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ACTION MEMORANDUM

TO: SPCSA Board
FROM: Michael Dang, Manager of Financial Performance
Katie Broughton, Director of Authorizing
SUBJECT: Financial Review and Asset Disposition of Girls Empowerment Middle School (GEMS) Closure
DATE: November 15, 2024

Overview:

Girls Empowerment Middle School (GEMS) officially closed on May 19, 2023, due to financial insolvency that rendered further operation impossible.

[NRS 388A.306](#) refers to the closure of a charter school and the appointment of a trustee. Subsequently, Jason D. Guinasso, Esq., of Hutchison & Steffen, PLLC, was appointed as Trustee for GEMS to oversee and ensure compliance with necessary closure procedures. SPCSA staff, in coordination with Mr. Guinasso, conducted a review of the available financial records to assess the safeguarding and appropriate handling of school assets and financial obligations.

A financial audit was completed for the fiscal year ending June 30, 2022, but no audit was prepared for fiscal year 2023, the year in which the school closed. [NAC 388A.515](#) outlines the location, handling and disposition of equipment and supplies acquired using SPCSA, state or federal funds. [NRS 388A.423](#) speaks to the disposal of real or personal property in situations of a bankruptcy filing by the school.

SPCSA Review Scope:

Due to the duration of timing in the way the school closed, the inability of the school to complete an audit, and the concern regarding the state's assets, the SPCSA also initiated a review to ensure proper financial and asset handling throughout the process.

The SPCSA's review was intended to ensure basic financial and asset management compliance while deferring to the trustee for comprehensive oversight.

The conclusion of the staff review is affirming that the financial aspects of the closed school appear in order, with questions below describing what appear to be open issues expected to be addressed by the trustee.

Key Findings:

Financial Audit and Record Review:

- A full financial audit was submitted for the fiscal year ending June 30, 2022.
- Due to the closure, no audit was prepared for fiscal year 2023. In response, SPCSA staff reviewed available financial records from the school to assess key financial obligations and the safeguarding of assets.
- The review uncovered a small number of open financial issues or obligations, notably:
 - That the trash pickup vendor had not been notified that the school closed. It was billing the school when staff reviewed the documentation. SPCSA staff requested to Mr. Guinasso that the vendor be notified and that no further billing take place.
 - An outstanding PERS balance of approximately \$1,500, which Mr. Guinasso is actively managing.
 - Total other balances and outstanding obligations of over \$100,000.

Asset Disposition: Pursuant to [NAC 388A.515](#), the SPCSA is responsible for ensuring the appropriate accounting and disposition of school assets. Staff reviewed available documentation to determine the status of assets, including technology, furniture, and school equipment. Key findings include:

- Facility lease documentation was not found, so SPCSA staff is unable to confirm the cancellation or disposition of this lease.
- No records were located regarding the disposal of Chromebooks, student desks and chairs, or teacher furniture.
- Physical assets observed during the review include a food cabinet/counter (SAIA, 450#), although further documentation regarding its disposition was unavailable.

Conclusion:

The SPCSA's audit shows that the closure of GEMS largely adhered to financial and asset management standards, with remaining concerns being addressed by the trustee. This review aligns with our legal obligations, considering that the attorney/trustee is primarily responsible for reviewing and completing all closure requirements. SPCSA staff will, if needed, continue monitoring for any further developments.