

California Department of Education
Executive Office
SBE-003 (REV. 11/2017)
lab-csd-may23item04

# California State Board of EducationMay 2023 AgendaItem #10

## Subject

T.I.M.E. Community: Consider Evidence Regarding a Notice of Violation Issued by the California State Board of Education, pursuant to California *Education Code* Section 47607(g), and Consider Issuing 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 law.

The California Department of Education (CDE) and Los Angeles County Office of Education (LACOE) find that there is substantial evidence that demonstrates that T.I.M.E. (Teamwork, Individualization, Mastery, and Extension) Community (T.I.M.E.), a California State Board of Education (SBE)-authorized charter school, has failed to meet generally accepted accounting principles and has engaged in fiscal mismanagement, pursuant to *EC* Section 47607(f)(3). Specifically, the CDE and LACOE find that T.I.M.E. has repeatedly utilized unrealistic enrollment and average daily attendance (ADA) projections, resulting in projected revenues insufficient to meet its immediate and future operational expenses and financial commitments.

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 9, 2023, the SBE issued a Notice of Violation to T.I.M.E. and provided the school a reasonable opportunity to remedy the violation. The CDE and LACOE requested that T.I.M.E. provide a written response and supporting evidence that addressed all violations outlined in the notice by March 23, 2023. T.I.M.E. provided its response to the Notice of Violation ("T.I.M.E.'s Response") and a Fiscal Stability Plan to the CDE and LACOE on March 24, 2023.

Pursuant to *EC* Section 47607(h), before revoking a charter for failure to remedy a violation, the chartering authority shall provide a written notice of intent to revoke and notice of facts in support of revocation to the charter school. No later than 30 days after providing the notice of intent to revoke a charter, the chartering authority shall hold a public hearing on the issue of whether evidence exists to revoke the charter. No later than 30 days after the public hearing, the chartering authority shall issue a final decision to revoke or decline to revoke the charter.

## Recommendation

T.I.M.E. has failed to adequately refute, remedy, or propose to remedy the violations outlined in the Notice of Violation that was issued to the school by the SBE on
March 9, 2023. Therefore, the CDE recommends that the SBE issue a Notice of Intent to Revoke with Notice of Facts to T.I.M.E., pursuant to *EC* Section 47607(h), at its
May 18, 2023, meeting, and hold a public hearing to issue a final decision to revoke the T.I.M.E. charter at its May 19, 2023, meeting.

## Advisory Commission on Charter Schools Recommendation

At its April 18, 2023, meeting, the Advisory Commission on Charter Schools (ACCS) considered evidence submitted by T.I.M.E. in response to the Notice of Violation that was issued by the SBE on March 9, 2023. The ACCS concurred with the CDE staff recommendation and moved that the SBE issue a Notice of Intent to Revoke with Notice of Facts to T.I.M.E., pursuant to *EC* Section 47607(h). The motion passed unanimously.

The notice for the April 18, 2023, ACCS meeting is located on the April 2023 ACCS Meeting Agenda web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice041823.asp>.

## School Information

On July 9, 2020, the SBE approved the charter petition to establish T.I.M.E., a new school, which anticipated serving 110 pupils in grade nine beginning in 2020–21 and growing to serve 600 pupils in grade nine through grade twelve in 2024–25. T.I.M.E. was approved by the SBE for a five-year term, effective July 1, 2020, with a delay in opening and starting instruction in the 2021–22 school year. At this same meeting, by mutual agreement, the SBE designated its supervisorial and oversight responsibilities of T.I.M.E. to LACOE, pursuant to former *EC* Section 47605(k)(1). In a memorandum of understanding (MOU) signed on October 19, 2020, LACOE agreed to supervisorial and oversight responsibilities for T.I.M.E. on behalf of the SBE. In an MOU signed on December 17, 2020, T.I.M.E. agreed to be monitored and overseen by LACOE.

## Instances/Evidence of Fiscal Mismanagement Identified in the Notice of Violation

As stated in the Notice of Violation issued to T.I.M.E. on March 9, 2023, the SBE and LACOE find that the T.I.M.E. Board has engaged in fiscal mismanagement (*EC* Section 47607[f][3]).

Fiscal mismanagement refers to an agency’s failure to appropriately manage its finances, thereby creating a substantial risk to the agency’s ability to function or accomplish its mission. Possible indicators of fiscal mismanagement are identified by the Fiscal Crisis and Management Assistance Team and may include one or more of the following:

* Unreliable or insufficient budget development, monitoring, or updates
* Inadequate cash management
* Mismanaged employee compensation
* Continuing deficit spending
* Inattention to enrollment and attendance reporting
* Inadequate fund balance and reserve for economic uncertainty
* Ineffective internal controls and fraud prevention
* Lack of multiyear planning
* Inattention to debt and risk management

T.I.M.E. has a structural deficit; since its inception, T.I.M.E. has consistently failed to appropriately balance its receipts and expenditures, and to exercise the prudent fiscal management necessary to achieve fiscal stability and viability therefore resulting in the school’s fiscal insolvency. Moving forward, there is no fiscal viability for T.I.M.E. as the school continues to base its budget, cash flow, and multiyear projections on unrealistic enrollment and financial projections, masking its ongoing structural deficits and cash deficiencies.

Due to deficit spending and cash deficiencies, T.I.M.E. has missed debt repayment deadlines, including all six promissory notes issued during 2021–22 for a total of $280,376. According to T.I.M.E.’s 2021–22 audit report, it incurred an operating deficit of $378,107 and had a negative ending net asset of $268,436. In a letter dated
January 27, 2023, T.I.M.E.’s independent auditor notified T.I.M.E.’s Board that its 2021–22 ending negative net position of $268,436 and its projected deficit in 2022–23 are key factors that raise substantial doubt about T.I.M.E.’s ability to continue operations. Its auditor also disclosed the promissory notes (personal loans) totaling $281,348 that have lapsed (defaulted) and remain unpaid, along with an outstanding $100,000 loan obtained from the Charter School Revolving Loan Fund (CSRLF) Program administered by the California School Finance Authority (CSFA).

T.I.M.E. is at increased risk of cash shortfalls and further insolvency, which will impact T.I.M.E.’s ability to meet current year financial obligations, including payroll and related expenses, and its other ongoing financial obligations.

The specific instances of fiscal mismanagement that were identified in the SBE’s
March 9, 2023, Notice of Violation to T.I.M.E., are outlined below. Also provided is a summary of T.I.M.E.’s Response to each instance of violation as well as the CDE and LACOE’s analysis of T.I.M.E.’s Response.

### Unrealistic Enrollment and Average Daily Attendance Projections

As stated in the Notice of Violation, T.I.M.E.’s 2022–23 First Interim Report projects enrollment of 64 students and ADA of 60.80, representing a decrease of 43.70 ADA, or 41.82 percent from its 2022–23 adopted budget of 104.50 ADA. Additionally, T.I.M.E.’s 2022–23 First Principal Apportionment (P-1) Attendance Report reflects ADA of 55.55, a decrease of 5.25 ADA or 8.63 percent from its 2022–23 First Interim Report projection. The estimated impact to T.I.M.E.’s latest budget is a reduction in the Local Control Funding Formula (LCFF) revenues of approximately $80,000, should the projected ADA fail to materialize.

The table below summarizes T.I.M.E.’s enrollment and ADA projections compared to actual data.

T.I.M.E.’s Enrollment and ADA Projections Compared to Actual Data

| **Criteria** | **2021–22 Adopted Budget** | **2021–22 Certified Second Principal Apportionment** | **2022–23 Adopted Budget** | **2022–23 First Interim Report Projection** | **2022–23** **P-1 Attendance Report** |
| --- | --- | --- | --- | --- | --- |
| **Enrollment** | 165 students | 40 students | 110students | 64 students | 65 students |
| **ADA** | 156.75 | 34.37 | 104.50 | 60.80 | 55.55 |

#### T.I.M.E.’s Response to Unrealistic Enrollment and Average Daily Attendance Projections

In response to this section of the Notice of Violation, T.I.M.E. provided the following table:

T.I.M.E.’s Forecasted Enrollment, ADA, and Attendance Rate (provided by T.I.M.E.)

| **Criteria** | **2022–23 Annual Forecast P-1** | **2023–24****Forecast** | **2024–25****Forecast** |
| --- | --- | --- | --- |
| **Enrollment** | 62 | 92 | 160 |
| **ADA** | 55.55 | 82.43 | 143.35 |
| **Attendance Rate** | 90% | 90% | 90% |

In T.I.M.E.’s Response, T.I.M.E. asserts that its enrollment projections are not unrealistic. According to its response, T.I.M.E.’s initial enrollment was based on intent to enroll forms and applications. Once the school year began, T.I.M.E. updated its budget to reflect actual numbers. T.I.M.E. states that LACOE is using outdated projections from December 2022. T.I.M.E. projects 92 students in the 2023–24 school year with a 90 percent attendance rate, which mirrors the figures from T.I.M.E.’s P-1 Attendance Report for 2022–23. T.I.M.E. projects 82.43 ADA for 2023–24. In 2024–25, T.I.M.E. projects an enrollment of 160 students at 90 percent attendance, which results in 144 ADA.

T.I.M.E. states that because LACOE did not provide T.I.M.E. with a Letter of Good Standing, T.I.M.E. was unable to receive Charter School Facility Grant (Senate Bill 740) Program funds and revolving loan funds, both of which are critical funding sources for new charter schools. Lacking the Letter of Good Standing, T.I.M.E. was also unable to engage in the sale of receivables. If T.I.M.E. were provided with a Letter of Good Standing from LACOE, T.I.M.E. asserts that its deficit would not have increased and that T.I.M.E. would have paid down its debt. T.I.M.E. has submitted a more recent plan that demonstrates that T.I.M.E. will almost completely be out of debt by the end of the 2023–24 school year, based on a minimum enrollment increase of 30 students.

#### CDE and LACOE’s Analysis of T.I.M.E.’s Response to Unrealistic Enrollment and Average Daily Attendance Projections

The enrollment and ADA projections included in T.I.M.E.’s Response continue to follow T.I.M.E.’s pattern of unrealistic forecasts for student enrollment and attendance rates, which perpetuate the school’s structural deficit.

The school has continuously failed to meet its enrollment projections with historical trends indicating about 20 students per grade level even as the school has added grade levels. For example, in 2021–22, T.I.M.E. initially budgeted for 165 students in grades nine and ten, and subsequently enrolled just 40 students during the 2021–22 school year, equating to only 24 percent of its initial enrollment projection. Additionally, for the 2022–23 school year T.I.M.E. budgeted for 110 students in grades nine through eleven; however, the school enrolled 62 students.

The following table illustrates the school’s budgeted and forecasted enrollment for school years 2021–22 through 2024–25 as well as the school’s actual enrollment for school years 2021–22 and 2022–23.

T.I.M.E.’s Budgeted and Forecasted Enrollment

TBD: To Be Determined

| **Enrollment** | **2021–22 School Year**  | **2022–23 School Year** | **2023–24 School Year** | **2024–25 School Year** |
| --- | --- | --- | --- | --- |
| **Budgeted/Forecasted** | 165 | 110 | 92 | 160 |
| **Actual** | 40 | 62 | TBD | TBD |

Despite being advised by LACOE prior to adopting both the 2021–22 and 2022–23 budgets that T.I.M.E.’s enrollment projections may be too aggressive causing a substantial negative fiscal impact, as reported in T.I.M.E.’s Response, T.I.M.E. projects an enrollment increase of 30 students in 2023–24 and 68 additional students in 2024–25. T.I.M.E.’s projected increase of 68 students for the 2024–25 school year, a 43 percent increase from the previous year, is unrealistic as the school will no longer be adding grade levels.

T.I.M.E. has attempted to develop a budget that will support the operation of the school as well as pay off accumulated debt; however, its own unrealistic enrollment and attendance rate projections continue to undermine any planned budget and its educational program. Due to lower than expected revenue caused by overly optimistic enrollment projections, in 2021–22 T.I.M.E. was unable to fill its school counselor position. The impact of this vacancy on the school’s educational program was immediate as the school failed to administer Northwest Evaluation Association assessments to all students, a responsibility that falls under the role of the school counselor per the charter petition.

T.I.M.E.’s Response states that LACOE’s failure to issue a Letter of Good Standing for the school impacted the school’s ability to access CSRLF Program funds and SB 740 Program funds as well as engage in the selling of receivables. However, LACOE was unable to provide a Letter of Good Standing to T.I.M.E. due to T.I.M.E.’s submission of an unsound fiscal plan and failure to remedy the violations identified in the Notice of Concern that LACOE had issued to the T.I.M.E. Board on June 28, 2022. Additionally, the CDE and LACOE note that contrary to T.I.M.E.’s assertion, T.I.M.E. was approved to borrow $100,000 through the CSRLF Program administered by the CSFA. The proceeds were received in September 2021. T.I.M.E.’s 2022–23 budget also included $114,000 from the SB 740 Program. Furthermore, T.I.M.E. has sold $476,200 in receivables without a letter of good standing this fiscal year.

In addition, on July 11, 2022, T.I.M.E. received correspondence from the CDE regarding the termination of its Public Charter Schools Grant Program (PCSGP) sub-grant award. The letter informed the school of the CDE’s conclusion that T.I.M.E. was not eligible to receive PCSGP funds because T.I.M.E. had not enrolled a minimum of 80 students in its first year of operation nor had the school demonstrated fiscal sustainability with the reduced enrollment.

Based on the CDE and LACOE’s analysis of T.I.M.E.’s Response, the CDE finds that T.I.M.E. has failed to refute, remedy, or propose to remedy concerns related to T.I.M.E.’s unrealistic enrollment and ADA projections.

### Financial Projection and Actual Results

As stated in the Notice of Violation and illustrated in the table below, T.I.M.E.’s financial projections for fiscal years 2021–22 and 2022–23 differed significantly from the school’s actual results through December 31, 2022. T.I.M.E.’s 2021–22 adopted budget projected an operating surplus of $376,460 and an ending net position of $468,272. Due to T.I.M.E.’s substantial enrollment shortfall, T.I.M.E. incurred a deficit of $378,107 and an ending net position of negative $268,436 in 2021–22. T.I.M.E.’s 2022–23 adopted budget projected a surplus of $509,130 and an ending net position of $285,135. However, its 2022–23 First Interim Report projection reflected a revised budget and projected an operating deficit of $68,312; an ending net position of negative $336,748; and a reserve for economic uncertainties of negative 23.3 percent.

T.I.M.E.’s Financial Projections and Actual Results

\* Estimated amount at the time of budget development.

| **Criteria** | **2021–22 Adopted Budget** | **2021–22****Audit Report (Actuals)** | **2022–23 Adopted Budget** | **2022–23 First Interim Report Projection** | **July to December 2022 Actuals** |
| --- | --- | --- | --- | --- | --- |
| **Total Revenues** | $2,386,765 | $708,430 | $2,126,369 | $1,379,715 | $316,781 |
| **Total Expenditures** | $2,010,305 | $1,086,537 | $1,617,239 | $1,448,027 | $741,050 |
| **Surplus (Deficits)** | $376,460 | ($378,107) | $509,130 | ($68,312) | ($424,269) |
| **Beginning Net Position** | $91,812\* | $109,671 | ($223,995)\* | ($268,436) | ($268,436) |
| **Ending Net Position** | $468,272 | ($268,436) | $285,135 | ($336,748) | ($692,704) |

In addition to a substantial reduction in the projected revenues due to enrollment and ADA shortfall, T.I.M.E. is incurring increased operational costs, including a long-term commitment under its five-year lease agreement. The First Interim Report projects facility leases and related expenses totaling $412,786, an increase of $340,941 or 475.0 percent from its 2021–22 facility leases related expenses. The budget for the facility leases and related expenses represents 42.9 percent of T.I.M.E.’s 2022–23 projected LCFF revenues of $962,625.

T.I.M.E.’s financial activities from July 1, 2022, to December 31, 2022, resulted in an operating deficit of $424,269; ending net assets of negative $692,704; and a reserve for economic uncertainties of negative 47.8 percent based on T.I.M.E.’s 2022–23 first interim projected expenses. The table below provides a summary of changes in T.I.M.E.’s financial position from July 1, 2022, to December 31, 2022.

T.I.M.E.’s Financial Position from July 1 to December 31, 2022

\* Negative total assets include factored (sale) receivables of negative $247,600 net of other assets, including a cash balance of $14,189.

| **Criteria** | **July 1, 2022** | **December 31, 2022** | **Year-to-Date Change** | **Year-to-Date Percentage Change** |
| --- | --- | --- | --- | --- |
| **Total Assets** | $226,663 | ($19,432)\* | ($246,095) | (149%) |
| **Total Liabilities** | $495,099 | $673,273 | $178,174 | 36% |
| **Total Net Assets** | ($268,436) | ($692,705) | ($424,269) | 158% |

T.I.M.E.’s reserve is far below the 3 percent minimum reserve requirement, which is outlined on page 18 in section 3.4 (Revenue and Expenditure Reporting) of its MOU with LACOE.

Additionally, T.I.M.E. has not developed and implemented a recovery plan necessary to prevent further deteriorating of its financial condition. T.I.M.E.’s Statement of Financial Position, as of December 31, 2022, reflected total assets of negative $19,432; total liabilities of $673,273; and an ending net position of negative $692,704. Included in the total liabilities are various personal promissory notes totaling $279,444 and a CSRLF Program loan of $86,002. T.I.M.E.’s ability to repay outstanding liabilities will depend on future revenue growth in excess of operational costs.

T.I.M.E.’s structural deficit, rising debts, and lack of a viable plan to address its dire fiscal condition, leave in doubt T.I.M.E.’s ability to secure additional funding to satisfy its immediate and future financial obligations, inclusive of payroll obligations.

#### T.I.M.E.’s Response to Financial Projection and Actual Results

In response to this section of the Notice of Violation, T.I.M.E. provided the following table:

T.I.M.E.’s Forecasted Revenues and Expenditures (provided by T.I.M.E.)

\* After gifting of $217,444 notes payable

| **Criteria** | **2022–23 Annual Forecast P-1** | **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)\* | ($18,357) | $419,902 |
| **Maintenance of Effort Reserve 3%** | -17.6% | -1.1% | 14.9% |

In T.I.M.E.’s Response, the school states that the Notice of Violation issued by the SBE on March 9, 2023, used outdated projections from December 2022. Additionally, T.I.M.E. also expects incoming revenue from sublease agreements and fundraising. With T.I.M.E.’s Response, the school submitted a proposed Fiscal Stability Plan, which T.I.M.E. asserts will allow T.I.M.E. to continue operating while being fiscally responsible within a reasonable amount of time.

#### CDE and LACOE’s Analysis of T.I.M.E.’s Response to Financial Projection and Actual Results

The CDE notes that the Notice of Violation issued to T.I.M.E. by the SBE on March 9, 2023, contained the most up-to-date projections available at the time the SBE Agenda for March 2023 was posted to the SBE website on February 24, 2023. Furthermore, despite T.I.M.E.’s assertion that the Notice of Violation used outdated projections, T.I.M.E.’s Response provided limited detail related to its updated projections. As T.I.M.E. did not provide detailed assumptions upon which its updated projections are based, the CDE and LACOE were unable to analyze the validity of these projections.

Additionally, T.I.M.E. has failed to address the concern that their financial projections continue to significantly differ from the actual results. In July 2022, one month before the 2022–23 school year began, T.I.M.E.’s Executive Director, Dr. Gabriel Ramirez, stated to the SBE that, at that time, T.I.M.E. had 72 fully registered students plus another 16 in the process of registering, for a total of 88 students. In addition, Dr. Ramirez stated that over 200 families have expressed interest in T.I.M.E. However, T.I.M.E. began the 2022–23 school year with 63 students enrolled. T.I.M.E. has never had more than 67 students enrolled throughout the 2022–23 year. Additionally, T.I.M.E.’s initial projections for lease revenues of over $247,000 for the 2022–23 school year have materialized less than $71,000.

T.I.M.E.’s failure to address the concern that their financial projections continue to significantly differ from the actual results is further illustrated in the tables below. Contrary to T.I.M.E.’s financial projections for fiscal years 2021–22 and 2022–23, T.I.M.E.’s report of actual revenue and expenditures reflect a financial position which continues to deteriorate with an operating deficit of negative $452,222 and an ending net position of negative $702,657, as of February 28, 2023.[[1]](#footnote-1)

T.I.M.E.’s 2021–22 Adopted Budget and Audit Report Actuals

\* Estimated amount at the time of budget development.

| **Criteria** | **Adopted Budget** | **Audit Report (Actuals)** |
| --- | --- | --- |
| **Total Revenues** | $2,386,765 | $708,430 |
| **Total Expenditures** | $2,010,305 | $1,086,537 |
| **Surplus (Deficits)** | $376,460 | ($378,107) |
| **Beginning Net Position\*** | $91,812 | $109,671 |
| **Ending Net Position** | $468,272 | ($268,436) |

T.I.M.E.’s 2022–23 Adopted Budget and Actuals

\* Estimated amount at the time of budget development.

| **Criteria** | **Adopted Budget** | **First Interim Report Projection** | **July to December 2022 Actuals** | **July to February 2023 Actuals** |
| --- | --- | --- | --- | --- |
| **Total Revenues** | $2,126,369 | $1,379,715 | $316,781 | $501,339 |
| **Total Expenditures** | $1,617,239 | $1,448,027 | $741,050 | $953,561 |
| **Surplus (Deficits)** | $509,130 | ($68,312) | ($424,269) | ($452,222) |
| **Beginning Net Position\*** | ($223,995) | ($268,436) | ($268,436) | ($268,436) |
| **Ending Net Position** | $285,135 | ($336,748) | ($692,704) | ($702,657)1 |

The table below further summarizes changes in T.I.M.E.’s financial position from July 1, 2022, to February 28, 2023.

T.I.M.E.’s Financial Position from July 1, 2022, to February 28, 2023

| **Criteria** | **July 1, 2022** | **February 28, 2023** | **Year-to-Date Change** | **Year-to-Date Percentage Change** |
| --- | --- | --- | --- | --- |
| **Total Assets** | $226,663 | ($61,522) | ($288,185) | (127%) |
| **Total Liabilities** | $495,099 | $659,136 | $164,037 | 33% |
| **Total Net Assets** | ($268,436) | ($720,657) | ($452,222) | 168% |

T.I.M.E.’s continues to have a structural deficit, rising debts, and lack of a viable plan to address its dire fiscal condition, leaving in doubt T.I.M.E.’s ability to secure additional funding to satisfy its immediate and future financial obligations, inclusive of payroll obligations.

Based on the CDE and LACOE’s analysis of T.I.M.E.’s Response, the CDE finds that T.I.M.E. has failed to refute, remedy, or propose to remedy concerns related to T.I.M.E.’s financial projections and actual results.

### Cash Flow Projection

As stated in the Notice of Violation, as of December 31, 2022, T.I.M.E. has a low ending cash balance of $14,189, representing only 3.6 days of operating cash based on T.I.M.E.’s first interim projections. T.I.M.E.’s November 2022 cash flow projection reflects positive ending cash balances for the remainder of the fiscal year, with a projected June 2023 ending cash balance of $52,352. The projection incorporated cash proceeds from the sales of future state aid receivables totaling $586,400. The cash projection also includes facility sub-leasing cash receipts totaling $126,667 and SB 740 grant totaling $49,699. However, T.I.M.E.’s projected cash receipts appear to be overstated based on the two executed sub-lease agreements as of December 31, 2022. These two leases can potentially generate a combined monthly income of $6,570, lower by $10,097 compared to T.I.M.E.’s projected monthly cash receipts of $16,667. T.I.M.E.’s 2022–23 adopted budget projected sub-lease revenues totaling $247,500 but has revised that amount to $126,667, which is currently overstated. In addition, the budgeted SB 740 grant of $66,266 and projected cash receipts of $49,699 are also in question since T.I.M.E. has not received an award letter for this grant. Further, T.I.M.E. may incur additional loss of revenues in the current fiscal year should the current attendance decline, which could place an additional burden on T.I.M.E.’s cash requirements.

T.I.M.E.’s cash projection is overstated; T.I.M.E. may not be able to meet its financial obligations for the remainder of this fiscal year[[2]](#footnote-2).

#### T.I.M.E.’s Response to Cash Flow Projection

T.I.M.E.’s Response does not address any of the specific concerns in the Notice of Violation related to T.I.M.E.’s cash flow projection.

#### CDE and LACOE’s Analysis of T.I.M.E.’s Response to Cash Flow Projection

As T.I.M.E.’s Response does not address any of the specific concerns in the Notice of Violation related to T.I.M.E.’s cash flow projection, the CDE and LACOE could not provide an analysis for this section. As such, the CDE finds that T.I.M.E. has failed to refute, remedy, or propose to remedy this violation.

## **Additional** Concerns Identified in the Notice of Violation

### Personal Loan to the School Executed Prior to T.I.M.E. Board Approval

T.I.M.E.’s Board-approved fiscal policies included in the charter petition state that the governing board will approve all loans from third parties. On January 31, 2023, LACOE received a promissory note for a loan to T.I.M.E., which was executed on January 12, 2023. LACOE staff contacted T.I.M.E. to determine if T.I.M.E.’s Board had approved the promissory note on or before January 12, 2023. T.I.M.E.’s Executive Director stated that T.I.M.E.’s Board approved the promissory note on January 31, 2023. The T.I.M.E. Board’s approval of the promissory note after it was executed is a direct violation of T.I.M.E.’s adopted fiscal policies. The matter poses concerns regarding the internal controls and T.I.M.E.’s adherence to the checks and balances delineated in its fiscal policies. This is also a direct violation of the MOU between T.I.M.E. and LACOE, which requires notification prior to the school incurring additional debt.

As of January 31, 2023, T.I.M.E. has outstanding promissory notes due to its Executive Director totaling $228,548, comprised of $219,444 in principal and $9,104 in accrued interests. In addition, there are also two other outstanding promissory notes totaling $120,000 due to two other individuals ($60,000 each). T.I.M.E. has not provided a plan to repay its outstanding debts.

#### T.I.M.E.’s Response to Personal Loan to the School Executed Prior to T.I.M.E. Board Approval

In its response, T.I.M.E. states that it did not violate its fiscal policies. T.I.M.E. states that loan documents were being prepared with a third party and that T.I.M.E. informed the third party that the loans must be approved by T.I.M.E.’s Board. T.I.M.E. further states that the third party took it upon themselves to deposit the funds early and that T.I.M.E. did not request the deposit. Once the deposit occurred, T.I.M.E. scheduled a board meeting as soon as possible in order to correct the mistake. T.I.M.E. takes responsibility for this error but states that it was unintentional.

#### CDE and LACOE’s Analysis of T.I.M.E.’s Response to Personal Loan to the School Executed Prior to T.I.M.E. Board Approval

T.I.M.E.’s Response confirms a failure of T.I.M.E.’s internal controls related to the execution of a loan with the approval of T.I.M.E.’s Board. The Notice of Violation issued by the SBE merely states that a violation of T.I.M.E.’s fiscal policies occurred and does not address the issue of intent. LACOE has not received a corrective plan from T.I.M.E. that indicates a process to ensure this type of transaction will not occur again.

### Outstanding Debts

As stated in the Notice of Violation, according to its 2021–22 independent audit, T.I.M.E. had six promissory notes (personal loans) totaling $281,348 that have lapsed (defaulted) and remain unpaid, along with an outstanding $100,000 loan obtained from the CSRLF Program administered by the CSFA.

#### T.I.M.E.’s Response

In its response to the Notice of Violation, T.I.M.E. provided the following table:

T.I.M.E.’s Current, Forgiven, and Outstanding Debts (provided by T.I.M.E.)

| **Lenders** | **Current Debt Amounts** | **Debt Forgiven** | **Outstanding Debt** |
| --- | --- | --- | --- |
| **California School Revolving Loan** | $80,002 | No data  | $80,002 |
| **Unsecured Promissory Note** | $325,644 | ($217,444) | $108,200 |
| **Total** | $405,646 | ($217,444) | $188,202 |

In T.I.M.E.’s Response, the school states that it submits monthly financial reports to LACOE that include enrollment numbers based on actual student attendance. T.I.M.E. states that the school is not in default on any loans and that its audit for the 2021–22 fiscal year had no findings. T.I.M.E. also states that one of its lenders has agreed to loan forgiveness totaling over $218,000 and that its other lenders are willing to extend repayment to ensure financial stability. T.I.M.E. further states that CSRLF Program loan payments are deducted from T.I.M.E.’s monthly apportionments from state aid, and that the 2021–22 audit recognizes T.I.M.E.’s plan to reduce the deficit.

#### CDE and LACOE’s Analysis of T.I.M.E.’s Response

Per T.I.M.E.’s 2021–22 independent audit, during the fiscal year ending June 30, 2022, the school received proceeds totaling $281,348 in personal loans from individuals. From January to April 2022, T.I.M.E.’s Executive Director was the school’s largest lender, providing a total of $221,348 in funds to the school. T.I.M.E.’s 2021–22 audit states that “no revised repayment terms have been agreed upon for the three of five borrowings for which the repayment due date has lapsed and remain due as of June 30, 2022.” The two remaining loans, which were due July 31, 2022, and August 31, 2022, respectively, also fell into default. In addition, a loan made by Adrian Enriquez, which was to be repaid on August 15, 2022, similarly fell into default. These loans remained in default until T.I.M.E.’s February 16, 2023, board meeting, when the T.I.M.E. Board voted to amend the terms on loans to both individuals.

Additionally, at the April 18, 2023, meeting, during its presentation to the ACCS, T.I.M.E. noted that the $217,444 loan from its Executive Director has not yet been forgiven and that the loan’s forgiveness is dependent upon the outcome of the revocation hearing at the May 18–19, 2023, SBE meeting.

## Conclusion

There is substantial evidence that shows that the T.I.M.E. Board has failed to follow generally accepted accounting principles and has engaged in fiscal mismanagement.

The CDE has determined that T.I.M.E. has not adequately refuted, remedied, or proposed a plan to remedy the violations identified in the Notice of Violation. While T.I.M.E. provided a Fiscal Stability Plan along with its response to the Notice of Violation that provides enrollment forecasts, and revenue and expenditure projections, the plan does not contain detailed assumptions or supporting documentation for those projections. Rather, the plan includes general statements about fundraising and efforts to minimize expenditures, which lack the specificity necessary for analysis. Accordingly, the CDE finds T.I.M.E.’s Fiscal Stability Plan an inadequate proposal for remedying the violations listed in the Notice of Violation.

Therefore, the CDE recommends that the SBE issue a Notice of Intent to Revoke with Notice of Facts to T.I.M.E., pursuant to *EC* Section 47607(h), at its May 18, 2023, meeting, and hold a public hearing to issue a final decision to revoke the T.I.M.E. charter at its May 19, 2023, meeting.

## Previous Board Action

On August 26, 2019, the petitioner submitted the T.I.M.E. charter petition to the Montebello Unified School District (MUSD). On October 23, 2019, MUSD voted to deny the T.I.M.E. charter petition by a vote of four to zero.

On November 12, 2019, the petitioner submitted the T.I.M.E. charter petition to LACOE. On January 14, 2020, the Los Angeles County Board of Education (LACBOE) voted to amend the motion to approve the Superintendent’s recommendation to deny the T.I.M.E. charter petition. The CDE notes that LACBOE only adopted Finding 2, Indicator 2 (Budget Plan[s] Deficiencies) of the staff report (Attachment 7 of the Agenda Item 6 on the June 9, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/documents/accs-jun20item06a7.pdf>). LACBOE denied the T.I.M.E. charter petition by a vote of five to one.

The petitioner submitted the T.I.M.E. charter petition to the SBE on March 6, 2020. The ACCS considered the T.I.M.E. charter petition at its June 9, 2020, meeting. At this meeting, the CDE proposed to recommend that the SBE deny the T.I.M.E. charter petition. The ACCS did not agree with the CDE’s recommendation and moved to recommend approval of the T.I.M.E. charter petition with a delay in opening for one year, with the understanding that T.I.M.E. would be in operation for four years. The motion passed by a vote of seven to two. The notice for the June 9, 2020, ACCS meeting is located on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice060920.asp>.

At the July 9, 2020, SBE meeting, the CDE again recommended that the SBE deny the T.I.M.E. charter petition. However, the SBE moved to approve the T.I.M.E. charter petition with conditions. The motion passed by a vote of 10 to 0. The meeting agenda and corresponding minutes for this item (Item 19) can be found on the SBE Meeting for July 2020 web page at <https://www.cde.ca.gov/be/ag/ag/yr20/agenda202007.asp> and <https://www.cde.ca.gov/be/mt/ms/documents/finalminutes0809jul2020.docx>, respectively.

At the July 14, 2022, SBE meeting, the CDE recommended that the SBE consider issuing a Notice of Violation to T.I.M.E., pursuant to *EC* Section 47607(g). The SBE moved to approve the CDE recommendation to issue a Notice of Violation to T.I.M.E.; however, the motion failed by a vote of five to four. As six affirmative votes are required for an action to carry, no action was taken by the SBE. The meeting agenda and corresponding minutes for this item (Item 18) can be found on the SBE Meeting for July 2022 web page at <https://www.cde.ca.gov/be/ag/ag/yr22/agenda202207.asp> and <https://www.cde.ca.gov/be/mt/ms/documents/finalminutes1314jul2022.docx>, respectively.

At the March 9, 2023, SBE meeting, the CDE again recommended that the SBE consider issuing a Notice of Violation to T.I.M.E., pursuant to *EC* Section 47607(g). The SBE moved to approve the CDE recommendation to issue a Notice of Violation to T.I.M.E. The motion passed unanimously. The meeting agenda for this item (Item 10) can be found on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/agenda202303.asp>.

## Documentation Reviewed by the California Department of Education

* T.I.M.E. charter petition as approved by the SBE on July 9, 2020, which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a2.pdf>
* MOU between LACOE and T.I.M.E., which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a3.pdf>
* October 6, 2022, letter of concern from LACOE to T.I.M.E. regarding the school’s adopted budget for fiscal year 2022–23, which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a4.pdf>
* October 11, 2022, letter of concern from LACOE to T.I.M.E. regarding the school’s unaudited actuals for fiscal year 2021–22, which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a5.pdf>
* October 31, 2022, T.I.M.E. revised budget for fiscal year 2022–23, which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a6.pdf>
* January 17, 2023, letter of concern from LACOE to T.I.M.E. regarding the school’s first interim report for fiscal year 2022–23, which is available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a7.pdf>
* January 27, 2023, T.I.M.E. audit letter and audit for year ended June 30, 2022, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a8.pdf>
* T.I.M.E. financials for October 2022, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a9.pdf>
* T.I.M.E. financials for November 2022, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a10.pdf>
* T.I.M.E. financials for December 2022, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a11.pdf>
* T.I.M.E. 2021–22 P-2 and 2022–23 P-1, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a12.pdf>
* Promissory notes, which are available on the SBE Meeting for March 2023 web page at <https://www.cde.ca.gov/be/ag/ag/yr23/documents/mar23item10a13.pdf>

## Documentation Considered by the Advisory Commission on Charter Schools

* Notice of Violation issued to T.I.M.E. by the SBE on March 9, 2023, which is available on the April 2023 ACCS Meeting agenda at <https://www.cde.ca.gov/be/cc/cs/documents/accs-apr23item04a1.pdf>
* T.I.M.E. response dated March 24, 2023, to the Notice of Violation, which is available on the April 2023 ACCS Meeting agenda at <https://www.cde.ca.gov/be/cc/cs/documents/accs-apr23item04a2.pdf>
* CDE and LACOE analysis of T.I.M.E.’s response to the Notice of Violation, which is available on the April 2023 ACCS Meeting agenda at <https://www.cde.ca.gov/be/cc/cs/documents/accs-apr23item04a3.xlsx>
* T.I.M.E. audit report for the year ended June 30, 2022, which is available on the April 2023 ACCS Meeting agenda at <https://www.cde.ca.gov/be/cc/cs/documents/accs-apr23item04a4.pdf>
* T.I.M.E. loan addendums, which are available on the April 2023 ACCS Meeting agenda at <https://www.cde.ca.gov/be/cc/cs/documents/accs-apr23item04a5.pdf>

## Attachments

* **Attachment 1:** Draft California State Board of Education Letter Regarding its Notice of Intent to Revoke and Notice of Facts in Support of the Revocation of the T.I.M.E. Community Charter Pursuant to California *Education Code* Section 47607(h) (14 Pages)
* **Attachment 2:** Notice of Facts in Support of the Revocation of the T.I.M.E. Community Charter (3 Pages)
1. T.I.M.E.’s actual revenues and expenses from July 1 through March 31, 2023, reflect an operating deficit of $435,958 and ending net position of negative $704,393. [↑](#footnote-ref-1)
2. As of March 31, 2023, T.I.M.E. has a cash balance of negative $598. Based on the analysis of T.I.M.E.’s April 2023 cash flow projections, the school is expected to have negative cash balances for the remainder of the 2022–23 fiscal year and a projected negative cash balance of over $240,000 by June 30, 2023. [↑](#footnote-ref-2)