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**ACTION MEMORANDUM**

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**TO:** SPCSA Board  
**FROM:** Katie Broughton, Director of Authorizing  
**SUBJECT:** Financial Performance Framework Recommendations: Nevada Prep Charter School  
**DATE:** October 10, 2025

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**Background:**

At the April 18, 2025, SPCSA board meeting, Nevada Prep Charter School's FY2024 financial performance was reviewed. SPCSA staff recommended elevating the school's FY2023 financial Notice of Concern to a Notice of Breach for FY2024, and that memo is included in the October 10, 2025, meeting materials. Following discussion, the board requested additional FY2025 and FY2026 information before taking further action. The school submitted nearly all outstanding financial items and provided letters of financial support from Opportunity 180, Building Hope Real Estate, and Raymond James. They also provided an amended lease, FY2026 budget estimates under two financing scenarios, and financial projections for both scenarios. On May 21, Nevada Prep also participated in an enrollment audit to verify FY2026 enrollment.

SPCSA staff analyzed all submitted information and brought it to the SPCSA board for action on May 30, 2025; that memo is also included in the October 10, 2025, meeting materials. The school stated that issuance of a financial Notice of Breach would jeopardize its eligibility for potential bond financing and philanthropic funding, which it anticipated receiving in September 2025. The school asserted that these financial opportunities could support efforts to improve its financial position. The SPCSA board voted to continue the financial Notice of Concern with heightened monitoring. This monitoring included various financial tasks, which the SPCSA has collected for June 2025, July 2025, and August 2025. A detailed list of requested items and when they were submitted is included as an attachment to this memo. To date, neither funding opportunity has materialized, and the school's financial condition continues to deteriorate.

## **Analysis:**

As a result of the ongoing financial monitoring, SPSCA staff has significant concerns regarding the current financial position of the school, which is detailed below.

**Ending Fund Balance (EFB):** The Ending Fund Balance is the amount of money left in a fund at the close of a fiscal year after accounting for all revenues, expenditures, transfers, and other financial activity. In simple terms, it's like the savings account balance at year-end and shows how much remains that can be carried over into the next fiscal year to help cover future expenses, emergencies, or reserves.

Nevada Prep Charter School has a negative Ending Fund Balance that is projected to worsen by the end of FY2026. According to their August 31 financial reports, the Beginning Fund Balance for FY2026 is estimated to be negative (\$628,026) with a projected Ending Fund Balance of negative (\$753,957).

What is especially concerning is the school's projected enrollment increase from 358 in FY2025 to 460 in FY2026. With such a substantial increase in enrollment, and thus revenue, this metric should be improving, as higher revenue typically supports better economies of scale and strengthens a school's debt position. While the leadership team and board have indicated efforts to address the operational mismanagement of prior leadership, this financial metric continues to worsen. The ongoing trend of a negative Ending Fund Balance, detailed below, does not reflect an overall improvement in the school's financial health.

- FY2023: (\$519k)
- FY2024: (\$850k)
- FY2025 Projected: (\$628k)
- FY2026 Projected: (\$753k)

**Current Debt:** At this time, SPSCA staff remain unclear on the full details and scope of Nevada Prep's total debt and outstanding obligations, despite multiple requests for a detailed list. For current liabilities, which includes Accounts Payable and "Other Current Liabilities," the monthly balances are as follows: June \$942K, July \$1.015M, and August \$1.101M. This reflects a negative trend, with debt increasing and placing additional strain on the school's cash flow and ability to operate on a monthly basis. Other known outstanding obligations include PERS, NDE, and various vendor payments. While the school's FY2026 projected balance anticipates reducing current liabilities to \$729K, it is unclear how this reduction will be achieved given the school's current financial position.

**Cash Flow Management:** The school is currently experiencing challenges in managing both current and past obligations. There is no documented strategic plan to address current liabilities while simultaneously reducing past debts. Although the school is projected to receive a significant cash increase in November from the Quarter 1 Pupil Centered Funding Plan true-up, the FY2026 cash balance is still projected to decline from \$222k at the start of the year to \$96k by year-end. Additionally, the school has indicated that they have taken short-term bridge loans to meet various obligations. Some vendors have offered structured payment plans to address past

obligations while maintaining service, but the school's coordination and follow-through appear limited. Certain vendors have reached out to SPCSA staff and indicated they discontinued services due to unpaid debts.

**Financial Reporting:** The school is struggling to meet financial budgeting and reporting requirements in alignment with the NDE systems. They have not yet produced budget and accounting reports on a fund basis that comply with the NDE chart of accounts. Their FY2026 Final Budget submitted to NDE is incomplete, with inaccurate fund balances, and their monthly financial reports to date have not been prepared on a fund basis consistent with the NDE budget format. Additionally, several other items requested by the SPCSA remain missing, as outlined in the attachment.

**Financial Policies:** The school appears to be violating its own financial policies by failing to maintain proper fund balances and not adhering to board-approved procedures for budget creation and approval, such as utilizing a board finance committee. It is also unclear whether the school is following its internal policies related to purchasing, accounting, risk management, and other financial controls.

**Capital Financing:** The school's progress on securing bond financing is currently unclear, with no indication of if or when the financing will occur. The school did not include the "bond scenario" financial forecast in its most recent monthly financial reports for the period ending August 31. It is also concerning that the board-approved FY2026 budget assumed receipt of the bond before it was finalized. With the bond now delayed beyond the expected September timeline, it remains uncertain whether the board is operating within its approved budget.

### **Proposed Motion:**

SPCSA staff recommends the SPCSA board elevate Nevada Prep Charter School to a financial Notice of Breach and continue to require heightened monitoring.

***Motion to elevate Nevada Prep Charter School under the Financial Performance Framework to a Notice of Breach. As part of this Notice of Breach, the school will be required to continue to participate in heightened monitoring, directed by SPCSA staff, including but not limited to:***

- ***Submitting and amending budgets;***
- ***Submitting of monthly budget to actual reporting;***
- ***Providing monthly evidence of payment to PERS; and***
- ***Provide ongoing access to accounting and financial records, as requested by SPCSA staff as part of the heightened financial monitoring.***

***Failure to provide requested documentation by the deadline set by SPCSA staff, or failure to respond to SPCSA inquiries within three (3) business days, will result in a subsequent appearance before the Board and possible escalation to a Notice of Intent to Revoke under the Financial Performance Framework.***

### Attachment 1: Nevada Prep Financial Monitoring Details

June 2025 Financials	Due	Submitted
Income Statement	August 10, 2025	Not submitted on a fund basis.
Cash Flow	August 10, 2025	August 10, 2025
Accounts Receivable and Accounts Payable	August 10, 2025	August 10, 2025
ADE Report	August 10, 2025	August 10, 2025
Bank Statements and Reconciliations	August 10, 2025	August 10, 2025
PERS Monthly Filing Reports	August 10, 2025	Not submitted.
Debt Payments	August 10, 2025	August 10, 2025
Evidence of unbudgeted new or revised revenue	N/A	
Evidence of new or revised debt	N/A	

June 2025 Follow-Up	Sent	Due	Submitted
Income Statement on a fund basis	August 19, 2025	August 29, 2025	September 5, 2025
PERS Monthly Filing Reports: 502 summary and 503 data forms	August 19, 2025	August 29, 2025	502 summary form: August 28, 2025 503 data form: September 3, 2025
April and May bank statements and reconciliations	August 19, 2025	August 29, 2025	August 27, 2025
Quarterly Federal 941s for Q1 and Q2 (January 1 through June 30)	August 19, 2025	August 29, 2025	Missing Q1 Q2 submitted on August 27, 2025
Payroll Register	August 19, 2025	August 29, 2025	June 15 register: September 3, 2025 June 30 register: August 27, 2025
Detailed list of Accounts Payable and other current liabilities	August 19, 2025	August 29, 2025	August 27, 2025
Description of services from and payments to TEW Investments, SLA Management, and Building Hope	August 19, 2025	August 29, 2025	August 28, 2025
Payroll Timeline	August 19, 2025	August 29, 2025	August 28, 2025
Update on bond financing and building purchase	August 19, 2025	August 29, 2025	August 28, 2025

<b>July 2025 Financials</b>	<b>Due</b>	<b>Submitted</b>
Income Statement	August 31, 2025	September 3, 2025
Cash Flow	August 31, 2025	September 3, 2025
Accounts Receivable and Accounts Payable	August 31, 2025	Not submitted
ADE Report	August 31, 2025	September 3, 2025
Bank Statements and Reconciliations	August 31, 2025	September 3, 2025
PERS Monthly Filing Reports	August 31, 2025	September 3, 2025
Debt Payments	August 31, 2025	September 3, 2025
Evidence of unbudgeted new or revised revenue	N/A	
Evidence of new or revised debt	N/A	

<b>July 2025 Follow-Up</b>	<b>Sent</b>	<b>Due</b>	<b>Submitted</b>
April and May bank statements and reconciliations	September 5, 2025	September 10, 2025	August 27, 2025
July Accounts Payable aging details	September 5, 2025	September 10, 2025	September 12, 2025
July Accounts Receivable aging details	September 5, 2025	September 10, 2025	September 12, 2025
Debt schedule and terms for all other liabilities as of June 30 and July 31	September 5, 2025	September 10, 2025	Not submitted. N/A per school.
Explanation and plan of action for projected negative cash balance for 8/31	September 5, 2025	September 10, 2025	Not Submitted
Explanation of accrued payroll listed in June 30 financials	September 5, 2025	September 10, 2025	September 12, 2025
Explanation of check to Las Vegas Bookkeeping	September 5, 2025	September 10, 2025	September 12, 2025
Ledger details of 'Other Income/(Expense)' and 'Interest' line items	September 5, 2025	September 10, 2025	Not Submitted
Board approved salary schedule, including name, position, salary or hourly rate, and FTE status	September 5, 2025	September 10, 2025	September 13, 2025
Finance committee meeting minutes for FY25	September 5, 2025	September 10, 2025	Not Submitted
Upcoming finance committee meeting schedule	September 5, 2025	September 10, 2025	Not Submitted
Credit card statements for April through July	September 5, 2025	September 10, 2025	N/A per school
Petty cash account recons for April through July	September 5, 2025	September 10, 2025	N/A per school
Draft FY25 financials showing beginning and ending fund balance	September 5, 2025	September 10, 2025	Not submitted
Copy of board's 'Conflict of Interest' policy	September 5, 2025	September 10, 2025	Not Submitted
List of any outstanding obligations that might already be accrued	September 5, 2025	September 10, 2025	Not Submitted

<b>August 2025 Financials</b>	<b>Due</b>	<b>Submitted</b>
Income Statement	September 30, 2025	September 23, 2025
Cash Flow	September 30, 2025	September 23, 2025
Accounts Receivable and Accounts Payable	September 30, 2025	Not Submitted
ADE Report	September 30, 2025	September 23, 2025
Bank Statements and Reconciliations	September 30, 2025	September 23, 2025
PERS Monthly Filing Reports	September 30, 2025	Partially Submitted
Debt Payments	September 30, 2025	September 23, 2025
Evidence of unbudgeted new or revised revenue	N/A	
Evidence of new or revised debt	N/A	

<b>August 2025 Follow-Up</b>	<b>Sent</b>	<b>Due</b>	<b>Submitted</b>
August Accounts Payable and Accounts Receivable aging details	September 30, 2025	October 10, 2025	
PERS 503 Data Report	September 30, 2025	October 10, 2025	
Updated 3- or 5- year forecast on a fund basis	September 30, 2025	October 10, 2025	
Detailed list of amounts owed to vendors, subcontractors, and debtors	September 30, 2025	October 10, 2025	
August payroll registers	September 30, 2025	October 10, 2025	
Explanation of financials submitted on 'lease scenario' rather than 'bond scenario'	September 30, 2025	October 10, 2025	
Explanation of August PERS contributions being made in full.	September 30, 2025	October 10, 2025	
Explanation and evidence of a lease payment in August.	September 30, 2025	October 10, 2025	
Explanation of \$100k deposit made on 8/28.	September 30, 2025	October 10, 2025	