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North and South Omaha "Start Up Academy" Sputters Despite Infusion of State Funds

State Auditor Mike Foley has issued an 11-page letter to the Nebraska Department of Economic Development (DED) highlighting significant compliance concerns over the questionable use – including failure to meet "conservative" job creation estimates claimed in the grant application – of $1.2 million in funding awarded to the non-profit Nebraska Startup Academy (Academy) in 2024.

That funding went to the Academy under the North and South Omaha Recovery Grant Program (NSORG), which the Legislature created in 2023 to "respond to the negative impact of the COVID-19 public health emergency and to build resilient and innovative communities." For its part, the Academy – a public benefit non-profit corporation established in 2022 – was to use the money to undertake projects that, according to its own mission statement, would "help establish Nebraska as an innovation hub in the Midwest."

Foley's letter charges, however, that the grant money has not been used in furtherance of the Academy's lofty aims. "In bureaucratic doublespeak, the Academy's progress to date is sub-optimal," Foley observed. "In more accurate, everyday language, it's pathetic."

According to the letter, a whopping $813,966 – a lion's share of the total funds received – has been expended to compensate four Academy personnel during 2024 and 2025, broken down as follows:

- **Executive Director: $387,126**
- **Director of Entrepreneurship: $268,840**
- **Two members of the Academy Board: $79,000 (each)**

Emphasizing that the Academy has "little to show" for these lavish administrative salaries, Foley noted the abysmal failure of the three-year business projection set out in the DED grant application. Specifically, the Academy committed to initiating 60 new business startups, resulting in 300+ full-time jobs paying between $55,000 - $70,000, alongside expectations of even higher-paying opportunities.

"Where are all those promised startups and new jobs?" asked Foley. "The Academy spent most of the money on itself, leaving behind a trail of cancelled paychecks but almost nothing in terms of meaningful results."

To conceal this underperformance, Foley's letter alleges, the Academy's mandatory annual progress reports to the DED misrepresented the amount of new employment created with the grant money. While the initial reports claimed dozens of new jobs, the scrutiny of Foley's audit team resulted in amended reports showing the stark reality: only two direct jobs and one indirect job created in 2024, followed by a single indirect job for 2025.

Those same annual progress reports submitted to the DED also misrepresented the Academy's financial status, Foley's letter claims. Although declaring that its 2024 revenue totaled only $183,952.83, the Academy's tax return revealed $770,633 for the year.

Making matters worse, Foley's letter raises serious questions regarding a potential conflict of interest caused by the Academy's paid management (Executive Director, Director of Entrepreneurship, Board Chairperson, and Board Treasurer) also holding leadership positions in the investment firm Move Venture Capital. The IRS Form 990 filed by the Academy for 2025 stated that none of its officers or directors had an outside business relationship with each other – despite each holding a concurrent position as a director, trustee, or officer in the same venture capital company.

The audit team found, moreover, an apparent overlap between some of the startup businesses affiliated with the Academy and those listed in Move Venture Capital's portfolio. Three of those emerging companies were found to have received support from the non-profit DED grant recipient.

"I am not comfortable with this cozy relationship between the Academy and Move Venture Capital, and the DED owes it to the taxpayers to preclude even an appearance of impropriety involving grant recipients," Foley warned.

Finally, the audit letter addresses the comingling of public DED grant funds and other Academy money from both public and private sources. The grant agreement with the Academy requires a strict segregation of DED funds, but the audit team found a glaring lack of compliance with that proviso.

Foley concluded, "When utilized properly and carefully, certain public funding mechanisms can prove extremely beneficial to Nebraska's economy. In order to succeed, however, they must be subject to strict oversight and effective compliance measures. Hopefully, the DED will take steps needed to implement that type of necessary stewardship here."

A copy of Foley's letter to the DED is available online at the following web address:

https://auditors.nebraska.gov/