Joe Lombardo
Governor

STATE OF NEVADA

Melissa Mackedon
Executive Director

STATE PUBLIC CHARTER SCHOOL AUTHORITY

3427 Goni Rd., Suite 103
Carson City, Nevada 89706-8011
(775) 687-9174 · Fax (775) 687-9113

500 East Warm Springs Rd., Suite 116
Las Vegas, Nevada 89119-4344
(702) 486-8895 · Fax (702) 486-5543

MEMORANDUM

TO:	SPCSA Board
FROM:	Katie Broughton, Director of Authorizing Michael Gawthrop-Hutchins, Management Analyst III
SUBJECT:	Financial Performance Framework Recommendations for Fiscal Year 2024: Explore Academy
DATE:	April 18, 2025

Background

All SPCSA charter schools are evaluated on the SPCSA Financial Performance Framework (FPF). All public charter schools are required to undergo an annual financial audit conducted by an independent third-party, as outlined in NAC 387.775 . The results of the annual audits are then analyzed against the SPCSA Financial Performance Framework.

The SPCSA is responsible for ensuring that sponsored schools are financially stable and meet the SPCSA board-approved financial performance standards, adopted pursuant to NRS 388A.273. These standards are designed to ensure schools maintain financial stability, safeguarding their ability to operate effectively and serve students both now and in the future.

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

As stated in the SPCSA Financial Performance Framework Technical Guide, poor financial performance measure ratings may result in intervention by the SPCSA. A school with financial framework profile results that include at least one indicator rated Falls Far Below Standard and/or at least three indicators rated at Does Not Meet Standard is generally considered out of compliance with the Financial Performance Framework. The indicators are as follows.

	Meets Standard	Does Not Meet Standard	Falls Far Below Standard
Near Term Indicators			
Current Ratio	Greater than or equal to 1.1	Between 0.90 and 1.0	Less than 0.9
Unrestricted Days Cash-On-Hand	Y1 Schools: 15+ days Y2 Schools: 30+ days All Others: 60+ days OR between 30 and 60 days with a one-year positive trend.	Between 15-30 days OR between 30 and 60 days with a one-year negative trend.	Less than 15 days
Enrollment Variance	Y1 Schools: 90%+ Y2 Schools: 92.5%+ All Others: 95%+	Between 85% and 95%	Less than 85%
Debt or Lease Default	School is not in default of any loans or lease payments.	N/A	School is in default of a loan or lease payment.
Sustainability Indicators			
Total Margin and Aggregated Three-Year Total Margin	Current Year and Aggregated Three-Year Margine are positive.	Current Year OR Aggregated Three-Year is negative.	Current Year AND Aggregated Three-Year are negative.
Debt to Asset Ratio	Less than 0.9	Between 0.90 and 1.0	Greater than 1.0
Cash Flow	Multi-year cash flow and most recent year cash flow are positive.	Muli-year cash flow OR most recent year cash flow are negative.	Both multi-year cash flow and most recent year cash flow are negative.
Debt/Lease Service Coverage Ratio	Ratio is greater than or equal to 1.10 or school does not have outstanding loan or long-term lease.	Ratio is less than 1.10.	N/A

Any school that materially fails to comply with the Financial Performance Framework may trigger revocation proceedings should financial performance not improve. Any school identified as such is typically issued a Notice to ensure the school and its governing board are aware of the material failure to comply with the Financial Performance Framework in alignment with NRS 388A.330. As a reminder, the Authority has three levels of intervention when schools do not meet organizational standards. These levels are as follows:

- Notice of Concern
- Notice of Breach
- Notice of Intent to Revoke

Explore Academy

	Current Ratio	UDCOH	Enrollment Variance	Debt Default	Total Margin	Debt to Asset Ratio	Cash Flow	Debt/Lease Coverage Ratio
Metric	≥1.1	60+ days	95%+	None	Both positive	Less than 0.9	Both Positive	≥1.1
FY24	.44	3.7 days	98.2%	None	Current Year: 7.5% 3-Year: -14.3%	1.013	Multi: Pos 1-year: Pos	2.40
	FFBS	FFBS	MS	MS	DNMS	FFBS	MS	MS

Explore Academy earned three "Falls Far Below Standard" ratings and one "Does Not Meet Standard" rating for Fiscal Year 2024. The school was issued a Notice of Breach for FY23, and the ratings for FY24 make the school eligible for additional intervention. There is some important information to note regarding these ratings:

- The Current Ratio slightly improved from 0.33 to 0.44, which indicates the school's current liabilities are greater than their current assets.
- Unrestricted Days Cash on Hand increased from 1.8 days in FY23 to 3.7 days in FY24, which continues to be alarmingly low. This indicates the school may be operating month-to-month as it receives its Pupil-Centered Funding revenue.
- The Current Year Margin calculation improved from -42.6% in FY23 to 7.5% in FY24, indicating the school is starting to operate in the positive. The Aggregated 3-Year Margin was measured for the first time at -14.3%.
- The Debt to Asset Ratio improved from 1.07 in FY23 to 1.013 in FY24, which indicates the school's debts continue to be greater than their assets.
- The One Year Cash Flow and Multi Year Cash Flow were positive.
- The Debt/Lease Coverage Ratio improved from -0.63 in FY23 to 2.40 in FY24, which indicates the revenue of the school is sufficient to cover its debt and lease obligations. This was primarily caused by a reduction in interest expenses.

Overall, Explore Academy saw slight improvements within some of the ratings from FY23 to FY24. However, these improvements were not enough to indicate the school's financial position has seen drastic improvements.

SPCSA staff asked the school to provide additional documentation, including an explanation of all short-term and long-term debt and a 5-year financial forecast. SPCSA staff remain concerned about the debts of the school. Their lease is approximately 27% of the total projected revenue, and that does not include the other loan, which costs $400k annually.

Ultimately, SPCSA staff is recommending the SPCSA board continue the financial Notice of Breach.

Proposed Motion: Continue the Notice of Breach under the Financial Performance Framework for Explore Academy.