

Notice of Violation Issued to Academia Avance Charter Attachment 1
by the California State Board of Education on March 5, 2025 Page 1 of 6

STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

CALIFORNIA STATE BOARD OF EDUCATION

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March 5, 2025

Communication Sent via First Class Mail and Email

Victor Aguirre, Executive Director
Miguel Angel Juarez, Board President
Margaret Godinez, Board Secretary
Rachel Villalobos Kowalski, Board Treasurer
Academia Avance Charter
115 North Avenue 53
Highland Park, CA 90042-4005

Dear Executive Director Aguirre and Governing Board Members:

Subject: Notice of Violation Pursuant to California *Education Code* Section 47607(g)

The California State Board of Education (SBE) has reviewed substantial evidence that the Academia Avance Charter (Academia Avance or Charter School) engaged in fiscal mismanagement in violation of California *Education Code* (EC) Section 47607(f)(3). The violations, if not resolved immediately by Academia Avance, will directly impact the Charter School's ability to continue operations in 2025–26. The SBE's findings of fiscal mismanagement are described in this notice.

For purposes of determining whether an agency has engaged in fiscal mismanagement, the Fiscal Crisis and Management Assistance Team Indicators of Risk or Potential Insolvency for Charter Schools¹ (FCMAT Indicators), which identifies practices that indicate a lack of function, commitment, or attention to critical elements of a charter school's operations, were considered. FCMAT Indicators identifies 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

¹ <https://www.fcmat.org/PublicationsReports/Charter-School-Indicators-2020.pdf>

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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 following documents provided by the Charter School were also considered:

- 2023–24 Second Interim Report
- 2023–24 Unaudited Actuals Report
- 2024–25 Budget, provided on July 1, 2024
- Revised 2024–25 Budget, provided on July 22, 2024
- September 30, 2024, Statement of Financial Position
- October 23, 2024, Aging Report
- 2024–25 First 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, pp. 2–3).

The Charter School's beginning fund balance for the current fiscal year does not align with its ending fund balance of the prior fiscal year. The Charter School'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 the Charter School's ending and beginning fund balances demonstrates ineffective internal controls, which supports a finding of fiscal mismanagement.

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).

The Charter School reported a projected ending fund balance of negative \$1,939,086 in its 2024–25 First Interim Report.

Additionally, the Charter School has failed to maintain a reserve for economic uncertainty. Pursuant to the Memorandum of Understanding between the Charter School and the SBE, the Charter School is required to maintain a minimum of 5 percent financial reserve for

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economic uncertainty. The Charter School's 2023–24 Second Interim Report indicated the Charter School maintained reserves of 4.86 percent, which is below the required minimum. The CDE notified the Charter School of this concern in a letter of concern dated May 6, 2024. Subsequently, the Charter School reported having no reserves as of its 2024–25 First Interim Report.

The Charter School's projected negative ending fund balance for the current fiscal year and the Charter School's failure to maintain the minimum reserve for economic uncertainty supports a finding of fiscal mismanagement.

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).

The Charter School has experienced significant declining enrollment for seven consecutive years, as summarized in the below table.

Table. Historical Enrollment of the Charter School

2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
391	328	293	263	256	241	200*

* As of January 23, 2025

In its letter of concern dated May 6, 2024, the CDE notified Academia Avance of the CDE's concern regarding the Charter School's declining enrollment.

In response to the CDE's concern, on June 1, 2024, the Charter School submitted a fiscal corrective action plan, which stated, in part, that the Charter School would develop its 2024–25 budget based on a projected enrollment of 200 students.

On July 1 and 22, 2024, the Charter School submitted budgets to the CDE that were based on a projected enrollment of 220 students, an enrollment figure 10 percent greater than the enrollment target of 200 students that the Charter School identified in the fiscal corrective action plan it submitted to the CDE the previous month.

The Charter School's overall declining enrollment and repeated use of unreasonable enrollment projections demonstrate the Charter School's inattention to enrollment and consequently unreliable budget assumptions, which supports a finding of fiscal mismanagement.

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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), the Charter School 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 the Charter School's submission dates for each report:

Table. Financial Reports

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 1	December 15, 2024	November 26, 2024
Independent Audit for the full prior year ending June 30	December 15, 2024	Not Submitted *

* As of February 14, 2025

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

The Charter School's development of its budgets without a timely unaudited actuals report and without an independent financial audit report demonstrates a lack of reliability, which supports a 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. 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, the Charter School had a current ratio of 0.11. The current ratio is calculated by dividing current assets (\$580,258) by

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current liabilities (\$5,122,794). The debt ratio for the Charter School was 2.62. The debt ratio is calculated by dividing total liabilities (\$5,600,382) by total assets (\$2,139,432).

Per the Aging Report, as of October 23, 2024, the Charter School had outstanding invoices totaling \$1,581,843 of which \$1,183,120 is 120 days past due. During its October 24, 2024, monthly oversight meeting with the CDE, the Charter School communicated making efforts to address several of the outstanding invoices. Specifically, the current Board Chair explained that the previous Executive Director established the Avance Community Foundation to pay the leases for two school properties. During the investigation of the debts owed to the Avance Community Foundation, the Charter School uncovered discrepancies in the amounts billed versus the amount owed. The Charter School expressed efforts to establish payment plans and correct the amounts owed to vendors listed on the Aging Report; however, those changes were not reflected on the October 23, 2024, Aging Report provided to the CDE.

The inattention to the debt ratio and past due outstanding invoices of the Charter School indicates significant risk of potential insolvency, which supports a finding of fiscal mismanagement.

Right to Respond

Pursuant to *California Code of Regulations*, Title 5 (5 CCR) Section 11968.5.2(c)(1) and (2), the Charter School has the right to respond to this communication through the following actions:

1. Submit to the SBE a detailed, written response addressing each identified finding which shall include the refutation, remedial action taken, or proposed remedial action by the Charter School specific to each alleged violation. The written response is due by **5 p.m. on March 13, 2025**.
2. Attach to its written response supporting evidence of the refutation, remedial action, or proposed remedial action, if any, including written reports, statements, and other appropriate documentation.

Failure to provide substantial evidence that refutes, remedies, or proposes to remedy the alleged violations may provide grounds sufficient to form the basis for an action to revoke the Academia Avance charter pursuant to *EC Section 47607(f)*.

On April 8, 2025, the Charter School will have an opportunity to present its evidence to refute or remedy each alleged violation to the Advisory Commission on Charter Schools (ACCS). The ACCS will review the evidence and discuss the items in a public forum and may take action regarding a recommendation to the SBE.

On May 7–8, 2025, the SBE, in a public hearing, will consider whether there is substantial evidence to refute or remedy each alleged violation, at which time it may issue a Notice of Intent to Revoke, pursuant to *EC Section 47607(h)*. If the SBE issues a Notice of Intent to

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Revoke, the SBE will hold a public hearing on May 7–8, 2025, at which time the SBE will determine whether sufficient evidence exists to revoke the Academia Avance charter.

This letter serves as a formal Notice of Violation, pursuant to EC Section 47607(g) and 5 CCR Section 11968.5.2, and provides Academia Avance a reasonable opportunity to remedy.

A written response and supporting evidence addressing each of the above-outlined issues must be received by the Charter Schools Division by **5 p.m. on March 13, 2025**, via email at spark@cde.ca.gov.

If you have any questions regarding this subject, please contact Susan Park, Director, Charter Schools Division, by email at spark@cde.ca.gov.

Sincerely,



Linda Darling-Hammond
President
State Board of Education

LDH:sp

cc: Brooks Allen, Executive Director, California State Board of Education
Kirin Gill, Chief Counsel II, California State Board of Education
Len Garfinkel, General Counsel, California Department of Education
Susan Park, Director, Charter Schools Division, California Department of Education

Sent via First Class Mail and Email to the Following:

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