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## **Attachment 2**

# **T.I.M.E. Community Response Dated March 24, 2023, to the California State Board of Education March 9, 2023, Notice of Violation**

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## **Response to the Notice of Violation**

Dear California State Board of Education:

TIME Community Schools is committed to providing an excellent education to all students, which includes being fiscally responsible and prudent. Please see below our response to the Notice of Violation.

Instances/Evidence of Violation

The notice of violation states that TIME's financial condition is due to structural deficits caused by unrealistic enrollment and financial projections. This is inaccurate as LACOE refers to projections prior to the school year starting and asserts that TIME does not adjust or update its budget. The fact is that TIME submits monthly financial reports that includes enrollment numbers based on actual student attendance. The notion that TIME refuses to update projections is misleading.

Lenders	Current Debt Amounts	Debt Forgiven	Outstanding Debt
CA School Revolving Loan	\$80,002		\$80,002
Unsecured Promissory Note	\$325,644	(\$217,444)	\$108,200
Total	\$405,646	(\$217,444)	\$188,202

- Further, the notice states that TIME is in default, but this is incorrect. No lender has claimed default on any loan for non-payment. New agreements have been approved to allow an extension of repayment and one lender has agreed to gift their portion of the loans totaling over 218K. The remaining notes are intended to be addressed this school year with the understanding that if we require more time, the lenders are willing to extend repayment to ensure financial stability.
- The notice states that the Final audit for 2021-22 states that TIME is in default with loans, but again this is incorrect. The audit had no findings. The audit does mention the recurring deficit as a going concern, but the audit further states that the leading cause is due to enrollment issues in part due to the pandemic. To clarify CDE's misstatement regarding defaults per the audit, the Charter School revolving loan is not in default, monthly payments are deducted from our monthly apportionments from state aid. Lastly, the audit recognizes the school's plan to reduce the deficit.

Unrealistic Enrollment and Average Daily Attendance

Criteria	2022-23 Annual Forecast P1 First Principal Apportionment	2023-24 Forecast	2024-25 Forecast
Enrollment	62	92	160
ADA	55.55	82.43	143.35
Attendance Rate	90%	90%	90%

In regards to enrollment, a budget is created as the ending target that will evolve through the school year. We have conservatively budgeted for the next two years starting with 2023-24 with enrollment of 92 students at an ADA rate of 90% which mirrors our P1 numbers, is approximately 82.43 students, allowing us to end the year at a surplus of 209k. In 2024-25, we intend to eliminate the cumulative of all years deficit to meet the minimum MOE reserve of 3%. By enrolling 160 students and maintaining a conservative 90% ADA, which is 143 students. Beyond state aid, we have two other revenue streams in the form of sub-leases and fundraising via Bingo. If Bingo revenue materializes as planned TIME will be able to address debt this year and the coming years, reducing debt sooner than expected.

Again, the Notice states that TIME has unrealistic enrollment. This is not true. Our beginning of the year projections were based on intent to enroll forms and applications that we had received. Once the school year began, TIME updated its budget to reflect actual numbers, which included reducing expenses. The updated budgets and plans submitted to LACOE did illustrate our ability to create a responsible and working budget that paid our debts over time however, our budgets were not accepted due to not meeting the minimum MOE reserve. This is the very reason why TIME continues to struggle because LACOE's failure to acknowledge our plan takes much needed financial resources designated for start up schools. TIME has not received SB740 funds or the revolving loan, both critical funds that start up schools are entitled. Again, by not providing the letter of good standing even though TIME has submitted multiple achievable plans, LACOE staff is taking away funds from the school. Once we lose these funds, LACOE then asks why our deficits grow, and this is very demoralizing for the school because the truth is that they grow because we are being denied these funds. Another example of this pattern was prior to this school year beginning. LACOE did not want to give TIME a letter of good standing, which prevented TIME from being able to engage in the sale of receivables. Given that LACOE understood that ADA funds wouldn't match actual enrollment until after P1, TIME needed to sell receivables to operate but LACOE staff made it challenging again to acquire

the critical funds, and so again, TIME had to look for other options. Had TIME received these funds, our deficit would not have increased. In fact, we would have ended this school year having paid down our debt sooner. It would be unrealistic to expect TIME to end the current at a surplus without getting SB740 and additional revolving loan dollars. The most recent plan TIME has submitted demonstrates that TIME will almost be completely or completely out of debt by the end of the next school year. This can be achieved with the minimum increase of 30 students. We hope that State Board will recognize our efforts and commitment.

Financial Projection and Actual Results

Criteria	2022-23 Annual Forecast P1 First Principal Apportionment	2023-24 Forecast	2024-25 Forecast
Total Revenues	\$1,226,924	\$1,886,664	\$3,257,976
Total Expenditures	\$1,427,760	\$1,653,193	\$2,819,717
Surplus (Deficits)	(\$200,836)	\$233,471	\$438,259
Beginning Net Position	(\$268,436)	(\$251,828)	(\$18,357)
Ending Net Position	(\$251,828) *After gifting of \$217,444 notes payable	(\$18,357)	\$419,902
MOE Reserve 3%	-17.6%	-1.1%	14.9%

TIME is disappointed in the way that LACOE staff is representing our budget and financial status. LACOE is presenting TIME's financials based on TIME's oldest submissions rather than the most current. For example, the table refers to numbers in December, even though the SBE meeting took place in March. It seems that the intent is to paint TIME in the most unflattering light as opposed to show the budgets that show growth, resilience, and our ability to adapt once critical funds have been taken from us. With that said, TIME has submitted a Fiscal Stability Plan that demonstrates again TIME's ability to create a plan that will allow us to continue to operate while being fiscally responsible within a reasonable amount of time. (Please see appendix)

Additional Concern

LACOE staff refers to TIME violating our fiscal policies. This is a misrepresentation. TIME was preparing the loan documents with the third party and TIME informed the third party that the loans had to be board approved first; however, the third party took it upon themselves to deposit the money early because they wanted TIME to have access to the funds. TIME, at no time, asked for this to happen; however, it did. Once this occurred, TIME arranged the board meeting as soon possible to correct the mistake. Ultimately, TIME will take responsibility for this error, but we did not intend for this to happen. A direct violation presupposes that we did this intentionally and this was not the case. TIME has taken steps to ensure that this will not occur again.

Once again, TIME wants to state its commitment to being a school of excellence in all aspects. As you know, TIME has accomplished a great deal academically over these two years. TCS students are performing well in their classes which is validated by their increase in GPA. Students performed above average on NWEA tests. 100% of TCS students are participating in dual enrollment, tutoring, and clubs. TIME has been recognized by various organizations for its innovative academic program. While we are proud of our accomplishments, we continue each day to be better and the way this happens is through being given support and time.

TCS has shown that we can achieve academically, and we know we are able to do the same financially. We just need true support and time to enact our plans. Up to this point, we have never been given a real opportunity to fully enact our plan because resources that are typically given to start ups have been taken from us and therefore forces TIME to pivot and adjust. Please give TIME the opportunity to enact our plan so that we may continue to provide our community a high quality education that every child deserves.

Sincerely,

Gabriel Ramirez  
Executive Director

## **Fiscal Stability Plan**



Fiscal Stability Plan

Enrollment Plan	2022-23 Enrollment	2023-24 Enrollment	2024-25 Enrollment
Enrollment	62	92	160
ADA %	90%	90%	90%
ADA	55.55	82.43	143.35

TIME has adjusted its enrollment projections as noted in the table above. The increases are based on previous year’s data and current trends. TCS has used a conservative ADA rate which mirrors our P1 numbers; however, TCS has engaged in an attendance campaign to increase ADA including communication campaigns, PBL rewards, school culture activities, and receiving training from LACOE. In addition, TCS has made partnerships with 6 feeder middle schools and 10 community-based organizations who have committed to supporting TCS’ enrollment efforts. Currently, TIME has 60 new applications for the upcoming school year.

	2022-23	2023-24	2024-25
Surplus/(Deficit)	\$(200,836)	\$233,471	\$438,259
Fund Balance	\$(469,272)	\$(235,801)	\$202,458
	-32.9%	-14.3%	7.2%

While TCS internal enrollment goal is 125 students; the budget will based on 92 students, which is an increase of 30 students. Based on trends and past years, this number is achievable and realistic. In the 2023-24 school year, TCS will end the year with \$233K surplus while eliminating half of TCS’ debt. In 2024-25, TCS will eliminate the cumulative of all years deficit and meet the MOE reserve of 3%.

Further, the budget does not include the +\$217K loan forgiveness nor does it include revenue from Bingo, which has been approved by the city. By eliminating the \$217K debt, in 2023-24, the fund balance is nearly brought to zero. Bingo income could potentially allow TIME to meet its 3% reserve. TIME will begin Bingo in March and through the next 2 months will be able to better estimate monthly revenue. Until TIME is able to establish this income, TIME’s budget will only use the ADA stated, which illustrates significant financial improvement and the ability to pay off debt within a reasonable time frame.

Overall, TIME’s budget keeps expenses low through minimizing expenditures. Further, TIME’s dual enrollment program allows TIME to increase its courses to meet student needs’ while lowering personnel cost as the cost is placed on the community college.

TIME has remains committed to sound financial practices and we believe this FSP allows TIME to make significant gains.