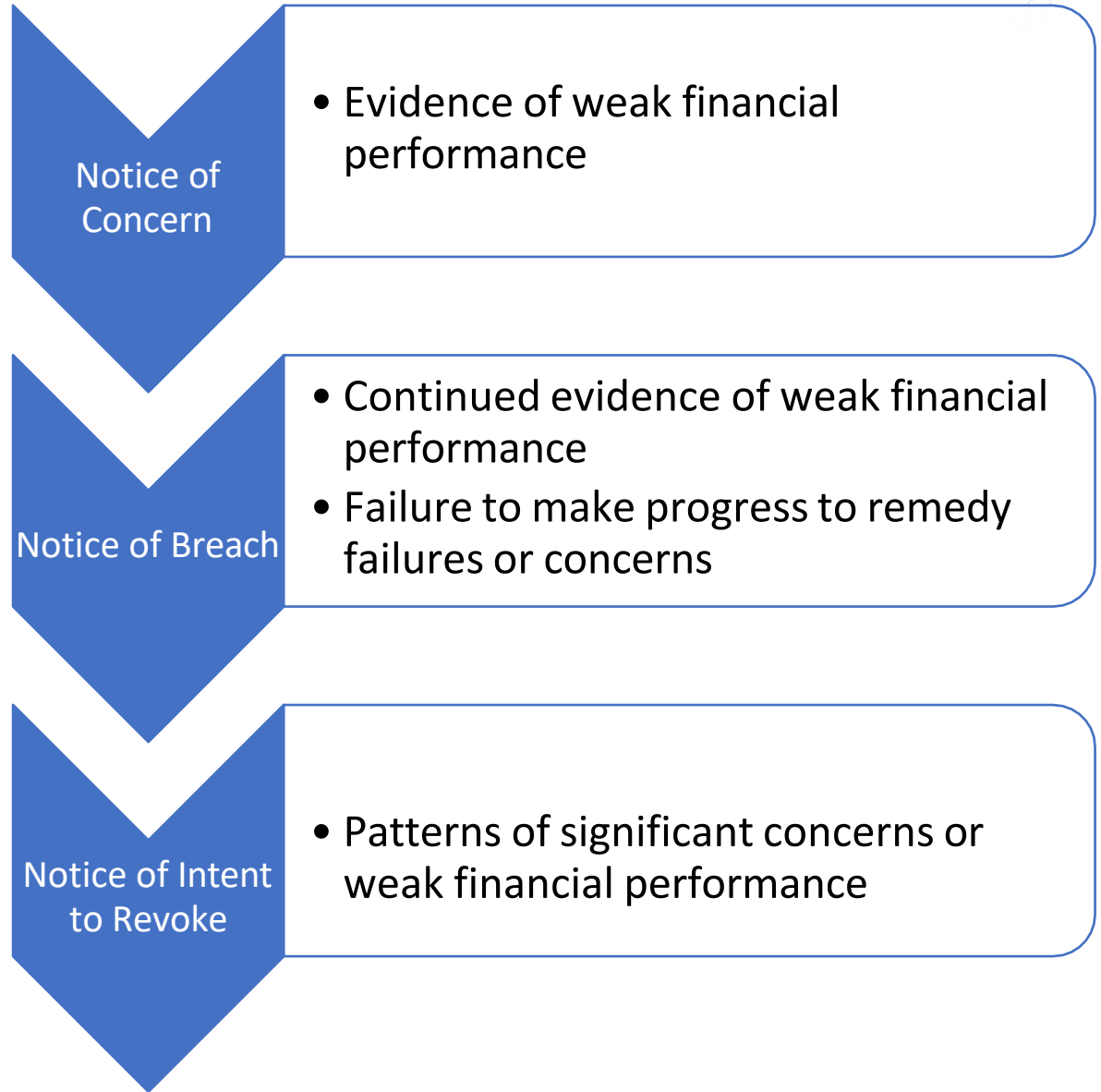
Indicators and Ratings

1. Schools will receive 7 formal ratings, or one for each indicator within the framework.
2. Poor financial performance measures ratings may trigger a Notice of Concern or Notice of Breach recommendation
 1. At least one indicator scoring at “Falls Far Below Standard” OR
 2. At least three indicators scoring at “Does Not Meet Standard”
3. Continued or significant evidence of materially weak financial performance observed through ongoing/oversight, and/or failure to make substantial progress towards remedying previously-identified concerns may result in escalated intervention



Interventions

“Occasionally, the routine Performance Framework process will result in adverse findings. Charter schools may fall **out of compliance on important legal or contractual requirements.** Academic standards may not be met. Financial sustainability may become an issue. When these situations occur, the Authority may respond in a number of ways.”





SPCSA Staff's Analysis & Considerations

1. Now 31 of 38 audits received and reviewed
2. Audit Findings & Recommendations



As of May 19, 2023

Authorizing staff have monitored quarterly reports throughout FY22

Audits were presented to individual charter boards

Audits were required to be submitted to SPCSA, LCB and NDE by December 1

Preliminary results were provided to schools for review

Final additional data presented to the Authority on May 19, 2023



Recommendation #1

1. Adopt the SPCSA Financial Performance Framework results presented for the schools listed in Appendix A, Democracy Prep and Nevada Prep, for fiscal year 2022, for all indicators, except Enrollment Variance, which was not rated.



Recommendation #2

2. Issue a Notice of Concern under the Financial Performance Framework to both Democracy Prep and Nevada Prep and require each to develop and submit a financial improvement plan and require each to provide quarterly updates regarding the implementation of the improvement plan.



Recommended for Notice of Concern – Democracy Prep

Democracy Prep

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



Recommended for Notice of Concern: – Nevada Prep

Nevada Prep

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



Questions



