

**CALIFORNIA DEPARTMENT
OF EDUCATION****TONY THURMOND**
STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

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November 6, 2024

Communication Sent via Email

Victor Aguirre, Executive Director
Miguel Angel Juarez, Board President
Academia Avance Charter
115 North Avenue 53
Highland Park, CA 90042-4005

Dear Executive Director Aguirre and Board President Juarez:

Subject: Letter of Concern to Academia Avance Charter Regarding its Financial Condition

This Letter of Concern is issued to Academia Avance Charter (Charter School) by the California Department of Education (CDE).

On September 10, 2024, the Charter School requested 45-day extensions to submit the Unaudited Actuals Report (due on September 15) and the Annual Independent Audit Report (due on December 15). The Charter School cited the following as the primary contributing factors for its extension request:

1. The Charter School has had recent changes in leadership; and
2. The Charter School wants to improve the accuracy of its fiscal reports.

On September 16, 2024, the CDE notified the Charter School by telephone, the requested extensions were not approved.

On or about May 6, 2024, the CDE sent a Letter of Concern to the Charter School regarding the Charter School's fiscal condition. The CDE requested the Charter School implement a Fiscal Correction Action Plan (FCAP) by May 24, 2024, to address each of the observations noted in the Letter of Concern, inclusive of specific explanations, actions, and timeframes for improving the Charter School's financial condition.

Based on the CDE's review of the information submitted by the Charter School as of the date of this letter, the CDE has the following concerns:

1. **Ability to Maintain Fiscal Solvency.** Per the Statement of Financial Position dated September 30, 2024, the Charter School has a current ratio of 0.11. The current ratio is calculated by dividing total assets (\$580,258) by current liabilities

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(\$5,122,794). A current ratio of <1 indicates the Charter School may be unable to meet short-term financial obligations. The debt ratio for the Charter School is 2.62. The debt ratio is calculated by dividing total liabilities (\$5,600,382) by liabilities and net assets (\$2,139,432). A debt ratio of >1 indicates that the Charter School has more debts than assets, limiting its options for financing, which may result in being unable to meet long-term financial obligations.

2. **Outstanding Debts.** Per the Aging Report, as of October 23, 2024, the Charter School has outstanding invoices totaling \$1,581,843 of which \$1,183,120 is 120 days past due. During the Monthly Oversight Meeting on October 24, 2024, 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.
3. **Reduction in Revenues.** Per the September 2024 Board Presentation, the Charter School communicated a reduction of \$184,500 in revenue due to the following:
 - a. The fiscal year (FY) 2024–25 budgeted enrollment is 210, and actual enrollment was 203 in August and September 2024.
 - b. FY 2024–25 budgeted average daily attendance (ADA) is 193, and actual ADA is 186.76, as of October 8, 2024.

As communicated by the CDE School Fiscal Services Division, a single payment of \$124,000 was due by October 31, 2024, for overpayment in FY 2023–24 of Education Protection Account funds. If payment in full is not received, the Charter School's November Principal Apportionment payment of \$261,000 will receive a clawback for the monies owed, for a net total distribution of \$136,000. The CDE notes the Charter School requested and approved, per the School Fiscal Services Division, to shift payment from November Principal Apportionment to December Principal Apportionment. This anticipated loss of Principal Apportionment was not reflected in the Cash Flow report provided by the Charter School (revised on October 29, 2024), reflecting actuals through August 31, 2024.

4. **Short-Term Solvency.** The Charter School borrowed \$300,000 from its line of credit to maintain cash flow in August 2024. The Charter School anticipates the

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need for another loan from its line of credit to maintain cash flow during the month of November 2024, as communicated during the Monthly Oversight Meeting on October 24, 2024. Per the Cash Flow Statement dated through August 31, 2024 (revised on October 29, 2024) the Charter School has an ending cash balance of negative \$3,889 for the month of September 2024 and forecasts an ending cash balance in June 2025 of \$53,276.

5. **Compliance with Charter Memorandum of Understanding (MOU).** Pursuant to California *Education Code* Section 47604.33, the Charter School is required to submit periodic reports of revenues, expenditures, and reserves as communicated by its authorizer. As of the date of this letter, the Charter School has not submitted its Unaudited Actuals Report, which was due on September 15, 2024.

The CDE requests the Charter School submit the following:

1. Unaudited Actuals submitted as soon as possible. The Charter School's status will be "not in good standing" with the CDE until the financial report is received.
2. Lease agreement for 115 North Avenue 53, Los Angeles, CA 90042, along with any amendments and/or revised repayment plan documents.
3. Lease agreement for 6957 North Figueroa St, Los Angeles, CA 90042, along with any amendments and/or revised repayment plan documents.
4. Documentation of Avance Community Foundation financial transactions between the Charter School and payments for school properties at 115 North Avenue 53, Los Angeles, CA 90042 and 6957 North Figueroa St, Los Angeles, CA 90042.
5. Documentation for Optimist Boys Home and Ranch and Optimist Youth Homes and Family [sic] Services contracts, invoices, and repayment plan for outstanding balances.
6. Submission of monthly financial documents: Aging Report, Cash Flow Report, and Bank Statements by the 20th of each following month.

It is the Charter School's responsibility to ensure financial reports are submitted with accurate information in a timely manner as a demonstration of its ability to operate a successful and fiscally sound educational program. As a California State Board of Education-authorized charter school, the CDE may consider this and the prior Letter of Concern in its analysis of requests for a charter renewal.

Please ensure the Charter School submits all financial reports in a timely manner. The audit reports should be sent to the CDE via email at SBE Oversight@cde.ca.gov.

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Questions regarding this communication may be sent to the CDE Charter Schools Division via email at SBE Oversight@cde.ca.gov.

Sincerely,

/s/

Craig Heimbichner, Education
Administrator
Charter Schools Division

/s/

Megan Yazigi, Education Programs
Consultant
Charter Schools Division

CH/MY:my

cc: Brooks Allen, Executive Director, California State Board of Education
Len Garfinkel, General Counsel, Legal, Audits, and Charters Branch, California
Department of Education
Debra Duardo, Superintendent of Schools, Los Angeles County Office of
Education
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