California Department of Education
Charter Schools Division
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**ADVISORY COMMISSION ON CHARTER SCHOOLS**AN ADVISORY BODY TO THE STATE BOARD OF EDUCATION

# April 2025 AgendaItem #03

## Subject

Academia Avance Charter: Consider Evidence Regarding a Notice of Violation Issued by the California State Board of Education, pursuant to California Education Code Section 47607(g), and Propose that the California State Board of Education Issue a Notice of Intent to Revoke with Notice of Facts, pursuant to California Education Code Section 47607(h).

## Type of Action

Action, Information

## Summary of the Issue

California Education Code (*EC*) Section 47607(f) states that a charter may be revoked by the authority that granted the charter if the authority finds, through a showing of substantial evidence, that the charter school did any of the following:

(1) Committed a material violation of any of the conditions, standards, or procedures set forth in the charter.

(2) Failed to meet or pursue any of the pupil outcomes identified in the charter.

(3) Failed to meet generally accepted accounting principles or engaged in fiscal mismanagement.

(4) Violated any provision of the law.

The California Department of Education (CDE) proposes there is substantial evidence that Academia Avance Charter (Academia Avance), a California State Board of Education (SBE)-authorized charter school, engaged in fiscal mismanagement, pursuant to *EC* Section 47607(f)(3).

Pursuant to *EC* Section 47607(g), the authority that granted the charter petition shall notify the charter school of any violation and provide the school a reasonable opportunity to remedy the violation. On March 5, 2025, the SBE issued a Notice of Violation (Attachment 1) to Academia Avance and provided Academia Avance with a reasonable opportunity to remedy the violation, pursuant to *EC* Section 47607(g). Academia Avance was required to provide a written response and supporting evidence that addressed all violations outlined in the notice by March 13, 2025.

On March 13, 2025, Academia Avance submitted its Response to the Notice of Violation (Attachment 2).

## Proposed Recommendation

As Academia Avance has failed to adequately refute, remedy, or propose to remedy the violations described in the Notice of Violation issued by the SBE on March 5, 2025, the CDE proposes to recommend the SBE issue a Notice of Intent to Revoke with Notice of Facts to Academia Avance, pursuant to *EC* Section 47607(h), at its May 7–8, 2025, meeting. The CDE provides substantial evidence that Academia Avance has committed fiscal mismanagement pursuant to *EC* Section 47607(f)(3).

## Background

Academia Avance currently operates under the authorization of the SBE, with oversight duties delegated to the CDE. Academia Avance’s current charter term ends June 30, 2028.

Academia Avance offers a classroom-based program serving approximately 200 students in grades six through twelve. Academia Avance opened during the 2005–06 school year and is located in Los Angeles. Academia Avance previously operated multiple sites but consolidated into a single site as part of addressing declining enrollment and revenue.

The following table summarizes Academia Avance’s history with the Los Angeles Unified School District (LAUSD), the Los Angeles County Office of Education (LACOE), and the SBE, including the establishment of Academia Avance, renewal petitions granted and denied, and recent letters of concern.

### Table. History of Academia Avance

| **Date** | **Action** |
| --- | --- |
| 2005/05/24 | LAUSD granted the petition to establish Academia Avance. |
| 2005/09/30 | Academia Avance opened. |
| 2010/05/18 | LAUSD denied the renewal petition, and Academia Avance appealed to LACOE. |
| 2010/08/17 | LACOE granted the renewal petition and became the chartering authority of Academia Avance. |
| 2015/01/30 | LACOE did not grant or deny the renewal petition, and Academia Avance appealed to the SBE. |
| 2015/09/02 | The SBE granted the renewal petition and became the chartering authority of Academia Avance. The SBE delegated oversight of Academia Avance to the CDE. |
| 2020/03/12 | The SBE granted the renewal petition of Academia Avance. |
| 2024/05/06 | The CDE issued a letter of concern to Academia Avance. |
| 2024/11/06 | The CDE issued a second letter of concern to Academia Avance. |
| 2025/03/05 | The SBE issued a Notice of Violation to Academia Avance. |
| 2025/03/13 | Academia Avance submitted its Response to the Notice of Violation. |

The CDE has provided regular technical assistance to Academia Avance throughout its charter term. Specifically, CDE staff meet monthly with Academia Avance leadership to review the fiscal condition as well as other oversight areas. In addition, CDE staff conduct an annual in-person site visit at Academia Avance that includes interviews with leadership, other employees, and board representatives. Discussion topics at monthly oversight meetings and annual site visits have included the CDE's concerns about Academia Avance's budget development, assumptions including enrollment projections, decreasing revenue, increasing debts and liabilities, and the lack of internal controls. The CDE issued two letters of concern to Academia Avance within the past 11 months. Academia Avance failed to remedy the CDE’s concerns.

For purposes of determining whether an agency has engaged in fiscal mismanagement, the CDE considers the Fiscal Crisis and Management Assistance Team Indicators of Risk or Potential Insolvency for Charter Schools[[1]](#footnote-2) (FCMAT Indicators), which identifies practices that indicate a lack of function, commitment, or attention to critical elements of a charter school’s operations. FCMAT Indicators identify the following:

1. Unreliable Budget Development
2. Insufficient Budget Monitoring or Updates
3. Inadequate Cash Management
4. Mismanaged Salary and Benefit Decisions
5. Increasing and/or Unplanned Contributions
6. Continuing Deficit Spending
7. Mismanaged Employee Benefits
8. Inattention to Enrollment and Attendance Reporting
9. Decreasing Fund Balance and Reserve for Economic Uncertainty
10. Ineffective Internal Controls and Fraud Prevention
11. Breakdown in Leadership and Communication
12. Lack of Multiyear Planning
13. Inattention to Debt and Risk Management
14. Lack of Position Control
15. Related Issues of Concern

The CDE considered the following documents provided by Academia Avance, in its review of whether Academia Avance adequately refute, remedy, or propose to remedy the violations described in the Notice of Violation issued by the SBE on March 5, 2025: [[2]](#footnote-3)

* 2023–24 Second Interim Report
* 2023–24 Unaudited Actuals Report
* 2024–25 Budget, provided on July 1, 2024
* 2024–25 Budget Revised, provided on July 22, 2024
* September 30, 2024, Statement of Financial Position
* February 28, 2025, Statement of Financial Position
* October 23, 2024, Aging Report
* February 26, 2025, Aging Report
* 2024–25 First Interim Report
* 2024–25 Second Interim Report

## Instances of Violation

### Ineffective Internal Controls

FCMAT identifies the following as a demonstration of ineffective internal controls: “Beginning balances for the new fiscal year not posted and reconciled with the ending balances from the prior fiscal year” (FCMAT Indicators, p. 3).

On March 5, 2025, the SBE issued Academia Avance a Notice of Violation based on findings of fiscal mismanagement. The Notice of Violation states Academia Avance’s beginning fund balance for the current fiscal year does not align with its ending fund balance of the prior fiscal year. Academia Avance’s 2024–25 First Interim Report indicates a beginning fund balance of negative $2,258,911, while the Charter School’s 2023–24 Unaudited Actuals Report reflects an ending fund balance of negative $1,900,807. The $358,104 difference between Academia Avance’s ending and beginning fund balances demonstrates ineffective internal controls and consequently fiscal mismanagement (Attachment 1).

On March 13, 2025, Academia Avance submitted its Response to the Notice of Violation which states:

We acknowledge this discrepancy and attribute it to inaccuracies within the
2024–25 First Interim Report, specifically the reported beginning fund balance of negative $2,258,911. This figure was submitted during a period of significant leadership transition and did not undergo the necessary level of due diligence. Since then, the **new leadership team has prioritized a comprehensive review and reconciliation of the school’s financial records. This process has resulted in a more accurate financial report and forecast, which is now included for your review**. We are committed to ensuring the accuracy and transparency of all future financial submissions and are implementing enhanced internal controls to prevent similar discrepancies. The enclosed “Reserve Restoration Plan” link is what has guided our current actions and once adopted by the board, we will revisit and mitigate as needed. (Attachment 2, emphasis added.)

Academia Avance describes the following corrective actions taken:

* Leadership Change & Oversight: Since September 2024, the previous leadership team was fully replaced and new administration team has been established.
* We have established debt reduction payment plans, reducing expenses, freezing non-essential spending, etc.
* Interim CFO Engagement: A third-party interim CFO is now overseeing all financials, providing expert guidance, and ensuring compliance with financial best practices at no cost to the school.
* Revised Fiscal Control Policy (December 2024):
	+ Monthly financial reconciliations are conducted and reviewed by the Board Finance Committee.
	+ Monthly Bank statements and fund balances are now cross-verified with the general ledger.
	+ New internal control measures ensure that no single employee controls multiple financial functions (receipts, disbursements, reconciliation).
* Audit Process Strengthening:
	+ Annual Independent audits will continue, with any identified discrepancies reviewed and addressed immediately.

Following Academia Avance’s leadership transition in September 2024, it prepared a January 2025 budget update (Attachment 9). In the Response to the Notice of Violation, Academia Avance submitted a March 2025 budget update (Attachment 4).

The January 2025 budget update includes a multi-year projection of annual oversight fees ranging from $28,847 to $34,022 between 2024–25 to 2028–29 which is reasonable based on Academia Avance’s enrollment of 199.10 students (Attachment 9, p. 12).[[3]](#footnote-4) However, the March 2025 budget update projects $529 for 2024–25, which is unrealistic and does not align with the subsequent projections ranging from $30,089 to $33,406 between 2025–26 to 2028–29 (Attachment 4, p. 12).

*Table. Academia Avance’s Oversight Fee Projections as of January 2025*

| **Fiscal Year** | **Oversight Fee** |
| --- | --- |
| 2024-25 | $28,847 |
| 2025-26 | $30,035 |
| 2026-27 | $31,724 |
| 2027-28 | $32,874 |
| 2028-29 | $34,022 |

*Table. Academia Avance’s Oversight Fee Projections as of March 2025*

| **Fiscal Year** | **Oversight Fee** |
| --- | --- |
| 2024-25 | $529 |
| 2025-26 | $30,089 |
| 2026-27 | $31,150 |
| 2027-28 | $32,279 |
| 2028-29 | $33,406 |

Academia Avance’s oversight fee projections submitted as part of its Response to the Notice of Violation on March 13, 2025, demonstrates ineffective internal controls because the calculation is unrealistic and the anomaly was not identified by the new leadership as part of its expanded review process. Additionally, Academia Avance developed the January 2025 and March 2025 budget updates without a completed independent financial audit report for fiscal year 2023–24. Consequently, Academia Avance’s Response to the Notice of Violation demonstrates a failure to remedy the violation of the finding of fiscal mismanagement with regard to ineffective internal controls.

### Decreasing Fund Balance and Reserve for Economic Uncertainty

FCMAT lists unstable unrestricted fund balances, failure to maintain a minimum reserve for economic uncertainty, and absence of a plan to restore the minimum reserve as examples of indicators of risk or potential insolvency (FCMAT Indicators, p. 2).

On October 26, 2024, Academia Avance reported a projected negative ending fund balance of $1,939,086 in its 2024–25 First Interim Report. Additionally, Academia Avance has failed to maintain a reserve for economic uncertainty. Pursuant to the Memorandum of Understanding (MOU) between Academia Avance and the SBE, Academia Avance is required to maintain a minimum of 5 percent financial reserve for economic uncertainty. Academia Avance’s 2023–24 Second Interim Report indicated Academia Avance maintained reserves of 4.86 percent, below the required 5.00 percent minimum. In a letter of concern dated May 6, 2024, the CDE notified Academia Avance of the MOU requirement not being met. Approximately, six months later Academia Avance reported having no reserves as of its 2024–25 First Interim Report (Attachment 1).

Academia Avance’s Response to the Notice of Violation on March 13, 2025, describes the following corrective actions:

* Vendor payment plans have been established to systematically reduce liabilities
* Reserve Restoration Plan:
	+ The Board has implemented a formal policy requiring a 5% reserve threshold.
	+ Monthly financial monitoring ensures the reserve is maintained.
	+ If reserves fall below the threshold, a Board-approved recovery plan will be activated (Attachment 2, p. 2).

Additionally, Academia Avance submitted a Multi-Year Forecast projecting fund balances and reserve amounts that are summarized in the below table (Attachment 4, p. 12).

*Table. Academia Avance’s Fund Balance and Reserve for Economic Uncertainty*

| **Forecast** | **2024–25** | **2025–26** | **2026–27** | **2027–28** | **2028–29** |
| --- | --- | --- | --- | --- | --- |
| Beginning Fund Balance | ($1,900,808) | ($870,619) | ($485,122) | ($111,230) | $253,387 |
| EndingFund Balance | ($870,619) | ($485,122) | ($111,230) | $253,387 | $12,545 |
| Reserve | -18.7% | -10.1% | -2.3% | 5.0% | 0.2% |

The Multi-Year Forecast in Academia Avance’s Response to the Notice of Violation shows a negative ending fund balance for the current fiscal year 2024–25 of ($870,619) as well as the following two fiscal years, 2025–26 and 2026–27, of ($485,122) and ($111,230). Additionally, Academia Avance’s Multi-Year Forecast shows meeting the 5.0% reserve minimum for only one out of the five years, including a not meeting 5% reserve requirement in the final projected year 2028–29. Academia Avance failed to provide an adequate plan to restore the 5.00 percent minimum reserve. Accordingly, the Response to the Notice of Violation submitted by Academia Avance demonstrates a failure to remedy the violation of the findings of fiscal mismanagement with regard to fund balances and reserve for economic uncertainty.

### Inattention to Enrollment

FCMAT provides enrollment decreasing and/or unstable, and enrollment projections and assumptions not based on reasonable considerations as examples of a charter school’s inattention to enrollment (FCMAT Indicators, p. 2).

Academia Avance has experienced declining enrollment for seven consecutive years, as summarized in the below table, including a loss of 41 students (17%) of its schoolwide enrollment in the prior year (Attachment 1).

*Table. Historical Enrollment of the Academia Avance*

| **Criteria** | **2018–19** | **2019–20** | **2020–21** | **2021–22** | **2022–23** | **2023–24** | **2024–25** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Total | 391 | 328 | 293 | 263 | 256 | 241 | 200\* |
| Loss | Not Applicable | (63) | (35) | (30) | (7) | (15) | (41) |

\* As of January 23, 2025

On May 6, 2024, the CDE notified Academia Avance of the CDE’s concern regarding the declining enrollment (Attachment 1).

On June 1, 2024, Academia Avance submitted a corrective action plan that stated its 2024–25 budget would be based on a projected enrollment of 200 students (Attachment 1).

On July 1 and 22, 2024, Academic Avance submitted budgets based on a projected enrollment of 220 students, an enrollment figure 10 percent greater than the enrollment target of 200 students that Academia Avance identified in its governing board-approved fiscal corrective action plan submitted the previous month (Attachment 1).

On March 5, 2025, the SBE issued a Notice of Violation based on Academia Avance’s inattention to enrollment (Attachment 1).

On March 13, 2025, Academia Avance’s Response to the Notice of Violation describes the following corrective actions (Attachment 2, pp. 2-3):

* New Enrollment & Marketing Strategy:
	+ The school is partnering with a local recruitment agency that specializes in underserved communities.
	+ Recruitment efforts now focus on:
		- CTE programs
		- Internships for seniors
		- College readiness pathways
		- Increase student enrollment from South Central
* Realistic Enrollment Projections:
	+ Enrollment forecasts are now adjusted based on historical data and verified third-party recruitment estimates

Historical data in the above table shows Academia Avance has decreased in enrollment for seven consecutive years, from 391 to 200 students, including a prior year loss of 41 students (17%). Contrary to historical trends, Academia Avance’s forecasts as of March 12, 2025, show an increase of 205 students for 2024–25, followed by four consecutive years of enrollment being maintained from 2025–26 to 2028–29.

Academia Avance’s declining enrollment and use of unreasonable enrollment projections demonstrate its inattention to enrollment and consequently unreliable budget assumptions, which supports a failure to remedy the violation of the finding of fiscal mismanagement.

### Unreliable Budget Development

FCMAT includes unreasonable and unclear budget assumptions as an indication of a charter school’s unreliable budget development (FCMAT Indicators, p. 1).

Pursuant to *EC* sections 47604.33(a) and 47605(m), Academia Avance is required to submit its prior year Unaudited Actuals Report to the CDE by September 15 of each year and its First Interim and Independent Financial Audit Reports to the CDE by December 15 of each year. The table below summarizes these timelines as well as Academia Avance’s submission dates for each report:

*Table. Financial Reports from Academia Avance*

| **Report** | **Statutory Due Date** | **Date Submitted** |
| --- | --- | --- |
| **Unaudited Actuals**for the full prior year ending June 30 | September 15, 2024 | January 31, 2025 |
| **First Interim**reflecting changes through October 31 | December 15, 2024 | November 26, 2024 |
| **Independent Audit**for the full prior year ending June 30 | December 15, 2024 | Not Submitted \* |
| **Second Interim**reflecting changes through January 31 | March 15, 2025 | February 21, 2025 |

\* As of March 17, 2025

Based on the above-summarized dates, Academia Avance submitted its fiscal year 2024–25 First Interim Report before completing its fiscal year 2023–24 Unaudited Actuals Report. As they were developed without prior year financial data, Academia Avance’s 2024–25 budgets include unreasonable and unclear budget assumptions.

On March 5, 2025, the SBE issued a Notice of Violation based on Academia Avance’s unreliable budget development (Attachment 1).

On March 13, 2025, Academia Avance’s submitted its Response to the Notice of Violation which describes the following corrective actions taken (Attachment 2, p. 3):

* Improved Budget Assumptions
	+ Budgets are now aligned with the actual enrollment trends and realistic revenue and expenditure projections.
	+ The Board must now approve budget assumptions exceeding a 5% variance from prior-year variance from prior-year actuals.
* Stronger Financial Oversight
	+ Budget forecasts are reviewed quarterly and adjusted based on updated financial reports.
	+ Unaudited actuals are now a required precondition before submitting new budgets.

Academia Avance continues to use unreliable and inaccurate budget assumptions because its multi-year budget projections submitted as part of its Response to the Notice of Violation on March 13, 2025, do not include adjustments for inflation for the following expenses:

* OASDI
* Medicare
* State Unemployment
* Workers' Compensation
* School Supplies
* Software
* Office Expenses
* Business Meals
* Noncapitalized Equipment
* Food Services
* Special Education
* Substitute Teacher
* Transportation
* Security
* Other Educational Consultants
* Auto and Travel
* Dues & Memberships
* Insurance
* Utilities
* Janitorial Services
* Communications
* Postage and Shipping
* Repairs and Maintenance (Attachment 4, p.12).

The above-listed annual expenses in Academia Avance’s Response to the Notice of Violation, contain unchanged projections for five consecutive years, which is unrealistic.[[4]](#footnote-5) Additionally, Academia Avance’s Response to the Notice of Violation was developed without an independent financial audit report for fiscal year 2023–24. Consequently, Academia Avance’s use of unrealistic and inaccurate budget assumptions demonstrates a lack of reliability that demonstrates a failure to remedy the violation of the finding of fiscal mismanagement.

### Inattention to Debt

FCMAT includes high levels of debt with total debt services payments greater than 2 percent of a charter school’s general revenues as an indicator of financial risk or potential insolvency (FCMAT Indicators, p. 3).

A current ratio of <1 indicates a may be unable to meet short-term financial obligations.

* Per the Statement of Financial Position dated September 30, 2024 (Attachment 1, pp. 4-5), Academia Avance had a current ratio of 0.11. The current ratio is calculated by dividing current assets ($580,258) by current liabilities ($5,122,794).
* Per the Statement of Financial Position dated February 28, 2025 (Attachment 4, p.16) submitted as part of Academia Avance’s response to the SBE’s Notice of Violation, Academia Avance had a current ratio of 0.15. The current ratio is calculated by dividing current assets ($638,834) by current liabilities ($4,237,020).

A debt ratio of >1 indicates that a school has more debts than assets, limiting its options for financing, which may result in being unable to meet long-term financial obligations.

* Per the Statement of Financial Position dated September 30, 2024 (Attachment 1, pp. 4-5) the debt ratio for Academia Avance was 2.62. The debt ratio is calculated by dividing total liabilities ($5,600,382) by total assets ($2,139,432).
* Per the Statement of Financial Position dated February 28, 2025 (Attachment 4, p. 16), submitted as part of Academia Avance’s response to the SBE’s Notice of Violation, the debt ratio for Academia Avance was 2.35. The debt ratio is calculated by dividing total liabilities ($4,358,335) by total assets ($1,851,531).

Based on the information submitted by Academia Avance as part of its Response to the Notice of Violation, the current ratio and debt ratio have improved marginally; however, they remain outside the indicated ratio metrics.

Per the Aging Report, as of February 26, 2025, Academia Avance has **outstanding invoices totaling $1,084,678.90** of which **$867,983.39 is 120 days past due** (Attachment 10).

Academia Avance’s past due outstanding invoices indicates significant risk of potential insolvency, which demonstrates failure to remedy the violation of the finding of fiscal mismanagement.

## Conclusion

There is substantial evidence that Academia Avance has committed fiscal mismanagement pursuant to *EC* Section 47607(f)(3) described in the Notice of Violation issued on March 5, 2025, and Academia Avance has not adequately refuted, remedied, or proposed a plan to remedy the violations identified in the Notice of Violation. Therefore, the CDE proposes to recommend that the SBE issue a Notice of Intent to Revoke with Notice of Facts to the Charter School pursuant to EC Section 47607(h), at its May 7-8, 2025, meeting.

## Previous Board Action

Pursuant to *EC* Section 47607(g) and 5 *CCR* Section 11968.5.2, the SBE voted at its March 5, 2025, meeting, to issue a Notice of Violation to Academia Avance. The meeting agenda for this item (Item 10) can be found on the SBE Meeting for March 5, 2025, web page at <https://www.cde.ca.gov/be/ag/ag/yr25/agenda202503.asp>.

## Attachments

* **Attachment 1:** Notice of Violation Issued to Academia Avance Charter by the California State Board of Education on March 5, 2025 (6 Pages)
* **Attachment 2:** Academia Avance Charter Response to Notice of Violation: Letter (4 Pages)
* **Attachment 3:** Academia Avance Charter Response to Notice of Violation: “Fiscal Control Policy” (12 Pages)
* **Attachment 4:** Academia Avance Charter Response to Notice of Violation: “FY25-Avance Combined Feb Board Summary” (19 Pages)
* **Attachment 5:** Academia Avance Charter Response to Notice of Violation: “Reserve Restoration Plan” (3 Pages)
* **Attachment 6:** Academia Avance Charter Response to Notice of Violation: “BoC February Balance” (1 Page)
* **Attachment 7:** Academia Avance Charter Response to Notice of Violation: “BoC March Balance” (1 Page)
* **Attachment 8:** Academia Avance Charter Response to Notice of Violation: “MOU Jose Vega MBA” (2 Pages)
* **Attachment 9:** Academia Avance Charter January 2025, 2nd Interim Budget, Financial Updates (21 Pages)
* **Attachment 10:** Academia Avance Charter Aging Report, February 26, 2025, (29 Pages)
1. <https://www.fcmat.org/PublicationsReports/Charter-School-Indicators-2020.pdf> [↑](#footnote-ref-2)
2. Academia Avance’s projections for 2024–25 include an increase of $852,286 in one-time revenue in the form of grant monies. The CDE considered the grant projections as submitted and did not independently analyze the expenditure requirements of the grant programs. [↑](#footnote-ref-3)
3. Oversight fees are calculated as one percent of a charter school’s annual local control funding formula revenue based on schoolwide enrollment. [↑](#footnote-ref-4)
4. The annual expenses for Food Services show unchanged projections for four consecutive years. [↑](#footnote-ref-5)