# Attachment 9: California Department of Education Fiscal Analysis of Eagle Collegiate Academy

## Eagle Collegiate Academy Budget Analysis

Eagle Collegiate Academy’s (ECA’s) petition budget was based on a projected enrollment of 168 students. In early November 2021, ECA reported to the California Department of Education (CDE) a total enrollment count of 12 students in its Charter School 20 Day Attendance Report. Upon learning of the school’s substantial drop in enrollment, the CDE conducted a fiscal analysis based on ECA’s Charter School 20 Day Attendance Report, which indicated a decrease in ECA’s fiscal year (FY) 2021–22 total revenues from the originally projected $2,581,644 to approximately $146,000; and total expenditures from the originally projected $2,256,169 to approximately $587,000. The CDE’s analysis also projected a negative ending fund balance of approximately $483,000, instead of the originally projected positive ending fund balance of $283,175.

With such a significant decline in enrollment, the CDE issued a letter of concern (LOC) to request ECA to provide a Fiscal Corrective Action Plan (FCAP) that included the following:

* Written narrative explaining what caused the decline in anticipated enrollment and what steps would be taken to address the decline;
* Written narrative on what budget actions have been taken to date to adjust to the lower enrollment numbers;
* Revised multiyear budget and cash flow statements for the current FY 2021–22 and two subsequent FYs (2022–23 and FY 2023–24) with written detailed assumptions included that reflects ECA’s resolution on addressing the unanticipated enrollment decline; and
* ECA board agenda and scheduled meeting date acknowledging the FCAP.

The CDE received a FCAP dated December 6, 2021. ECA’s revised budget was based on an overestimated enrollment of 53.39 students in FY 2021–22 instead of the current enrollment of 12 students. ECA also projected an enrollment of 240 and 313 students in FY 2022–23 and FY 2023–24, respectively, which is unrealistic. In addition, ECA’s revised budget includes a deficit of $282,054 and negative ending fund balance of $302,398 in FY 2021–22. The CDE’s analysis was based on current enrollment of 12 students and concluded that ECA is not fiscally sustainable and that ECA has a significant deficit and negative ending fund balance with no reserve.

ECA explained that the significant decrease in enrollment was due to the school’s inability to open a facility, together with their subsequent delay of opening by three weeks, during which ECA provided an independent study program for students. Parents who were unable to remain home from work to support their children in a virtual learning environment left ECA and enrolled in another school.

ECA only stated that they will eliminate five full-time teachers, one office manager, and reduce part-time human resources hours from 20 hours to 12 hours or less as worked. However, ECA did not provide a detailed narrative and assumptions for updated expenditure in salaries and benefits. ECA also did not provide a detailed narrative and assumptions for revenues and other non-employees’ expenditures.

In addition, ECA responded to the CDE’s LOC that ECA will be able to continue to pay salaries and California State Teachers' Retirement System (CalSTRS)/retirement until May 2021 and until the end of the 2021–22 school year with the anticipated funds raised from ECA’s Capital Fundraising Campaign to raise $1 million. As income raised through anticipated fundraising and donations is considered a soft or unpredictable source of funding, particularly with no supporting documentation accompanying the projected fundraising amount, ECA should not rely on it to cover shortfalls of fixed expenditures such as salaries and benefits. In addition, ECA understated the Local Control Funding Formula (LCFF) repayment of $435,594, and incorrectly included the Public Charter Schools Grant Program (PCSGP) implementation grant of $300,000 in their cash flow statement. Due to overstated average daily attendance (ADA) projections and incorrect PCSGP projections, ECA may have an estimated negative ending cash balance of $932,620 by June 2022.