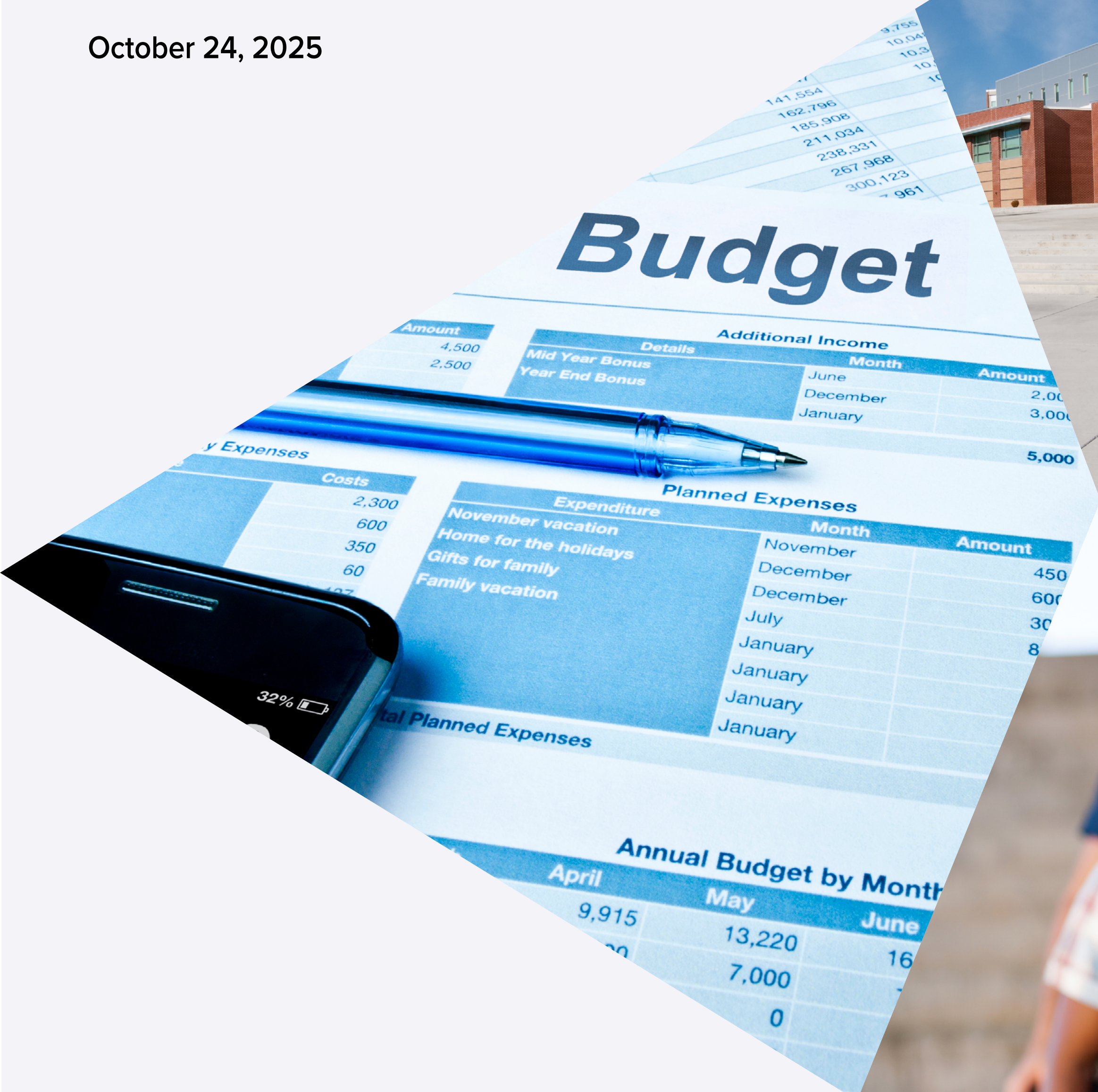
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Review

October 24, 2025



Orange County Department of Education

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

October 24, 2025

Renee Hendrick, Deputy Superintendent, Operations, Governance and Community Partnerships
Orange County Department of Education
200 Kalmus Drive
Costa Mesa, CA 92626

Dear Deputy Superintendent Hendrick:

In June 2025, the Orange County Department of Education (department) and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to review the Explore Academy's 2025-26 adopted general fund budget, develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years and review the charter school's business and human resources processes and procedures. The study agreement specifies that FCMAT will complete the following:

1. Review the Explore Academy's 2025-26 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the charter school's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the charter school eliminate its structural budget deficit, if any.
2. Review the charter school's operational processes and procedures in the Business Services Department and make recommendations for improved efficiency, if any, in the following areas:
    - Budget development.
    - Budget monitoring.
    - Position control.
    - Payroll.
    - Accounts payable.
    - Accounts receivable.
    - Contracted services.
3. Review the charter school's operational processes and procedures in the Human Resources Department and make recommendations for improved efficiency, if any. The review will include, but may not be limited to:
    - Hiring, onboarding and exit interviews.
    - Evaluations.
    - Training and cross-training.
    - Personnel file management.

- Leave management.

4. The team will present the final report to the charter school's governing board at a public meeting following the completion of the review.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the Orange County Department of Education and extends thanks to the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

FCMAT may be asked to provide fiscal crisis or management assistance by a school district, charter school, community college, county superintendent of schools, the state superintendent of public instruction, or the Legislature.

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policymakers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code (EC) 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Background

The Explore Academy is a public charter school located in Orange, CA in Orange County. Established in October 2021, the charter school began serving students in the 2024-25 school year with a census day enrollment of 126 students. The unduplicated pupil percentage (UPP), which includes students who qualify for free and reduced-price meals, English language learners and foster youth, was 64.75% in 2024-25.

The school serves grades transitional kindergarten through grade eight (TK-8) on a site owned and leased to the school by the Orange Unified School District. As a public charter school, the school is primarily funded through state apportionments and in-lieu of property taxes and receives public funding specific to various state and federal programs. Like traditional school districts in California, all funds received by a charter school are public, collected from taxpayers to be used in the educational process and subject to the same spending restrictions.

The charter school's authorizer is the Orange County Department of Education (OCDE). The authorizer is responsible for ensuring the charter school complies with all applicable laws and the terms of its charter, as outlined in California Education Code (EC) 47604.32. These responsibilities also include monitoring the charter school's fiscal condition, ensuring it complies with all reporting requirements, and providing general guidance and assistance on various educational, operational and fiscal issues.

While charter school governance structures vary throughout the state, a public charter school is required to have a governing board that typically oversees school policies and procedures, school operations, and the charter school's fiscal health. The number of board directors can vary by charter school. Between 2022-23 and 2025-26, the Explore Academy governing board consisted of three to seven directors, each serving a three-year term, and selected through an application process.

The charter school administration consists of an executive director/principal who oversees all the staff and operations of the school.

Study and Report Guidelines

FCMAT visited the charter school on July 30 and 31 to conduct interviews with charter school staff, and to collect and review documents. Following fieldwork, FCMAT continued to review and analyze documents and conducted additional virtual interviews on September 4 and 5. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

Study Team

The study team was composed of the following members:

Robbie Montalbano
FCMAT Intervention Specialist

Alyssa Low
FCMAT Intervention Specialist

Jennifer Nerat
FCMAT Intervention Specialist

Leonel Martinez
FCMAT Technical Writer

All team members reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

Executive Summary

Established in 2022 and opening to students in 2024-25, Explore Academy has experienced turnover at every level of its organization, including the governing board, executive director, teachers, and support staff. The school is now operating under its fourth director since inception and continues without an office manager.

At the time of fieldwork, the school had 73 students and employed seven teachers for the 2025-26 school year, resulting in a very low student-to-teacher ratio. Despite spending more than $90,000 on student recruitment efforts since 2022, enrollment has declined by more than 50 students from 2024-25 to 2025-26.

As a small charter school, Explore Academy relies heavily on consultants for many of its operational functions. Even these contracted services have experienced turnover: the school is currently working with its second financial back-office provider and its second human resources provider.

Even with significant, immediate expense reductions, the school may be unable to stabilize financially. Cash management and availability are serious concerns. Cash flow has reached such a critical level that individual payments must be reviewed for available funds prior to processing, and some payments have been returned for insufficient funds.

While this report identifies potential improvements in business and human resources operations, Explore Academy's immediate challenges lie in its fragile cash position and the risk to ongoing operations. The urgency of cash flow and operational continuity outweighs every other issue.

The FCMAT team experienced significant challenges in obtaining documentation from Explore Academy across all areas reviewed. As a result, the report identifies areas where the lack of information may limit the accuracy of projections.

Findings and Recommendations

Multiyear Financial Projection

Prudent financial planning is critical for all local educational agencies (LEAs), regardless of their size or structure. Multiyear financial projections (MYFPs) enable charter schools to make budget decisions that strategically align current and future resources with their goals, programs, and Local Control and Accountability Plan (LCAP). Recognizing financial trends is also essential for maintaining charter schools' fiscal health. Monitoring and analyzing year-to-year trends in key budget areas helps charter schools identify areas of concern and take action to mitigate their effects. The primary objective in developing an MYFP is to achieve and sustain a balanced budget that will allow the charter school to maintain its fiscal solvency and ongoing operations.

Multiyear financial projections forecast the future fiscal impact of current decisions. Any forecast of financial data has inherent limitations because calculations are based on certain economic assumptions and criteria, including enrollment trends, cost-of-living adjustments (COLAs), estimates of various one-time and ongoing costs, and changing economic conditions at federal, state and local levels. Therefore, any projection should be viewed as a point-in-time trend based on recent assumptions rather than a prediction of exact amounts. Projections should be updated at least at each financial reporting period, when known economic forecasts change, and before any significant decisions are made that affect the budget, such as salary increases or other major financial commitments. Regular and frequent budget monitoring is important, particularly in times of fiscal uncertainty, when MYFPs become less reliable due to frequent changes in projected federal and state revenues.

California LEAs use various methods and tools to prepare MYFPs. The significant investment in one-time and ongoing restricted programs in transitional kindergarten-12 education over the last four years necessitates the development of MYFPs by resource. This level of detail ensures that projections account for both one-time funds and restricted funds available for expenditure over multiple years. MYFPs completed by resource also ensure that charter schools spend restricted funds before unrestricted, efficiently plan for the best use of funds, and accurately project their fund balances into subsequent years. This tracking can be accomplished using FCMAT's Projection-Pro multiyear and cash flow projection software, a web-based forecasting tool that is available for free to all school districts, charter schools, and county offices.

Maintaining fiscal solvency while maximizing services to students with available resources is a continuing challenge for governing boards, which have a fiduciary responsibility to ensure the fiscal solvency of their respective charter school. Each charter school has unique financial risk factors based on their reserve levels, enrollment trends, employee compensation, revenue volatility, and various other local factors. Charter schools that plan accordingly can achieve their program goals and objectives while maintaining their fiscal health.

Adjustment Analysis

When developing the MYFP for the charter school, FCMAT reviewed the charter's revenues and expenditures for the prior year (2024-25) to gain a historical understanding of the charter's finances. Normally FCMAT will review at least the two prior years; however, the charter school only began serving students in 2024-25. The team used the school's 2025-26 adopted budget as the basis for determining the projections for the base year and the two subsequent fiscal years and applied industry-standard criteria from the Department of Finance (DOF), the California Department of Education (CDE) and School Services of California, Inc. (SSC). FCMAT developed its MYFP using the Projection-Pro software.

The first step in FCMAT's MYFP development process was to establish the base year revenues and expenditures. For this analysis, the base year is the 2025-26 fiscal year. Accurately estimating the base revenue and expenditure amounts is crucial because they are the foundation upon which subsequent years' financial projections are built. Without accurate base figures, the projections for the following years may be flawed or unreliable.

Table 1 shows the differences between the charter school's 2025-26 adopted budget and FCMAT's analysis. FCMAT used the school's 2025-26 adopted budget report to determine the beginning fund balance and restricted program fund balances for 2025-26. FCMAT was not provided with the charter school's 2024-25 unaudited actuals report, which would reflect the ending fund balance after all accounting transactions are recorded for the fiscal year. It should also be noted that the charter school has not completed its 2023-24 annual independent audit in accordance with EC 41020 even though financial transactions occurred in that year. As a result, the school's 2024-25 beginning fund balance has not been independently verified by the school's audit firm. Any potential findings could have a material negative impact on the charter school's current budget and estimated ending fund balance.

FCMAT incorporated the reserve for economic uncertainties to be the greater of 5% of total budgeted expenditures or $88,000 to align with the Orange County Department of Education's reserve recommendation. Differences in projected revenues and expenditures are explained in the "Multiyear Financial Projection Assumptions" section of this report.

Table 1. Multiyear Financial Projection Comparison Summary, Unrestricted and Restricted, 2025-26

Description	Object Code	Charter School 2025-26 Adopted Budget/Base Year Budget	FCMAT Adjustment to Base Year	FCMAT 2025-26 Budget
A. Revenues				
LCFF Sources	8010-8099	$1,923,592	($991,981)	$931,611
Federal Revenue	8100-8299	$210,112	($86,623)	$123,489
Other State Revenues	8300-8599	$312,176	$7,264	$319,441
Other Local Revenues	8600-8799	$26,000	$97,555	$123,555
Total Revenue		**$2,471,880**	**($973,785)**	**$1,498,096**
B. Expenditures				
Certificated Salaries	1000-1999	$746,053	($34,519)	$711,534
Classified Salaries	2000-2999	$226,980	($49,131)	$177,849
Employee Benefits	3000-3999	$187,911	($65,656)	$122,255
Books and Supplies	4000-4999	$197,610	($10,631)	$186,979
Services and Other Operating Expenditures	5000-5999	$773,841	$84,587	$858,428
Capital Outlay	6000-6999			

Description	Object Code	Charter School 2025-26 Adopted Budget/Base Year Budget	FCMAT Adjustment to Base Year	FCMAT 2025-26 Budget
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299 7400-7499	$75,000	$225,000	$300,000
Other Outgo - Transfers of Indirect Costs	7300-7399			
Other Financing Uses - Transfers Out	7600-7629			
Total Expenditures		**$2,207,395**	**$149,650**	**$2,357,045**
E. Net Increase/Decrease in Fund Balance		$264,485	($1,123,435)	($858,949)
F. Fund Balance				
Beginning Fund Balance, July 1	9791	($449,658)		($449,658)
Audit Adjustments	9793			
Adjusted Beginning Balance		($449,658)		($449,658)
Ending Fund Balance, June 30		($185,171)	($1,123,435)	($1,308,607)

Sources: Charter school's 2025-26 adopted budget and FCMAT's MYFP.

Note: Rounding used in calculations.

Enrollment, Unduplicated Pupils, and Average Daily Attendance

Enrollment and Average Daily Attendance Projections

Enrollment and average daily attendance (ADA) projections are essential elements of any MYFP because student enrollment and ADA by grade level are core components of the Local Control Funding Formula (LCFF), the primary revenue source for charter schools. Accurate enrollment projections are crucial for identifying changes that may significantly impact an LEA's estimated revenue and expenditures in the current and subsequent fiscal years of an MYFP. Failure to identify significant ADA changes and to plan for necessary staffing adjustments in a timely manner can severely affect a charter school's financial position.

Enrollment and ADA projections should be prepared frequently and with sufficient detail to monitor and project class sizes for subsequent years. Timely preparation of projections enables charter schools to respond appropriately to enrollment declines or increases, allowing them to adjust staffing and expenditure budgets accordingly. These projections are also essential for determining instructional priorities, staffing ratios, grade level configurations, and/or future growth and expansion.

Enrollment and ADA projections have inherent limitations because they are based on assumptions rather than exact calculations. Enrollment is influenced by various factors, such as unforeseen events affecting enrollment (e.g., the COVID-19 pandemic), shifts in local and regional demographics and birth rates, and fluctuating local, state, and national economic conditions. Other variables include historical ratios of enrollment progression between grade levels. Therefore, enrollment and ADA projections should be viewed as reasonable forecasts or trends rather than predictions of exact numbers.

In interviews charter school staff shared that several families had disenrolled their students for the 2025-26 school year because of uncertainty surrounding the school's ability to continue as a going concern. Of the 126 students enrolled in 2024-25, 75 students did not re-enroll for 2025-26. As of August 27, 2025, the school reported that 73 new and returning students were enrolled for the 2025-26 school year, which is just less than half of the 150 students the charter had projected to enroll.

FCMAT found that, although the school monitored and analyzed historical enrollment and ADA for the prior year including the loss of 75 students, it did not use that information to develop its revenue projections for 2025-26. To develop its MYFP, FCMAT reviewed the charter school's actual enrollment of 73 students as of August 27, 2025, its unduplicated pupil count (UPC), and its ADA trend for the prior year. The team then used Projection-Pro to prepare projections for the base year and the two subsequent years. These projections were used to calculate LCFF and other federal and state revenue estimates.

Enrollment

The school's 2025-26 adopted budget MYFP projects an enrollment of 150 students in 2025-26, followed by an enrollment of 170 students in 2026-27 and 170 students in 2027-28. FCMAT's enrollment projections differ significantly from the school's projections (see Table 4 in the "Comparison of Charter School and FCMAT Projections" subsection of this report).

Local educational agencies commonly use the cohort survival method to project enrollment, which is also the model used by FCMAT's Projection-Pro software. This method groups students by grade level upon entry and tracks them through each year they remain in school to evaluate the longitudinal relationship of the number of students advancing from one grade to the next. By doing so, the cohort survival method more closely accounts for student retention and new and departing students by grade.

Cohort survival rates are calculated from historical enrollment data certified on the Fall 1 census day for the California Longitudinal Pupil Achievement Data System (CALPADS), which is always the first Wednesday in October. This data is used to determine the percentage increase or decrease in enrollment between any two grades. For example, if 100 students were certified as enrolled in first grade in 2024-25 and that number increased to 104 in second grade in 2025-26, the cohort survival rate would be 104%, or a ratio of 1.04. These ratios are calculated between each pair of grades over several years. Such ratios are key factors that contribute to the reliability of the projections and depend on the validity of the initial data. Each ratio collectively encompasses the variables that could account for an increase or decrease in the size of a grade cohort as it progresses over time.

The anomaly of 75 students leaving the school and only one year of operational enrollment data ruled out the ability to use a cohort survival method to project enrollment. To account for this, FCMAT used the actual enrollment by grade level as of August 27, 2025, for the 2025-26 base year and then used a simple age-through methodology that assumes a 100% cohort survival rate (each grade level transfers the same number of students to the following year's enrollment) for the 2026-27 and 2027-28 years.

Table 2. Historical Data and FCMAT Enrollment Projections, 2024-25 through 2027-28

	Actual 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28
Grade TK	21	9	9	9
Grade K	16	7	9	9
Grade 1	11	11	7	9
Grade 2	13	15	11	7
Grade 3	13	4	15	11
Subtotal TK-3	74	46	51	45
Grade 4	18	6	4	15
Grade 5	17	13	6	4
Grade 6	11	6	13	6
Subtotal 4-6	46	25	23	25
Grade 7	2	2	6	13
Grade 8	4	0	2	6
Subtotal 7-8	6	2	8	19
Total Enrollment	126	73	82	89
Change from Prior School Year		-53	9	7

Sources: CDE Dataquest and FCMAT's MYFP.

Unduplicated Pupil Percentage

The charter school's UPP is used to determine a portion of its LCFF funding, specifically for supplemental and concentration grants. The UPP is the percentage of students identified as English learners, foster youth, or eligible for free or reduced-price meals. Each student is counted only once, even if they meet more than one of these criteria. The UPP for LCFF funding is calculated using a three-year rolling average of the ratio of unduplicated students to total enrollment.

The school's UPP was at 64.75% in 2024-25. The school's 2025-26 adopted budget MYFP projected the number of unduplicated pupils to increase by 18 students in 2025-26 to a total of 97, and a UPP of approximately 64.7%. Following this, the number is expected to increase by 13 students in 2025-26 and remain steady in 2026-27, resulting in a UPP of around 64.7% each year.

FCMAT's UPP projection for each of the projection years is assuming the same ratio of the school's 2024-25 unduplicated pupil count to total enrollment of 64.75% adjusted for rounding by whole student count, which is materially unchanged from the charter school's projection for 2025-26, 2026-27, and 2027-28.

Average Daily Attendance

The total number of student attendance days in a school year is divided by the total number of instructional days to calculate ADA. Charter school LCFF apportionments are based on the current year's second reporting period (P-2) ADA. P-2 ADA is calculated using student attendance from the first day of school through the last school month ending on or before April 15.

The charter school monitors and analyzes enrollment and ADA regularly and by reporting period (i.e., first, second and annual). For its 2025-26 adopted budget MYFP, the charter school used a 95% attendance ratio for its ADA projections. FCMAT reviewed the charter school's enrollment and ADA ratio from 2024-25, comparing the October 2024 CALPADS student enrollment count to the P-2 ADA to determine the ADA-to-enrollment ratios by grade span for grades TK-8. The school's attendance rates by grade span range from 86.3% to 95.8%. FCMAT applied the attendance rates by grade span to project ADA for the 2025-26 year and for the two subsequent years.

Table 3. Historical Data and FCMAT Projections of Enrollment and ADA by LCFF Grade Span, 2024-25 — 2027-28

	Actual 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28
Grade TK (for LCFF TK Add-On)				
ADA	20.27	8.62	8.62	8.62
Enrollment	21	9	9	9
ADA-to-Enrollment Ratio	96.52%	95.78%	95.78%	95.78%
Grades TK-3				
ADA	69.39	44.08	48.87	43.12
Enrollment	74	46	51	45
ADA-to-Enrollment Ratio	95.82%	95.83%	95.82%	95.82%
Grades 4-6				
ADA	44.42	22.92	21.09	22.92
Enrollment	46	25	23	25
ADA-to-Enrollment Ratio	91.70%	91.68%	91.70%	91.68%
Grades 7-8				
ADA	5.16	1.73	6.91	16.40
Enrollment	6	2	8	19
ADA-to-Enrollment Ratio	86.33%	86.50%	86.38%	86.32%

Sources: DataQuest, CDE Apportionment Funding Exhibits-Charter School ADA and FCMAT's MYFP.

Note: Variances between DataQuest, Ed-Data and CDE may occur due to timing of certified reports, LEA audit adjustments and LCFF funding requirements.

Comparison of Charter School and FCMAT Projections

FCMAT's enrollment projections were significantly lower than the charter school's in each year, which led to similar differences in UPC and ADA. Table 4 highlights the differences between the charter school's adopted budget projections and FCMAT's projections.

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Table 4. Comparison of Charter School and FCMAT MYFP Projections, 2025-26 through 2027-28

Charter School 2025-26 Adopted Budget MYFP	2025-26	2026-27	2027-28
Total Enrollment	150	170	170
Difference from FCMAT	77	88	81
Unduplicated Pupil Count	97	110	110
Difference from FCMAT	50	57	52
Total ADA	142.50	161.50	161.50
Difference from FCMAT (does not include TK)	73.77	84.63	79.06

Sources: Charter school's 2025-26 adopted budget report and FCMAT's MYFP.

Note: Minor discrepancies in reported figures are the result of rounding applied during calculations.

Recommendations

The charter school should:

1. Continue to communicate its educational strengths to parents, guardians, students, and the community; continue to explore options to increase student enrollment.
2. Monitor and project enrollment, unduplicated pupil count (UPC) and ADA using reasonable projection methods adjusted for local factors.
3. Ensure that projected enrollment and associated budgeted LCFF revenue is reasonably attainable based on actual student enrollment.
4. Update projections at each financial reporting period to ensure the most recent data is included in its budget assumptions.
5. Ensure accurate identification and reporting of its UPC; retain documents for audits and to support eligibility determinations.
6. Continue to regularly analyze enrollment and ADA projections, compare projections to actual enrollment and attendance, and adjust budget and staffing as appropriate.
7. Implement strategies to maximize attendance and its UPC.

Multiyear Financial Projection Assumptions

FCMAT's MYFP used the charter school's 2025-26 adopted budget as the baseline for its projections and included the impact of the state's 2025-26 enacted budget. The study team reviewed school records, interviewed charter school and county office staff, and examined various financial documents to gather the necessary information for the MYFP. Assumptions were based on conservative economic factors and estimates, described by major revenue and expenditures categories in line with the state's Standardized Account Code Structure (SACS) for resource and object.

The key planning factors FCMAT used to prepare the MYFP were based on the latest information available at the time, as shown in Table 5 below and further described in the following paragraphs. The assumptions were based on information and figures from the charter school and various statewide sources such as the DOF, CDE, SSC, and other commonly used resources.

The charter school's 2025-26 adopted budget MYFP incorporated some of the same projection factors used by FCMAT including cost-of-living adjustments (COLAs). However, FCMAT also used updated California Consumer Price Index (CPI) figures applied to materials, supplies, and services based on recent economic data. The best practice is to update budgets and MYFPs often, at least at each financial reporting period, using the most recent assumptions to produce the most accurate projections.

Table 5. FCMAT MYFP Budget Assumptions, 2025-26 through 2027-28

Description	2025-26	2026-27	2027-28
Statutory COLA (DOF)	2.30%	3.02%	3.42%
LCFF COLA	2.30%	3.02%	3.42%
State Categorical COLA	2.30%	3.02%	3.42%
California CPI	3.09%	2.82%	2.72%
California Lottery, Unrestricted per ADA	$195.37	$190.00	$190.00
California Lottery, Restricted per ADA (Proposition 20)	$88.22	$82.00	$82.00
Mandate Block Grant, charter schools (Grades K-8), per ADA	$20.06	$20.52	$21.14
Interest Rate Trend for 10-Year Treasuries	4.50%	4.36%	4.40%
Certificated Staff Step-and-Column Increases	2.00%	2.00%	2.00%
Classified Staff Step-and-Column Increases	2.00%	2.00%	2.00%
Health & Welfare Benefits Percent Change	7.00%	7.00%	7.00%
State Unemployment Insurance Rate	0.05%	0.05%	0.05%
Workers' Compensation Insurance Rate	.75%	.75%	.75%
Charter school Indirect Cost Rate	6.20%	6.20%	6.20%
OASDI / Medicare	7.65%	7.65%	7.65%

Sources: FCMAT, DOF, CDE, SSC and the charter school.

Recommendations

The charter school should:

1. Continue to update budgets and MYFPs often and at each financial reporting period.

2. Use the most current information available and assumptions that align with industry standards to develop budgets and MYFPs.

Revenues

Projected revenue was based on validated funding from the CDE, grant letters, and an analysis of charter school estimates for any sources that could not be independently verified. Adjustments were made for any one-time or carryover funds (unspent funds from one year retained for spending in the next year) from previous years.

Local Control Funding Formula Sources

The LCFF is the primary funding source for charter schools and provides the following:

- A base grant per pupil that varies by grade level.
- A supplemental grant that provides an additional 20% of the base grant, multiplied by the charter school's percentage of unduplicated pupils (as measured by the UPC).
- A concentration grant that provides an additional 65% of the base grant, multiplied by the charter school's percentage of unduplicated pupils exceeding 55% of total enrollment.

For charter schools that qualify for concentration grant funds, 15% must be used to increase the number of credentialed and/or classified staff who provide direct services to students.

The LCFF requires charter schools to increase or improve services for unduplicated pupils in proportion to the supplemental and concentration funds they receive relative to base funds. This requirement is known as the minimum proportionality percentage (MPP). If the increases and improvements in services do not meet the MPP requirement, any unused portion of the supplemental and concentration grant funds must be identified in the subsequent year's LCAP and used to provide increased or improved services to unduplicated pupils.

Proposition 30, passed in 2012, temporarily increased state income tax rates on high-income taxpayers. While the income tax increase was initially set to expire in 2018, it was extended through 2030 by Proposition 55. These revenues are deposited into the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. EPA revenues are received by all LEAs that receive a minimum of $200 per ADA in EPA revenues.

School districts and charter schools are encouraged to use the FCMAT LCFF calculator to estimate LCFF funding. FCMAT prepared an LCFF calculation for the charter school using the latest version of the calculator (version 26.2, updated August 1, 2025), which has the same funding rates used by the charter school for its LCFF revenue projections. The distinction between the charter school budget and FCMAT's analysis is the student enrollment assumption. FCMAT used the actual enrollment of 73 students as of August 27, 2025 as the basis for enrollment projections for the current and two subsequent years, while the charter school assumed enrollment of 150 in 2025-26, and 170 in 2026-27 and 2027-28, respectively, resulting in lower LCFF revenue projections as seen in Table 6.

Table 6. FCMAT and Charter School LCFF Calculator Projections, 2025-26 through 2027-28

	2025-26		2026-27		2027-28	
Description	Charter School	FCMAT	Charter School	FCMAT	Charter School	FCMAT
LCFF COLA	2.30%	2.30%	1.07%	3.02%	2.93%	3.42%
Enrollment	150	73	170	82	170	89
ADA	142.50	68.73	161.50	76.87	161.50	82.44
UPC	97	47	110	53	110	58
UPP (three-year average)	64.75%	64.62%	64.75%	64.62%	64.75%	64.75%
Total State Aid Entitlement	$1,923,592	$931,611	$2,273,299	$1,068,945	$2,350,969	$1,175,028

Sources: Charter school assumptions and FCMAT LCFF calculator projections.

Recommendations

The charter school should:

1. Use the most recent LCFF calculator, enrollment, UPC and ADA estimates when preparing and revising LCFF revenue projections.
2. Ensure that projected LCFF revenue is reasonably attainable based on actual, current student enrollment.

Federal Revenue

FCMAT reviewed, verified, and adjusted federal funding amounts for the base year 2025-26 where possible and appropriate. These adjustments resulted in an overall variance compared to the charter school's projections, with FCMAT decreasing federal revenues by a total of $21,129 as described below.

For 2025-26, FCMAT adjusted the federal funding allocations as follows:

- Increased Title I entitlement by $7,063; increased Title II entitlement by $520; and reduced Title IV, Part A entitlement by $10,000 based on the CDE's most recent allocations.
- Reduced National School Lunch Program (NSLP) funding by $18,712.

To recognize federal grant entitlements as earned revenue, eligible expenditures must occur in the fiscal year. After FCMAT's initial adjustments to federal entitlements based on CDE's most recent allocations, additional adjustments to budgeted federal revenue were made to match the charter school's budgeted expenditures for each resource as illustrated in the table below. The charter school is eligible to receive the remaining entitlement balances totaling $65,494 once eligible expenses are identified. It is best practice to spend restricted revenue before unrestricted revenue when allowable.

Table 7. Federal Revenue Entitlement – FCMAT Adjustments

Funding Source	FCMAT Projected 2025-26 Entitlement	Charter School Planned Expenditures	2025-26 Entitlement Remaining
Title I (Resource 3010)	$27,420	$19,600	$7,820
Title II (Resource 4035)	$3,698	$2,124	$1,574
Title IV (Resource 4610)	$121,428	$82,128	$39,300
Special Education (Resource 3310)	$16,800	$0	$16,800

Sources: CDE Exhibits

Explore Academy participates in the School Breakfast and National School Lunch Programs, which operate on a monthly reimbursement basis for the number of meals served to students. The 2025-26 revenue projected by the charter school is based on a per-student amount of $269. FCMAT applied this factor to current and projected enrollment and adjusted accordingly in each fiscal year of the MYFP.

FCMAT requested but was not provided with the Los Angeles County Special Education Local Plan Area (SELPA) revenue allocations for Explore Academy to verify and adjust federal Special Education program funding in the base year. As a result, no adjustments were made in 2025-26 or the subsequent fiscal years, possibly overstating projected revenue.

The charter school was awarded a Title IV, Part C: Public Charter School Grant entitlement of $191,696 in June 2022. At the time of interviews, staff indicated they were in the process of reclassifying 2024-25 fiscal year planning and implementation expenditures to the grant for reimbursement. While the charter school's adopted budget has planned grant expenditures of $121,428 in 2025-26, any prior year expenditures subsequently charged to the grant will reduce any available remaining grant balance. Since FCMAT was not provided with the charter school's 2024-25 unaudited actuals report, verification and adjustment to the remaining available grant balance for expenditures in 2025-26 was not possible. Thus, no adjustments were made.

An important caveat to consider for evaluating and projecting the charter school's federal revenue is that at the time of FCMAT's fieldwork, the charter school had not submitted its LCAP federal addendum to CDE's federal addendum submission system, which is a condition of receiving federal funding. As a result, the charter school was not eligible to receive its 2024-25 federal Title I and Title II entitlements, also making it ineligible for Title IV, Part A funding in 2025-26. FCMAT is assuming that the charter school will submit its LCAP federal addendum on or before March 31, 2026, to become eligible for receiving funding in 2025-26, 2026-27, and 2027-28, as the charter school is now aware of the requirement.

Caution should be exercised when budgeting federal revenues due to uncertainty surrounding the federal budget and changes in enrollment. FCMAT assumed no COLAs and reduced funding levels for all programs in 2026-27 and 2027-28 as a result of reduced enrollment in 2025-26.

The best practice is to regularly update the charter school's revenue estimates as entitlement allocations and grant amounts are finalized, ensuring that budgeted revenues align with the most recent funding allocation schedules. Carryover or unearned revenues from prior years should not be included in the current year budget until the prior year unaudited actuals are completed and should be eliminated from the subsequent years of the MYFP. Including estimates of carryover or unearned revenues before those amounts are known may result in overbudgeting and overspending.

Recommendations

The charter school should:

1. Continue to update revenue budgets throughout the year as entitlements and grant amounts become known, ensuring budgets match award letters and allocations provided by the CDE, SELPA, and other grantor agencies.
2. Estimate federal revenues conservatively, considering historical funding levels and enrollment changes.
3. Submit the LCAP federal addendum to CDE's LCAP federal addendum submission system by the deadline of March 31, 2026.
4. Develop and implement plans to fully expend grant monies in the fiscal year received.

Other State Revenue

FCMAT confirmed other state revenue amounts for 2025-26 using available schedules from the CDE and grant award letters, resulting in a net increase of $7,264 in state revenues for 2025-26.

For 2025-26, FCMAT added $37,247 of one-time funding for the new Student Support and Professional Development Discretionary Block Grant included in the 2025-26 State Budget Act. Other state revenues were adjusted in the current and/or subsequent fiscal years to account for changes related to enrollment and ADA (Child Nutrition, Expanded Learning Opportunities Program, Lottery, Mandate Funding, and Mental Health Services). In addition, FCMAT removed SELPA pass-through payments of $123,555 from Other State Revenue where the charter school had budgeted it and instead included the revenue in Other Local Revenue in alignment with California School Accounting Manual (CSAM) procedures.

Arts and Music in Schools

The state annually determines total Arts and Music in Schools (AMS) funding with the Governor's May Revision. For 2025-26, the appropriation is approximately $1.04 billion. Of this amount, 70% is allocated based on each LEA's share of statewide enrollment, and 30% is distributed according to the prior year enrollment of economically disadvantaged pupils. Funding allocations are certified with the second principal apportionment in June. FCMAT increased the charter school's 2025-26 AMS allocation by $3,098 based on CDE's advanced principal apportionment exhibit, and conservatively projected flat revenue for subsequent years of the MYFP in alignment with enrollment projections.

Child Nutrition

Explore Academy receives monthly supplemental state meal reimbursements from CDE based on the number of breakfast and lunch meals served to students. The 2025-26 revenue projected by the charter school is based on a per student amount of $25. FCMAT applied this factor to current and projected enrollment and made an adjustment of -$1,805 in the base year.

Expanded Learning Opportunities Program

Since the 2021-22 fiscal year, the Expanded Learning Opportunities Program (ELOP) has provided LEAs with funding to offer after-school and summer enrichment programs for students in TK through grade six. According to the CDE, "expanded learning" refers to before school, after school, summer, or intersession programs that address students' academic, social, emotional, and physical needs and interests through hands-on, engaging experiences.

Funds are apportioned to LEAs based on prior year P-2 ADA for TK/K-6 ADA and prior year TK/K-12 UPP. FCMAT increased 2025-26 base year funding by $86,411 based on CDE's advance principal apportionment.

Lottery Funding

The state initially allocates lottery funds on a quarterly basis using the prior year's annual ADA, adjusted by a statewide absence factor of 1.04446, and then adjusts the amounts in the subsequent year once the charter school's final annual ADA is available. FCMAT projected lottery revenues for 2025-26 and subsequent years based on its annual ADA projections, with a per-ADA rate of $190 for unrestricted lottery and $82 for restricted instructional materials lottery funds. This resulted in no necessary adjustment to the charter school's 2025-26 projected lottery funds.

Mandate Funding

The state allocates Mandate Block Grant funds using a per-ADA amount, adjusted by the COLA in subsequent years, based on the prior year's P-2 ADA by grade level. The charter school's projected 2025-26 allocation was calculated correctly; therefore, FCMAT made no adjustment for 2025-26. The mandate funding projections in the MYFP are based on FCMAT's P-2 ADA projections and adjusted accordingly.

The Mandate Block Grant provides LEAs with funds to support the costs of various mandated programs and activities identified in Government Code (GC) 17581.6(f). Charter schools can choose to receive this funding or submit a reimbursement claim with the State Controller's Office. To receive Mandate Block Grant funding, charter schools must file an application each year with the CDE. FCMAT was unable to determine if the charter school applied for Mandate Block Grant funding by August 31, 2025, the deadline for the 2025-26 funding cycle. If the charter school did not apply for the funding, an adjustment will be necessary to reduce 2025-26 funding by $2,453.

Mental Health Services Funding

Before 2023-24, the state allocated funding for mental health services to SELPAs based on their members' funded ADA. Starting in 2023-24, the state began apportioning these funds directly to LEAs based on current year P-2 ADA through the principal apportionment.

FCMAT adjusted the base year to include state mental health services funding of $5,868. The 2025-26 advance principal apportionment exhibit allocates $10,097 using prior year P-2 ADA as the base for the advance apportionment; however, since the program is funded on current year ADA, FCMAT calculated the projected final allocation using the current year projected P-2 ADA of 68.73. Subsequent years' allocations in the MYFP are based on its P-2 ADA projections and adjusted by COLA.

Student Support and Professional Development Discretionary Block Grant

The state's 2025-26 enacted budget established the Student Support and Professional Development Discretionary Block Grant, which provides one-time discretionary funding to support teacher professional development in English language arts, English language development, literacy, and mathematics; teacher recruitment and retention; and career pathways and dual enrollment programs.

Funding is allocated based on each LEA's TK-12 ADA as of the 2024-25 P-2, estimated at $315 per ADA. According to the CDE August 2025 schedule, the charter school's allocation is $37,247. Funds are available through June 30, 2029, with a final expenditure report due to the CDE by September 30, 2029.

Recommendations

The charter school should:

1. Update revenue budgets throughout the year as entitlements and grant amounts become known, ensuring budgets match award letters and allocations provided by the CDE and other grantor agencies.
2. Ensure other state revenue projections are developed based on the charter school's enrollment and ADA projections as appropriate.

Other Local Revenue

The charter school receives local revenues from a variety of sources, including interest earnings, donations, SELPA pass-through payments, and other miscellaneous sources. In interviews, charter school staff indicated that interest and donations are budgeted in local revenue, and that for 2025-26 interest income was not included as the charter school does not have significant cash reserves on hand to generate interest income. Because donation revenues often cannot be guaranteed from year to year, budgets and MYFPs for donations should be conservative and updated throughout the year based on actual amounts received to date. FCMAT decreased the unrestricted local revenue budget by $26,000 since at the time of fieldwork, no donations had been received.

As was the case with federal revenue, FCMAT requested but was not provided with Los Angeles County SELPA revenue allocations for Explore Academy to verify and adjust state Special Education program funding in the base year. As a result, no adjustments were made in 2025-26 or the subsequent fiscal years, possibly overstating projected revenue. FCMAT included SELPA pass-through payments using the charter school's projections in Other Local Revenue instead of Other State Revenue as the charter school had budgeted, resulting in an increase in restricted Other Local Revenue of $123,555.

These adjustments result in a net increase in Other Local Revenue of $97,555.

Recommendation

The charter school should:

1. Ensure local revenues are budgeted conservatively and adjusted as needed to account for actual amounts received.

Expenditures

FCMAT's MYFP assumes that the charter school's ongoing costs expensed in its 2024-25 check register and general ledger will continue unless adjusted as noted below.

Salaries

The charter school did not provide position control and vacancy reports, so FCMAT was unable to reconcile position control with payroll or budget. The charter school authorizer, OCDE, provided a partial general ledger report that listed names of employees and a total amount paid to each employee. However, they are not the same employees that are now employed with the charter school. The charter school did provide FCMAT with a spreadsheet of assumptions used for the 2025-26 adopted budget. Based on the charter school's assumptions used for its adopted budget, the average cost of a certificated teacher was

$73,772. However, in reviewing the 2025-26 salary schedule, the average cost of a teacher is actually $75,776. During fieldwork, the OCDE provided additional documents to aid in this study. Within the board packets provided were employee contracts for review and approval. FCMAT used the salary that was on each employment contract. If a contract was not supplied, the average cost was rounded up to the next salary step, which is step 9. Additionally, in reviewing board documents, assumptions for classified staff and administrative staff are based on employee contracts provided by OCDE board packets, as discussed in fieldwork interviews and website information.

Certificated Salaries

Adjustments were made to decrease certificated salaries by $34,519 in the 2025-26 budget year based on employee salary contracts, fieldwork interviews and staff information on the charter school website. This represents one administrator, seven teachers and one special education teacher/coordinator vacancy per an EDJOIN posting as of 9/5/25. A $120,000 projected salary for pupil support was projected in the 2025-26 budget; however, there is no documentation to validate this expense or position, so this assumption was removed from the projection. Certificated salaries were increased by 2% each year, based on FCMAT's analysis of certificated employee step and column data provided by the charter school, in each subsequent year of the projection. This was a reduction from the 3.0% used in the charter school's budget.

Classified Salaries

FCMAT decreased classified salaries by $49,131 in 2025-26, based on employee salary contracts for the 2025-26 school year as reviewed in board agenda packets provided by OCDE, staffing discussions during fieldwork interviews, and vacancies advertised on EDJOIN. This represents one full-time office manager vacancy, one full-time campus monitor/after-school support, one full-time instructional aide and three part-time paraprofessionals. As of the date of this report, FCMAT was not provided with a classified salary schedule. Therefore, FCMAT built an assumption for a classified salary schedule based on what the charter school is offering in its EDJOIN post for the office manager vacancy and increased each year by 2.00% for each step in each subsequent year of the projection, consistent with the certificated salary schedule. A 2% increase assumption was also used for one full-time instructional aide and three part-time paraprofessional employees whose contract is based on an hourly rate. FCMAT assumed 245 days of work for full-time hourly employees (as detailed on page 52 of the employee handbook). Part-time employees' contract had no start date, nor is it detailed in the employee handbook. Therefore, FCMAT assumed, based on the teacher contract start date of August 1, that part-time employees also returned to work on August 1, 2025, which would equate to 192 days of work.

Benefits

FCMAT reduced the budget for employee benefits by $65,654 in 2025-26.

The following are the assumptions used for employee benefits:

Table 8. Health and welfare change assumptions, 2025-26 through 2027-28

Description	2025-26	2026-27	2027-28
Health & Welfare Benefits Percent Change	7.00%	7.00%	7.00%
State Unemployment Insurance Rate	0.05%	0.05%	0.05%
Workers' Compensation Insurance Rate	.75%	.75%	.75%
OASDI/Medicare	7.65%	7.65%	7.65%

Sources: FCMAT, SSC and the charter school.

Statutory benefits were adjusted in the subsequent years in proportion to increases or decreases in adjusted certificated and classified salaries. Budgeted health and welfare benefits were decreased by $10,000 in 2025-26 based on the assumption provided with the charter school's MYFP in proportion to budgeted full-time salaries. FCMAT used the charter school rate increase of 7% based on the full-time equivalent (FTE) staff count in proportion to FTE salaries for the subsequent years of the MYFP.

Books and Supplies

Since 2024-25 was the first year of charter school operations with students, staff stated in fieldwork interviews that they had identified one-time expenditures used to open school and did not include the one-time expenditures in the 2025-26 adopted budget. FCMAT also reviewed the 2024-25 books and supplies expenditures from prior year for reasonableness and reduced them by $10,631. The charter school's 2025-26 adopted budget did not include the consumer price index (CPI) inflation factor, which FCMAT included in 2025-26 and subsequent years.

Services and Other Operating Expenditures

The charter school provided contracts to FCMAT; however, many were not signed. FCMAT requested signed contracts from the charter school for verification but as of the date of this report, did not receive them. However, they are included in the MYFP assumptions as they were verified through FCMAT's analysis of the charter school's 2024-25 general ledger and the board minutes for contract approvals provided by the charter school's authorizer. Lastly, as part of the assumptions, the charter school's back-office provider supplied information on contracts that would or would not continue and that were considered in the assumptions. Additionally, several contracts had multiyear commitments that are reflected in the MYFP. FCMAT increased the charter school's budgeted 2025-26 expenses by $84,587. These adjustments, plus annual increases based on the CPI inflation factor, which was not in the original budget, form the basis of the second and third years of the projection.

Capital Outlay

FCMAT reviewed capital outlay budgets for reasonableness using 2024-25 actual expenditures. No capital outlay expenditures were incurred in 2024-25, and none were budgeted for 2025-26. FCMAT assumes no capital outlay expenditure for the current and subsequent years of its projection, as interviews indicate that the charter school has no formal capital outlay plan.

Other Outgo/Indirect Costs

FCMAT applied charges for indirect costs at the maximum allowable rate for each restricted program in the base year and subsequent years to ensure proper program cost accounting, even when this resulted in a contribution to a program's resource from the unrestricted general fund. Indirect costs were based on the CDE's approved rate for charter schools in their first year of operation, which is 6.20%, and were kept the same in the two subsequent years. Indirect costs were increased by $29,157 in the current budget year.

Debt Service

On May 23, 2024, the charter school entered into a four-year loan agreement with H.J. Simms for $750,000. Expenditures of $100,000 for this loan were added to the budget for debt service as the charter school's MYFP only included interest payments and not principal payments to H.J. Simms. This liability terminates upon the final payment in 2028-29 and has been updated in the current fiscal year and two subsequent fiscal years. Additionally, on October 1, 2024, the charter school entered into a three-year loan agreement with the California School Finance Authority (CSFA) for $250,000. The debt payment for this loan was not included in the budget and increased debt service by $125,000 in the current and two subsequent years. The term of this loan coincides with the charter school's term (the last year of the current charter term, July 30, 2027).

Contributions

When revenues in restricted programs are insufficient to support program expenditures, a contribution from the unrestricted general fund is required. Restricted programs should be self-supporting except for special education, for which state and federal funding is typically insufficient, and any restricted program the charter school has made a deliberate decision to support with unrestricted general funds.

The charter school's 2025-26 budget projects a contribution of $23,575 to balance the restricted resources which, for this charter school, is a combination of special education, restricted lottery, Title I, II, IV, expanded learning opportunities program, and Proposition 28 funding. FCMAT increased projected expenditures in 2025-26 to align with expenditures identified in its analysis of the charter school's general ledger and board-approved documents provided by the charter school's authorizer, which increased the contribution to $261,954 and now includes indirect costs. The contribution is comprised of special education equal to $182,963 and child nutrition costs (which use resource 5310) equal to $78,991. The contribution is projected to increase to $267,428 in 2026-27 and to $278,197 in 2027-28 due to CPI.

Because of increasing costs year over year, the charter school should reduce expenditures in its restricted resources in 2026-27 and 2027-28 to remain within the projected revenue estimates. All programs that require a contribution from the unrestricted general fund need to be reviewed to determine whether they can be made self-sustaining. Additionally, the charter school can review other restricted program allowable costs to see if any unrestricted expenditures can move to restricted funding if allowable per each grant. FCMAT found no evidence that the charter school monitors contributions to restricted programs to determine if expenditures can be reduced to eliminate contributions from the unrestricted general fund.

The table below shows contributions from the charter school's unrestricted general fund to its restricted resources as projected in FCMAT's MYFP.

Table 9. Unrestricted Contributions to Restricted Resources, 2025-26 through 2027-28

Unrestricted Resources		2025-26	2026-27	2027-28
Unrestricted	0000	($261,954)	($267,428)	($278,197)
Total Unrestricted		($261,954)	($267,428)	($278,197)
Restricted Resources				
Title I, Part A	3010			
Child Nutrition	5310	$78,991	$78,399	$81,657
Special Education	6500	$182,963	$189,029	$196,540
Total Restricted		$261,954	$267,428	$278,197
Balance				

Source: FCMAT

Rounding used in calculations.

Recommendations

The charter school should:

1. Review restricted programs and ensure they are self-sustaining or that adequate funds are available to support them.
2. Use the MYFP to identify programs that may require a contribution from the unrestricted general fund in subsequent years, and act as needed to ensure programs are self-sustaining.

Multiyear Financial Projection Analysis

The primary purpose of an MYFP is to evaluate a charter school's long-term financial sustainability. The MYFP uses current budget assumptions and projects revenues and expenditures over several fiscal years to determine whether the charter school can achieve and sustain a balanced budget and maintain an adequate reserve for economic uncertainties for the current and two subsequent fiscal years.

FCMAT analyzed all general fund revenue sources and expenditures and categorized them by resource. The unrestricted general fund summary below indicates that, based on current assumptions, without revenue increases and/or expenditure reductions, the charter school will deficit spend $1,102,975 in 2025-26, $999,487 in 2026-27, and $888,553 in 2027-28, and will not meet its required reserve for economic uncertainties in any of the three years of the projection.

Unrestricted General Fund

The charter school's general fund budget is a combination of unrestricted general purpose dollars and restricted grants and categorical funding. However, when analyzing the charter school's budget, much attention is focused on the unrestricted budget, in particular deficit spending. The unrestricted general fund summary below shows FCMAT's analysis of the charter school's unrestricted resources.

Table 10: Unrestricted General Fund Summary, 2025-26 through 2027-28

Unrestricted General Fund Summary

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
A. Revenues				
LCFF Sources	8010-8099	$931,611	$1,068,945	$1,175,028
Federal Revenue	8100-8299			-
Other State Revenues	8300-8599	$33,575	$36,276	$39,029
Other Local Revenues	8600-8799			
Total, Revenue		$965,186	$1,105,221	$1,214,057
B. Expenditures				
Certificated Salaries	1000-1999	$637,115	$649,857	$662,854
Classified Salaries	2000-2999	$75,289	$76,795	$78,331
Employee Benefits	3000-3999	$99,868	$104,365	$109,128
Books and Supplies	4000-4999	$93,070	$95,695	$98,297
Services and Other Operating Expenditures	5000-5999	$630,022	$647,789	$665,408
Capital Outlay	6000-6999			
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	$300,000	$290,000	$238,333
Other Outgo - Transfers of Indirect Costs	7300-7399	($29,157)	($27,220)	($27,938)
Total, Expenditures		$1,806,207	$1,837,281	$1,824,413

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		($841,021)	($732,059)	($610,356)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929			
Transfers Out	7600-7629			
Other Sources/Uses				
Sources	8930-8979			
Uses	7630-7699			
Contributions	8980-8999	($261,954)	($267,428)	($278,197)
Total, Other Financing Sources/Uses		($261,954)	($267,428)	($278,197)
E. Net Increase (Decrease) in Fund Balance		($1,102,975)	($999,487)	($888,553)
F. Fund Balance, Reserves				
Beginning Fund Balance		($449,658)	($1,552,633)	($2,552,120)
As of July 1 - Unaudited	9791			
Audit Adjustments	9793			
As of July 1- Audited				
Other Restatements	9795			
Adjusted Beginning Balance		($449,658)	($1,552,633)	($2,552,120)
Ending Balance/Net Position, June 30		($1,552,633)	($2,552,120)	($3,440,673)
Components of Ending Fund Balance				
Reserve for Economic Uncertainties	9789			
Unassigned/Unappropriated Amount	9790			

Rounding used in calculations.

Sources: FCMAT, OCDE and charter school.

Restricted General Fund

The charter school did not provide spending plans for its restricted dollars, so FCMAT assumed for special education expenditures the funds would be spent on a special education position vacancy, as well as books and supplies and contracted services for the balance that aligns with prior year expenditures. For child nutrition, FCMAT moved all child nutrition related expenditures to restricted resource 5310. For all other restricted programs, FCMAT reviewed expenses from 2024-25 and projected expenditures where possible with any remaining unallocated funds, increasing the unrestricted ending fund balance or reducing revenues for those programs subject to unearned revenues. (See Table 7 for federal revenue available to the charter).

The following table summarizes FCMAT's projections for the charter school's restricted resources.

Table 11: Restricted General Fund Summary, 2025-26 through 2027-28

Restricted General Fund Summary

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
A. Revenues				
LCFF Sources	8010-8099			
Federal Revenue	8100-8299	$123,489	$128,226	$129,984
Other State Revenues	8300-8599	$285,866	$164,162	$169,662
Other Local Revenues	8600-8799	$123,555	$123,555	$123,555
Total, Revenue		$532,910	$415,943	$423,202
B. Expenditures				
Certificated Salaries	1000-1999	$74,419	75,907	$77,426
Classified Salaries	2000-2999	$102,560	$104,611	$106,703
Employee Benefits	3000-3999	$22,387	$23,335	$24,336
Books and Supplies	4000-4999	$93,909	$97,259	$100,299
Services and Other Operating Expenditures	5000-5999	$228,406	$235,120	$242,346
Capital Outlay	6000-6999			
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499			
Other Outgo - Transfers of Indirect Costs	7300-7399	$29,157	$27,220	$27,938
Total, Expenditures		$550,838	$563,452	$579,048
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		($17,928)	($47,509)	($155,846)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929			
Transfers Out	7600-7629			
Other Sources/Uses				
Sources	8930-8979			
Uses	7630-7699			
Contributions	8980-8999	$261,954	$267,428	$278,197

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
Total, Other Financing Sources/Uses		$261,954	$267,428	$278,197
E. Net Increase (Decrease) in Fund Balance		$244,026	$119,918	$122,350
F. Fund Balance, Reserves				
Beginning Fund Balance				
As of July 1 - Unaudited	9791		$244,026	$363,944
Audit Adjustments	9793			
As of July 1- Audited				
Other Restatements	9795			
Adjusted Beginning Balance				
Ending Balance/Net Position, June 30		$244,026	$363,944	$486,295
Components of Ending Fund Balance				
Nonspendable	9710-9719			
Restricted	9740	$244,026	3$63,945	$486,295

Rounding used in calculations.

Sources: FCMAT, OCDE and charter school and the charter school.

Combined General Fund

The combined general fund summary below shows FCMAT's analysis of all the charter school's unrestricted and restricted general fund sources. FCMAT projects that the charter school will neither be able to meet the minimum reserve requirement nor maintain a positive unrestricted ending fund balance in the current and subsequent years of the projection.

Table 12: Combined General Fund Summary, 2025-26 through 2027-28

Combined General Fund Summary

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
A. Revenues				
LCFF Sources	8010-8099	$931,611	$1,068,945	$1,175,028
Federal Revenue	8100-8299	$123,489	$128,226	$129,985
Other State Revenues	8300-8599	$319,441	$200,438	$208,691
Other Local Revenues	8600-8799	$123,555	$123,555	$123,555
Total, Revenue		$1,498,096	$1,521,164	$1,637,259
B. Expenditures				
Certificated Salaries	1000-1999	$711,534	$725,765	$740,280

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
Classified Salaries	2000-2999	$177,849	$181,406	$185,034
Employee Benefits	3000-3999	$122,255	$127,700	$133,464
Books and Supplies	4000-4999	$186,979	$192,954	$198,596
Services and Other Operating Expenditures	5000-5999	$858,428	$882,908	$907,754
Capital Outlay	6000-6999			
Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	$300,000	$290,000	$238,333
Other Outgo - Transfers of Indirect Costs	7300-7399			
Total, Expenditures		$2,357,045	$2,400,733	$2,403,461
C. Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources and Uses		($858,949)	($879,569)	($766,203)
D. Other Financing Sources/Uses				
Interfund Transfers				
Transfers In	8900-8929			
Transfers Out	7600-7629			
Other Sources/Uses				
Sources	8930-8979			
Uses	7630-7699			
Contributions	8980-8999			
Total, Other Financing Sources/Uses				
E. Net Increase (Decrease) in Fund Balance		($858,949)	($879,569)	($766,203)
F. Fund Balance, Reserves				
Beginning Fund Balance		($449,658)	($,308,607)	($2,188,176)
As of July 1 - Unaudited	9791			
Audit Adjustments	9793			
As of July 1- Audited				
Other Restatements	9795			
Adjusted Beginning Balance				
Ending Balance/Net Position, June 30		($1,308,607)	($2,188,176)	($2,954,378)
Components of Ending Fund Balance				
Nonspendable	9710-9719			
Restricted	9740			

Description	Object Code	Adjusted Base Year 2025-26	Year 2 2026-27	Year 3 2027-28
Unassigned/Unappropriated		($1,552,633)	($2,552,120)	($3,440,673)
Reserve for Economic Uncertainties	9789			
Unassigned/Unappropriated Amount	9790			

Rounding used in calculations.

Sources: FCMAT, OCDE and charter school.

Recommendations

The charter school should:

1. Create an updated and detailed fiscal recovery plan as soon as possible, identifying by major object what specific reductions will be applied in what dollar amount, including a timeline for implementation, to eliminate the structural deficit and reach a minimum 5% reserve requirement.
2. Develop and adopt a budget and MYFP that eliminate deficit spending and meet reserve requirements in the budget and projection years to prevent fiscal insolvency.
3. Review available account balances before charging expenses, and do not charge expenses in excess of budget.
4. Review all budgeted expenditures and remove or reduce all one-time or nonessential expenditures.
5. Ensure that restricted funds are allocated correctly to all qualifying expenditures before expending unrestricted dollars.

Cash Management

A prudent level of budgetary reserves should be maintained for economic uncertainties and is needed to manage cash flow and help protect a charter school from unforeseen revenue shortfalls, unexpected costs, and economic uncertainties. Budgetary reserves also help a charter school save for large purchases and reduce the cost of borrowing money.

No required minimum reserve level was established in the charter school's memorandum of understanding (MOU) with OCDE. Explore Academy should, at a minimum, establish budgetary reserves based on average daily attendance (ADA) (5 CCR Section 15450). Information on budgetary reserves can be found in the Criteria and Standards for Fiscal Solvency on the CDE website at https://www.cde.ca.gov/fg/fi/ss/. Below are the required budgetary reserve levels for school districts:

- the greater of 5% or $88,000 for districts with 0-300 ADA
- the greater of 4% or $88,000 for districts with 301-1,000 ADA
- 3% for districts with 1,001 to 30,000 ADA
- 2% for districts with 30,001 to 250,000 ADA
- 1% for districts with 250,001 and over ADA

The minimum recommended reserve required for a charter school with 0-300 ADA is 5% of general fund expenses and transfers out, which for Explore is $117,852. FCMAT's MYFP for 2025-26 and the two subsequent years reflects a ($1,308,607) ending fund balance in 2025-26. To reach its 5% minimum reserve, the charter school must make $1,426,459 in reductions. Additionally, as is mentioned later in the Expenditure Reductions and Spending Controls sections of this report, appropriate controls need to be implemented and enforced. During interviews, staff shared that there are no purchasing procedures and the charter school debit card can be used at any time. This practice has a negative effect on cash flow. The charter school needs to maintain adequate cash balances in the general fund to cover monthly operating expenses. The charter school should implement immediate expenditure reductions to avoid running out of cash.

The county office's notice of concern letter for 2024-25 second interim stated that the cash flow projections received from the charter school with its financial reports showed negative cash balance in February, with less than one day of cash on hand at the end of March and less than four days at the end of April. The county office required the charter school to submit a detailed fiscal stabilization plan identifying the steps it would take to ensure fiscal solvency, including how it would repay its "significant debt" as discussed in the debt services section of this report. OCDE also required the charter school to do a third interim report and cash flow.

The charter school responded and provided a fiscal stabilization plan. The plan relies on collaborating with its back-office providers to address financial concerns through strategic adjustments in enrollment, expenditure, revenue enhancements and debt management. Explore Academy stated in the plan that it "reduced enrollment projections, revenue enhancements were given," however, the projected ending fund balance remained negative. The charter school's third interim and fiscal stabilization plan projected positive cash; however, the MYFP still showed an unrestricted net position of ($338,931), which didn't reflect any effort to ensure a positive ending fund balance.

The purpose of a cash flow projection is to project the timing of receipts and expenses so that an organization can understand its cash flow needs. The cash flow projection shows the charter school's liquidity and ability to meet its current payroll and other financial obligations. It is imperative for the charter school to monitor its cash regularly and complete monthly cash flow projections for the budget year and, at a minimum, one subsequent fiscal year, to ensure that it can meet its financial obligations. Cash is critical for operations; without sufficient cash, the charter school is effectively bankrupt.

Recommendation

The charter school should:

1. Monitor current year and subsequent year cash flow at least monthly and prepare accurate cash flow projections that extend at least 18 months into the future.

Indirect Costs and Administrative Costs

All programs have general management costs, commonly known as indirect costs; these typically include administrative activities such as accounting, budgeting, payroll preparation, personnel services, purchasing, and central data processing. An indirect cost rate gives charter schools an efficient and standard way to recover some general management costs from individual programs. The rates that can be charged to each program are established by the CDE for all LEAs in California. A charter school may claim up to its approved indirect cost rate unless a specific authority (e.g., legislation or regulation) limits the rate. Charging each program the maximum allowable rate allows a charter school to provide equitable indirect cost charges across the organization, ensures all general management costs are adequately supported by the various programs, and allows the charter to understand the true cost of each program.

In reviewing the charter's MYFP for 2025-26 as well as prior year interim reports, it did not charge indirect costs to any programs. This causes a significant reduction in reimbursed expenses on behalf of the charter, and it understates the operating costs of the restricted programs. The charter could have collected approximately $29,000 in indirect costs for the unrestricted general fund (some of this amount would have been offset by additional contributions to restricted programs).

Recommendation

The charter school should:

1. Charge each restricted resource and fund the full allowable indirect cost rate, even if this results in a contribution from the unrestricted general fund.

Expenditure Reductions

Staffing Formulas

The charter school has not established staffing formulas for administrative, certificated, or classified positions or set maximum class size limits. Establishing staffing ratios enables the charter school to align staffing with enrollment. It also allows administration to anticipate when new positions will be added and when an existing position will not be replaced. With the charter's current enrollment, it cannot afford nor can it sustain its staffing for the current and two subsequent years.

Recommendation

The charter school should:

1. Create and adopt staffing ratios for administrative, certificated and classified positions and adjust staffing as appropriate in alignment with enrollment and its developed staffing ratios.

Spending Controls

The charter school must make expenditure reductions to maintain fiscal solvency. The charter school has a fiscal policies and procedures manual; however, in interviews during fieldwork and in reviewing audio from board meetings, expenditures often exceed budgets or occur without a budget. The charter school debit card is used rather than any purchase order system, putting intense strain on cash flow and, as was shared in fieldwork interviews, has resulted in checks being returned when funds are insufficient to cover the expense. To control expenditures and ensure that the charter school does not exceed the board-approved budgets, proper purchasing procedures need to be created and enforced. Administration and staff should not be allowed to make purchases without following a purchasing procedure, and credit card use policies must be enforced. It would benefit the charter school to work with its back-office provider to develop a purchase order system for all expenditures, prohibit the processing of a purchase when the budget is insufficient to support the expenditure, and enforce limited use of credit cards.

Recommendation

The charter school should:

1. Create a purchase order system for all expenditures and prohibit the processing of purchases when the budget is insufficient.

Restricted Funds

The charter school needs to ensure that all restricted funds are allocated properly to all allowable expenditures and aligned with their respective plans before it expends unrestricted dollars. Restricted funds should always be spent in accordance with their respective program or funding guidelines. The charter school needs to file its LCAP federal addendum to receive its federal dollars; otherwise it will forfeit $31,118 in 2025-26. Ensuring that all qualifying expenditures are coded to the correct restricted programs can free up unrestricted dollars that might otherwise have been used for a restricted purpose.

Recommendations

The charter school should:

1. Annually submit the LCAP federal addendum by the deadline to receive federal dollars.
2. Review unrestricted expenditures to see if allowable expenditures can utilize restricted dollars to relieve the unrestricted budget.

Business Services Operational Processes and Procedures

Budget Development

Budget development is a core responsibility of a charter school's governing board and leadership team. During this process, revenue and expenditure estimates are made based on student enrollment, ADA, projected program and operational costs, and anticipated state and federal funding. Staffing needs are reviewed, position control is updated, and resources are aligned with the positions and their respective duties. Budget development is guided by the charter school's Local Control and Accountability Plan (LCAP), which outlines student achievement goals and the strategic use of resources to meet those objectives. Budget development often begins as early as January of the preceding fiscal year. It is key to begin planning early to pull together, discuss and agree on all the projections and assumptions necessary to build the charter school's annual budget. Using a detailed budget development calendar is an effective way to inform board members and staff of their statutory and fiduciary responsibilities. This includes the adoption of an annual budget within the statutory timelines established by EC 47604.33. Additionally, once budgets are developed, posting budget documents on the charter school's website supports transparent business operations and aligns with EC 47604.1 and Senate Bill 126 requirements for open meeting (Brown Act) and open records (Public Records Act). Lastly, accurate and realistic enrollment and ADA and staffing projections and the assumptions behind the projections are paramount as they are the main source of a charter school's revenue and expenses.

The charter school is starting its fourth year of operations, having been authorized July 1, 2022. In the 2024-25 fiscal year, Explore Academy was able to open its doors to students for its first year of service since its authorization. The 2024-25 school year is its base year for actual student enrollment, ADA and staff to then use for budget development for the 2025-26 fiscal year. Currently, the charter school has one full-time executive director, one full-time campus supervisor, three part-time paraprofessionals, one full-time instructional assistant and seven full-time teachers. Additionally, the charter school has vacancies for one full-time office manager and one special education teacher/coordinator.

Explore has contracted with two back-office providers for its financial operations. The first provider contract commenced on July 1, 2022, before the arrival of students, to assist with establishing operations and opening classrooms for the 2024-25 school year. This provider offered support specific to finance such as budgeting throughout the annual budget cycle (budget adoption, first and second interim and unaudited actuals), financial statement reconciliation and cashflow projections, and presenting these reports to the board. Documents provided to FCMAT from the charter school authorizer, OCDE, show that during the charter school's July 23, 2024 board meeting, the back-office support provided the charter school with a budget calendar of compliance dates and reminders for the month of August. However, board minutes and agendas for the remainder of the fiscal year do not show any additional reminders from the back-office support on important dates and deadlines. Additionally, in the charter school's Fiscal Policy, on page 7 in "budgets" and page 8 in "reports," there is only mention of the charter school preparing the annual operating budget and first and second interim reports. There is no annual calendar that includes all relevant duties and dates (e.g., CALPADS reporting, principal apportionment, etc.) that would inform the staff and board of what is due throughout the fiscal year or of the budget development process. This lack of knowledge can lead to missing critical reporting/funding deadlines. As mentioned in the revenue section of this report, the charter school failed to submit its LCAP addendum for federal funding. Also, meetings with charter school parents and the community for input on the development of the LCAP and many other statutory deadlines throughout the fiscal year may have been missed.

In a letter provided to the charter school dated March 26, 2025, the back-office provider terminated the contract with Explore Academy effective April 25, 2025, during critical planning and development for budget adoption. The charter school entered into a contract for business management and accounting services with another back-office provider by April 10, 2025. In this same time period, during a special board meeting on March 11, 2025, the board acknowledged receipt of notice that the executive director would resign effective at the end of the fiscal year, June 30, 2025. The change of back-office providers and loss of the executive director at a critical time in the fiscal year left the charter school vulnerable to missing key steps in budget development and statutory deadlines.

The charter school lacks comprehensive written guidance for budget development and instead has relied heavily on its back-office provider. The lack of written guidance as well as turnover of back-office providers and executive directors leaves new staff and board directors struggling to understand what is due and when, who completes tasks, and how to comply with deadlines. This hinders operational efficiency and consistent budget development. The back-office provider and Explore Academy should work together to develop the budget and include dates in the budget calendar to meet with staff and teachers regarding the process.

It is best practice to provide a budget calendar to staff, the board, community and contracted service providers that details critical deadlines and reports due throughout the fiscal year. Effective budget development depends on clearly documented procedures that promote consistency, efficiency, and accountability.

The budget calendar should include key budget development tasks such as those listed below, additional deadlines and important budget planning meetings, the dates required for completion, and the staff member or contracted service responsible for each task. This will provide transparency to the families of the Explore community, and inform the board of its fiduciary responsibilities throughout the fiscal year:

- Student enrollment and attendance projections.
- LCFF calculations.
- Staffing projections.
- Position control updates.
- Budget planning with the back-office provider and governing board.
- LCAP preparation timelines.
- Community and board meetings for LCAP planning and preparation.
- Back-office provider and executive director budget meetings.
- Interim reporting tasks, deadlines, and board meetings.
- Attendance reporting deadlines.
- Auditor meetings and deadlines.
- Federal funding reporting deadlines.

The executive director works with the back office provider in developing information for the budget, including the following:

- Attendance projections.
- Revenue calculations.

- Budget and interim form preparation.
- LCAP financial reporting.
- Salary and benefit expenditure calculations.
- Multiyear general fund financial projections.
- Cash flow projections.
- Related board presentations.

After budget development is completed, the required reporting should be prepared for the adopted budget hearing and subsequent approval using the charter alternative form. The alternative form, cash flow, budget assumptions and explanation should be included in the board agenda materials and then posted on the charter school's website for the governing board and public to view prior to the budget adoption hearing. This allows the public and board to access the documents and then ask informed questions and propose changes to the budget at the hearing. Similar documents should be provided and posted to the charter school's website at each interim reporting period. This will give new and current families the ability to see where the charter school stands financially, what goals the board and charter school have for students through the dollars being spent, and what is being communicated to the board. It also promotes transparent business operations.

The charter school website contains recordings of only the following board meetings: September 24, October 1 and 22, and November 19, 2024. The board minutes and agendas are listed on the website, but any documents to be discussed or already discussed at the meetings, specifically budget documents, are not accessible. Nor are any prior year board meetings and documents archived for public viewing on the website. Charter school staff stated that if the public wants to view documents before or after a board meeting, they can submit a request to the school under the California Public Records Act (GC 7922.525 - 7922.545). EC 47604.1, enacted with Senate Bill 126 (Chapter 3, Statutes of 2019), requires that charter schools and those that manage charter schools comply with key state laws related to transparency. Specifically, this code requires compliance with the Brown Act (GC 54950 – 54963) for open meeting law, and the California Public Records Act. It is best practice to post on the charter school website each board meeting, its respective agenda and documents that correspond with informational and agendized items, specifically regarding budget development.

FCMAT reviewed the back-office provider's 2025-26 adopted budget documents, which were supplied by Explore Academy. The back-office provider submitted the charter alternative form multiyear projection and assumptions for approval along with its board presentation, which FCMAT received from OCDE. However, the back-office provider did not supply detailed explanations to accompany the assumptions presented to the board. FCMAT was given basic fiscal assumptions, such as COLAs, along with projections for staff, enrollment and ADA. No explanation or justification was included as to how the charter school arrived at its projections for the 2025-26 fiscal year. In charter school documents reviewed by FCMAT staff, the most recent fiscal report submitted to the board with actuals for ADA projection for 2024-25 was third interim. The third interim assumptions showed 93% ADA, with 95% ADA projected for the 2024-25 fiscal year and two subsequent years. Failing to justify the assumptions can lead to inaccurate projections and prevent the authorizer from properly validating the projections. All key assumptions and explanations used for each financial reporting period should be included in a narrative document with backup justification for projections, with all budget documentation clearly posted on the charter school website.

Reviewing historical, current and projected enrollment is a key component of budget development. Accurate enrollment projections are necessary to accurately project fiscal year revenue and the required two subsequent year budgets. In the documents provided to FCMAT, the 2025-26 budget development assumptions included enrollment projections of 150 students for 2025-26 and 170 students for fiscal years 2026-27 and 2027-28. Board documents, minutes and transcripts provided by the charter school's authorizer show discussion about the charter school's financial position and the need to recruit more students to remain fiscally solvent. However, the budget was built on a projection of potentially recruited students rather than actual student enrollment packets. This leaves the charter school fiscally vulnerable as enrollment and ADA projections are the basis of its LCFF state funding. Interviews with the new executive director revealed that 150 students were projected to be enrolled, only 80 were enrolled. An email from the charter school's authorizer, OCDE, stated that enrollment on the first day of school was 73 students, which is 77 fewer students than projected. The fiscal effect of this is discussed and reflected in the multiyear financial projection FCMAT has included in this report.

Accurate enrollment projections are needed to staff classrooms, plan for cost-effective programs, and manage change. Enrollment and ADA directly affect LCFF revenue, which is the charter school's primary unrestricted funding source. The charter school did not provide documents to show how it arrived at its assumed enrollment projection and FCMAT was unable to identify the charter school's methodology for enrollment and attendance projections. The charter school's back-office support provided enrollment estimates by grade level for 2025-26 and used them to project enrollment for the subsequent years. The charter school back-office provider then applied a 95% yield rate for attendance projections, even though in 2024-25 its ADA to enrollment ratio was 93%. The best practice is to develop enrollment projections and attendance assumptions based on historical trends, adjusted as needed for other reasonable considerations specific to the charter school. For a charter school in its first year of operation, it is best practice to take the attendance rate for that first year and project enrollment conservatively. Enrollment figures and ADA yield rates not based on concrete assumptions provide an overly optimistic projection of the charter school's fiscal position. If the charter school spends its budget based on inflated revenues, it will run out of funds.

Enrollment projections are vital to help identify changes that may significantly affect a charter school's estimated revenue in the current and subsequent years of a projection. The charter school then uses enrollment information to hire or adjust staffing accordingly. Failure to identify potential reductions in revenue based on declines in ADA and to plan for necessary staffing and other reductions in a timely manner can be a significant detriment to a charter school's financial position. Accurate staffing projections during budget development provide information essential for determining instructional priorities, staffing ratios and grade level configurations, and cannot be overlooked.

Budget development assumptions showed that the charter school based its budget on seven teachers for 150 students, or one teacher for approximately 21 students. It was shared in fieldwork interviews that 85 students were anticipated but 80 had officially enrolled. Although a goal to have smaller classroom sizes per teacher was discussed during the January 28, 2024 board meeting, no teacher-to-student ratio was officially set. In reviewing board policies, the charter's mission and vision, and the fiscal and employee handbook, FCMAT found no evidence that the charter school has an official teacher-to-student ratio to use as an assumption for budget development. The lack of a staffing ratio to use in enrollment projections gives the charter school no clarity on how many full-time equivalent (FTE) to hire. It is best practice to review projected and budgeted staffing with the back-office provider prior to onboarding additional FTE.

Recommendations

The charter school should:

1. Develop and use a budget calendar that includes all dates for statutory deadlines and other budget development tasks, including the individual responsible for each task, so that the executive director, governing board, back-office provider and staff are aware of deadlines and their respective responsibilities.

2. Develop and implement a process to ensure that the executive director and staff are involved in and partner with the back-office provider in budget development and do not solely rely on the back-office provider to build and complete each fiscal task.
3. Provide and explain all key assumptions used at each financial reporting period in a narrative document for the governing board and charter school authorizers.
4. Post prior and current board agendas, specifically approved budgets and their corresponding documents on the charter school website.
5. Develop and adhere to a teacher-to-student ratio that is in line with the governing board's mission and vision for the charter school.

Budget Monitoring

Charter school budgets change throughout the year. Estimated revenues, expenses and ending balances can fluctuate with changes in state budget projections, enrollment and attendance, personnel and operational needs. Budgets need to be monitored regularly during the fiscal year to ensure appropriations are not overspent, revenues remain appropriately projected, and actual expenditures are not materially different from those budgeted.

Regular financial reporting and timely budget revisions are essential components of budget monitoring. Reporting and monitoring are conducted during the fiscal year as additional information develops and the charter school's needs change. Budget revisions are necessary when there are increases and decreases in estimated income and expenditures and when closing the prior fiscal year books, budgeting carryover balances from prior years.

The budget adoption and revision process goes to the charter school governing board for approval during dates established in Education Code:

- July 1 – Each charter school shall submit a preliminary budget to its chartering authority – EC 47604.33(a)(1).
- December 15 – First interim reporting for period ending October 31 is due to the chartering authority and county office of education (COE) – EC 47604.33(a)(3).
- March 15 – Second interim reporting for period ending January 31 is due to the chartering authority and COE – EC 47604.33(a)(4).
- June 1 – Third interim reporting for period ending April 30 is due to the chartering authority and COE if the charter school is certified as qualified or negative at second interim and is requested by the chartering authority.

The first step in monitoring the charter school budget is reviewing its budget monthly. By reviewing the budget to actuals spent, the charter school can determine what adjustments need to be made throughout the fiscal year. The next step in budget monitoring is meeting the statutory deadline for review and approval of interim budget reporting and providing a multiyear financial projection during each reporting period. The budget is reviewed and analyzed to align with changes and presented to the governing board to approve. It is then submitted to its authorizer and the COE for review. This enables the charter school to view its financials from certain moments in time in comparison to the most recently board approved budget and monitor its fiscal condition. Should there be budget revisions that need to be made to align the budget to how school opened, operational and staffing changes and any changes in the governor's budget that were adopted after the charter school approved its budget, the charter school should make continual budget revisions, and at the very least during the first interim period of review and revisions.

The 2024-25 board meeting calendar provided by the charter school authorizer shows a board meeting was scheduled for December 17, 2024. However, the board agendas provided by OCDE show no meeting in December. The next time the board met was on January 28, 2025. The first interim budget was listed on the January 28 agenda as an informational item, not as an action item to approve. Staff noted in interviews that they met regularly with the back-office provider to review budget to actuals. Reviewing and approving budgets during the annual fiscal cycle keeps the charter school in compliance with statutory deadlines as detailed above. Failure to approve budgets by their statutory deadline leaves the charter school out of compliance with its fiduciary responsibility and at fiscal risk for not taking timely action to monitor and revise its budgets. FCMAT's Charter School Accounting and Best Practices Manual states on page 35:

> Each budget line-item should be accompanied by a detailed narrative of how each amount was determined. These explanations should include calculations, assumptions, and other metrics that demonstrate how the budgeted amounts were calculated.
>
> After the budget is consolidated and balanced, the charter school executive director or designee should review the documents in detail before presenting to the governing board for final approval and subsequent submission to the chartering authority.

Explore Academy presented the board with budget updates on October 22, November 19, and February 25, and with the first interim budget on January 28, 2025, and the second interim budget on March 25, 2025. The due date to adopt and submit second interim is March 15. Explore Academy was late in presenting and submitting both its first and second interim budgets. During these presentations, the charter school projected combined unrestricted and restricted negative ending fund balances in the current and two subsequent years: ($539,404) as of second interim, a ($455,847) ending fund balance in 2025-26 and a ($436,247) ending fund balance in 2026-27, respectively.

After the charter school's submission of its second interim budget was reviewed by OCDE, the county office submitted a Notice of Concern dated April 14, 2025, regarding the fiscal condition of Explore Academy and requested the charter school provide a fiscal stabilization plan and third interim. Their concerns included inaccurate financial reporting, overstated enrollment projections and financial estimates, deficit spending, reserves and cash flow projections and significant debt. OCDE further stated that failure to comply could result in a violation. On May 19, Explore Academy provided a detailed response to the authorizer's April 14 notice. In its response was a fiscal stabilization plan and third interim report. Although the charter school notes cost savings and updates to its revenue projections in the stabilization plan, the third interim budget still reflects a negative ending fund balance for the current and subsequent fiscal years and enrollment projections at facility capacity. This is further detailed in a second notice of concern regarding the fiscal condition of Explore Academy dated June 11, 2025. Explore Academy needs to make budget revisions as part of its budget monitoring process. Receiving notice from its authorizer shows Explore Academy has not been monitoring its budget, nor is it making revisions and decisions to project a budget that is aligned with its reality.

Shortly after the third interim was presented to the board on May 13, 2025, the proposed 2025-26 budget was brought to the board for review and adoption on June 24, 2025. In a review of the board agenda, the budget was not a public hearing item under after the Local Control and Accountability Plan (LCAP) public hearing; it was only listed as an action item for approval. According to EC 47606.5 and 47604.33, charter schools are required to hold a public hearing for family and community input before adopting the LCAP. Although California Education Code does not require the budget to be presented in a hearing to the board like the LCAP, as stated in the FCMAT's California Charter School Accounting and Best Practices Manual on page 36, it is best practice:

> The LCAP must be submitted to the chartering authority and the county superintendent of schools (or only the county superintendent of schools if the county board of education is the chartering authority) by July 1 of each year pursuant to Education Code Section 47604.33. Charter schools must hold a public hearing to solicit recommendations and comments on the LCAP, followed by a subsequent public meeting for the plan's adoption. As with other statutory reporting requirements, the chartering authority's responsibility is not to approve the LCAP, but to ensure that the charter school has complied with all LCAP reporting requirements, <u>including providing for an adopted budget t</u>hat includes the expenditures necessary to implement the school's LCAP.

As part of the charter school's LCAP process, it is best practice to be transparent and present the LCAP and proposed adopted budget in a public hearing to solicit recommendations and comments prior to taking action to approve. This provides the board with the opportunity to give input on the budget it will be monitoring for the fiscal year.

As discussed in the Budget Development and Position Control sections of this report and detailed as an area of concern from the charter school's authorizer in the second notice of concern dated June 11, 2025, the staffing and enrollment projections are areas of fiscal concern that have not been monitored. As presented to the board during its June 24, 2025 board meeting, the assumption used for staff was seven teachers, one administrator, two pupil support staff, three classified support staff and one office clerical staff for its proposed adopted budget and subsequent two years. Actual staff hired as of September 18, 2025: seven teachers, one administrator, one full-time campus monitor/after school coordinator, three part-time paraprofessionals and one full-time instructional assistant. Additionally, per EDJOIN, there are two vacancies: one full time special ed teacher/coordinator and one full-time office manager. The teacher/coordinator vacancy reflects one additional FTE from what was projected, equaling eight teachers total. The enrollment projection used was 150 students for the proposed 2025-26 year, and 170 students for the two subsequent years. The charter school's actual enrollment as of the first day of school was 73 students. This is a difference of 77 students. The fiscal effect of this will be addressed in the Multiyear Financial Projection section. However, as part of budget monitoring best practices, the charter school should prepare a revised budget for the governing board to approve prior to first interim that reflects a more realistic picture of its financial position given its enrollment. FCMAT's California Charter School Accounting and Best Practices Manual states on page 39:

> Since a budget is a point-in-time projection based on assumptions available at the time of development, charter schools will need to periodically make budget changes. At a minimum, budget revisions should be made during the interim financial reporting process, and as necessary, at other times throughout the fiscal year. Specifically, the first and second interim reports due to the charter authorizer in December and March respectively should reflect revised projected revenue and expenditure totals. In addition, depending on the timing of the state's adoption of the annual budget act, and the changes with the start of the school year, **charter schools should consider preparing a revised budget for governing board approval in the fall (i.e., in September or October) to reflect adjustments relating to state funding, enrollment, and other needs.**
>
> [Emphasis added by FCMAT]

Increasing enrollment from 73 students in the current year to 170 in the two subsequent years, as projected in the 2025 adopted budget, may not realistically reflect the charter school's ability to recruit and retain students. Enrollment is the basis of its main state funding source and incorrect projections can detrimentally affect the charter school's budget. It is critical for the charter school to re-evaluate its enrollment and project conservative increases based on reasonable assumptions.

Recommendations

The charter school should:

1. Submit budgets by the statutory deadlines as set by Education Code.
2. Prepare and revise the budget at a minimum during the interim budget reporting periods if not earlier.
3. Promote transparency by presenting the LCAP and proposed adopted budget in a public hearing to solicit recommendations and comments prior to taking board action to approve.
4. Re-evaluate its enrollment and project conservative enrollment increases at a minimum during the interim budget reporting periods.

Position Control

It is critical to maintain an effective position control system to manage the cost of salaries and benefits and to properly show those expenditures in the charter school's budget. Accurately projecting salary and benefit costs is vital for fiscal stability.

In a larger charter school or district, an effective position control system will fully integrate with payroll and budget modules, facilitate the hiring and monitoring of staff, and be used to update the budget at each reporting period. When one system is used, staff time and duplication of effort is reduced, and information can be produced on time. Maintaining accurate data is essential for budget development and monitoring throughout the year to provide effectiveness and continuity of services. All reconciliation of data needs to include SACS coding so that in reviewing budgets, the charter school can verify the funding source of the position and, when required, run financial statements that reflect the true cost of a restricted grant program for accurate grant reporting. In the case of a smaller charter school like Explore Academy, knowing about position control and how to build it out as the charter school grows is foundationally important to maintain its fiscal health.

Building a position control foundation begins with board-approved staffing ratios based on school needs, any directive from the board on its teacher-to-student ratio goals and any legal requirements. Ratios to consider are administrators to staff and student enrollment, student to teacher, and classified support staff and student ratios. Once the number of positions based on the corresponding ratio has been established, administration can determine the number of employees who hold the correct credentials and qualifications for the determined positions and proceed with hiring as needed. This allows time to review and ensure the correct program and budget is aligned with the positions. As the organization grows, new positions can be created to fill the need according to the ratios set by the board and are only onboarded if approved by the board and funds allow. As part of the approval process, the fiscal impact of the new or replacement position needs to be communicated and the funding source for the position included.

As mentioned in the Budget Development section of this report, in a board meeting on January 28, 2025, a future goal of the board is to have smaller classroom sizes per teacher. To achieve this goal, the board needs to set the staffing ratios. If a low ratio is established, this could strain the budget and keep the charter school in a precarious financial position. Analysis of revenues to teacher salary and benefit costs needs to be part of the development of a staffing ratio the charter school can afford. The lack of staff ratios has already had a negative effect. As of September 4, 2025, according to EDJOIN, the charter school is hiring one additional FTE – a special education teacher/coordinator, increasing teacher FTE to 8. Not having staffing ratios has led the charter school to hire one more FTE than it had projected in its adopted budget. The average cost of a teacher based on the charter school's 2025-26 salary schedule is $75,776. The charter school is already in fiscal distress as discussed in the Budget Monitoring section of this report. This budget was based on 150 students enrolled, with a student-to-teacher ratio of 21.4 to 1. However, the charter school's authorizer shared that as of the school start date there were only 73 students, not the projected 150 students. That leaves the charter school with a potential student-to-staff ratio of 9.12 students to 1 teacher. The lack of position control and staffing ratio has left the charter school with positions that are not needed based on enrollment. The fiscal impact of this is discussed in the Multiyear Financial Projection sections of this report.

Recommendations

The charter school should:

1. Ensure that all new and existing positions included in the budget are approved by the governing board and the board is aware of each position's funding source and its fiscal impact on the budget.
2. Create and adopt staffing ratios for administrative, certificated and classified positions and adjust staffing as appropriate to align with enrollment.
3. Create and maintain a position control system that includes all board-approved positions, with salary and benefit costs and account code.
4. Audit and reconcile staffing ratios to ensure they account for all board-approved positions, including salary and benefit costs, in the position control system.

Payroll

Explore Academy outsources payroll processing to Paycom, a third-party payroll service provider. Employees are paid twice monthly, on the 10th and 25th of each month worked.

During interviews, staff reported that Paycom automates several key functions, including:

- Submission of employee withholding information.
- Preparation, authorization, and submission of absence authorization and verification forms.

Employees are responsible for logging their own time into the Paycom system. The executive director/principal reviews and approves time entries. Once verified, payroll data is transmitted from Paycom to Charter Impact (the back-office provider) for integration into the school's financial records.

Staff also indicated that a comprehensive spreadsheet is used to track payroll-related items; however, this spreadsheet was not provided to FCMAT for review.

Recommendation

The charter school should:

1. Reconcile payroll monthly with position control to ensure that only authorized employees are paid.

Accounts Payable

Accounts payable work includes accurately tracking amounts owed to vendors, ensuring vendor payments are properly approved, and processing timely payments to vendors. The accounts payable process originates when a purchase is made to obtain supplies or services from a vendor. Because of the nature and volume of work, purchasing and accounts payable functions are at high risk for errors and fraud. Effective purchasing and accounts payable processes and procedures include activities to ensure that all expenditures are approved based on available budgeted resources and that only legitimate and accurate invoices are authorized and paid.

Charter schools may use purchase requisitions and/or purchase orders to initiate purchases from vendors. A purchase requisition is most commonly used to start a request and complete an approval process to make a purchase. Purchase orders are used to communicate the order to the vendor. The charter school's board approved the Explore Academy Fiscal Policies and Procedures Manual dated July 29, 2025, which contains purchasing controls and procedures that allow the executive director to approve purchases, invoices and employee reimbursements up to $15,000. For transactions over $15,000, the approval of the board president or board treasurer is required. While the procedures in the manual reference purchase orders in the verification process for invoices, the charter school does not currently utilize purchase requisitions or purchase orders to initiate purchases of materials, supplies and services from vendors.

The use of either paper form or electronic form purchase requisitions and an internal approval process to initiate the purchase of materials, supplies, and services would tighten budget and cash controls for the school. Following is an example of an approval workflow:

- Teacher requests classroom supplies (requestor).
- Office manager determines if there is adequate budget and available resources for requested supplies (budget approver).
- Executive director assesses if requested supplies are allowable with funding source and in compliance with the educational program (final approver).

After final approval of the purchase requisition, a purchase order may be issued to the vendor for the classroom supplies. Without these procedures established, there is risk that unauthorized purchases may be made that obligate the school and/or exceed the budget and available cash resources.

A purchasing process that uses a purchase order system integrated with the financial system is the best practice because such systems automatically encumber the charter school's budget when a purchase order is approved. Budget encumbrances are essential to managing and monitoring the budget. The charter school does not have an integrated system, so purchasing obligations should be carefully monitored and tracked against the most current budget to determine funds available for future uses.

As discussed in the Expenditure Reductions section of this report, Explore Academy uses a debit card instead of a purchase order system, resulting in weak expenditure controls and strain on cash resources. To improve internal controls on purchasing, the charter should implement a purchase order system, strengthen existing credit and debit card policies, and prohibit purchases that exceed available budget.

The charter school utilizes the services of a back-office provider to record accounts payable transactions and issue checks to vendors. During FCMAT's interviews, charter school staff reported that all invoices are directed to the office manager who then uploads approved invoices and associated backup supporting documentation into ShareFile, the back-office service provider's file sharing system. The back-office service provider enters this information into its financial system, Sage, and issues payments directly to vendors. Prior to issuing payments, the back-office service provider consults with the charter school to ensure there is sufficient cash available. It is important to retain supporting backup documentation for invoices so that evidence exists to legitimately verify goods and services received by the charter school. Interviews with the current back-office service provider revealed that several accounts payable transactions during the past few months are lacking back-up documentation. They check in weekly with the charter school to request and obtain any missing documentation and acknowledge that the recent staffing transitions at the charter school have made it challenging for the new staff to locate missing documentation.

Timely invoice payment is critical for maintaining healthy vendor relationships. Charter school staff reported that the school has had difficulty meeting invoice remittance due dates as a result of insufficient cash availability to disburse payments. Further, they reported that charter school staff prioritize the issuance of checks if there is not enough cash available to pay all outstanding invoices. Not issuing payments in a timely manner puts the school at risk of the cancellation of services and a downgrade in its credit rating.

Recommendations

The charter school should:

1. Establish the use of purchase requisitions with an internal workflow approval process.
2. Strengthen current credit and debit card policies.
3. Monitor and track purchasing obligations made against the most current budget to determine funds available for future uses.
4. Develop a system to file and maintain backup documentation to support invoice processing.
5. Update and monitor cashflow projections to account for the projected timing of payments for goods and services to ensure adequate cash is available to pay invoices timely.
6. Make plans for short-term cash borrowings well in advance of projected cash shortfalls to ensure operational continuity.

Accounts Receivable

The accounts receivable function manages the collection of payments made or owed to the charter school, including donations and revenue from other local sources. Basic activities include depositing funds, recording revenue, reconciling cash accounts, managing accruals, and tracking payment schedules for federal, state, and local funding. Effective accounts receivable procedures are essential to protect charter school assets, prevent fraud, and ensure accurate financial reporting.

The school uses a back-office service provider for recording accounts receivable transactions. At the time of interviews, the school's newly hired office manager had not yet started working in the role. As a result, the accounts receivable procedures described by the executive director were generalized since she began work in her role a month prior and not yet had the opportunity to perform the procedures herself. No manuals or other documentation is available to help the staff perform their duties accurately and efficiently.

This increases the risk of processing errors, inefficiencies and service disruptions, particularly during staff absences or transitions.

As described in interviews, when the school receives checks for items such as donations, payments and fundraisers, the office manager issues a receipt to the donor/payor. Fundraising activity and receipts are logged individually by event. Deposits are counted by the office manager and the executive director; the deposit is prepared and submitted to the school's local bank by the executive director; and a copy of the deposit slip and check(s) is uploaded to ShareFile for the back-office service provider to record in the financial system. The executive director receives the bank statements each month and forwards them to the back-office service provider for reconciliation; however, FCMAT was not provided with copies of bank statements and reconciliation reports to verify this.

The Orange County Department of Education's 2024-25 Charter School Annual Oversight Report includes a recommendation for the school to update its cash management policy to include procedures related to cash receipts for the following:

- Issuance of prenumbered receipts for all cash, cashier's checks, and money orders received.
- Reconciliation of receipts to the deposit.
- Maintenance of an audit trail to ensure the deposit of all monies.
- Description of how cash is securely stored and how often deposits are to be made.
- Description of how many employees count cash and what documentation is signed to certify amounts.
- Description of how duties are segregated for the receipt of monies, deposit of funds, and reconciliation of bank statements.

The Explore Academy Fiscal Policies and Procedures Manual dated July 29, 2025, lacks a procedure for utilizing prenumbered receipts for all cash, cashier's checks and money order receipts, though staff interviewed said a receipt is issued to the donor when a check is received. Also, the manual lacks a procedure for the handling of cash receipts such as how many employees should count cash and certify amounts through documentation and signatures. The manual does, however, define procedures for the receipt of checks. FCMAT reviewed the school's 2024-25 general ledger and observed that the school received Zelle payments from donors that are deposited directly in the school's bank account. The process for how these transactions are recorded is unclear and is not included in the policies and procedures manual. Improved and detailed operational procedures are needed for cash receipts and electronic receipts from sources such as Zelle to reduce the potential for errors and fraud, and to ensure proper accounting coding of the revenue. The executive director should maintain close oversight of these functions to ensure charter school assets are protected.

Recommendations

The charter school should:

1. Update procedures in the Explore Academy Fiscal Policies and Procedures Manual to include the use of prenumbered receipts for all cash, cashier's checks and money orders, and cash counting procedures.
2. Update the Fiscal Policies and Procedures Manual to include accounting and reconciliation procedures for Zelle and other electronic receipts.

Contracted Services

Small independent charter schools frequently use the services of independent contractors for many necessary business management and operations functions and for specialized academic services because they typically are not large enough to support these services in-house. Charter schools are exempt from many state statutes and regulations; however, EC 47604.1 requires that charter schools comply with Government Code (GC) 1090, which prohibits public officials and employees from having a financial interest in contracts they make or participate in; and with the Political Reform Act of 1974, which includes provisions concerning conflicts of interest in governmental decision-making. For fiscal year 2025-26, FCMAT projected contracted services expenditures to be $644,955, comprising approximately 27% of Explore Academy's total projected expenditures.

In addition to these regulations pertaining to contracting, the charter school's Fiscal Policies and Procedures Manual dated July 29, 2025 states:

> Purchases, Contracts or Agreements that exceed $15,000, require Board approval. The Executive Director shall review and consider only written proposals/contracts/agreements from vendors. Terms may only be presented in writing. Contracts/Agreements in excess of $15,000 require a detailed proposal be presented to the Board of Directors. Contracts/Agreements for services require such proposal be presented by the Vendor.

Further, the Bids Policy and Procedure included in the manual states, in part:

> The school shall purchase equipment, supplies, and services using competitive bidding when required by law and in accordance with board policy. In those circumstances where the law or board policy does not require competitive bidding, the Board of Directors may request that a contract be competitively bid if the Board determines that it is in the best interest of the school to do so.
>
> 1. School shall seek competitive bids for contracts involving an expenditure of $15,000 or more for a school construction project.
> 2. "School construction project" includes construction, reconstruction, erection, alteration, renovation, improvement, painting, repainting, demolition, and repair work involving a school owned, leased, or operated facility.
> 3. Competitive bids shall be sought for contracts exceeding $15,000 for the following:
>   - i. The purchase of equipment, material, or supplies to be furnished, sold, or leased to the school.
>   - ii. Services, not including construction services, or special services and advice such as accounting, financial, legal, or administrative matters.
>   - iii. Repairs, including maintenance, that is not a public project.

Even if not required by law or the charter school's policies, it is best practice to solicit at least three proposals, if possible, when procuring services. Requests for proposals for obtaining equipment, materials, supplies and services should communicate to vendors detailed specifications and criteria defined by the charter school for what they expect to receive. Any contract/agreement between the charter school and a vendor should include a description of the service to be performed or goods to be delivered, the pricing for the service or goods which may include a "not to exceed" amount, and the start and end date of the contract. A contract must be fully executed for it to be valid and enforceable. Fully executed is defined as the point at which a contract is signed and dated by each of the authorized parties to form a legally binding contractual relationship.

FCMAT was provided with and reviewed several contracts for special services and advice exceeding $15,000 between the charter school and various vendors, including the following, totaling approximately $520,000 for the 2025-26 fiscal year:

Table 13: Sample vendor contracts – 2025-2026

Vendor	Description	Amount
Revolution Foods	Food services	$112,000
Charter Impact	Business management, payroll, and student data services	$99,300
TrueNorth Education Services, LLC	Administrative and education management	$62,068
AllyOp	Staff professional development/mentoring	$56,000
Service Providers	Special education compliance and management support	$45,000
Cross Country	Substitute special education service providers	$39,000
Norma Alvarado	After school program coordinator	$25,688
TechLab	Information technology support	$22,604
Norma Alvarado	Campus site support/monitor	$20,254

Sources: charter school.

During the review, FCMAT observed that none of the contracts provided for review and listed in the table above were fully executed by signatures of both the vendor and the authorized signer of the charter school.

The charter school entered into a service agreement with TrueNorth Education Services, LLC (TrueNorth) on November 19, 2024. The agreement was recently amended on July 29, 2025. TrueNorth supports the school with the following administrative functions:

- Human resources
- Strategic planning and growth
- Marketing and PR
- Curriculum and instruction
- California Department of Education reporting/compliance
- Facilities
- Resource management
- Risk management

Interviewees indicated that in spring 2025, TrueNorth procured another service provider for the school, Charter Impact. Charter Impact is the current back-office financial services and student information services provider as of May 1, 2025. TrueNorth led the process at the direction of the charter school's board of directors and solicited five potential vendors with Requests for Proposals (RFP) in accordance with the Fiscal Policies and Procedures adopted by the board. FCMAT was provided with the executive summary prepared for the board by TrueNorth, which describes the evaluation process, vendor responses to primary evaluation questions, and costs for two of the five vendors – Charter Impact and DMS. At the board meeting prior to the approval of the Charter Impact service agreement, the charter school's executive director asked a series of questions that should have occurred during the vendor evaluation process; however, the executive director was not included in the procurement process. The executive summary provided to FCMAT and to the board by TrueNorth contained a recommendation to select Charter Impact: "TrueNorth highly recommends Charter Impact to replace ICON, the current Back Office provider and to begin work on May 1, 2025." On April 10, 2025, the board took action to approve a service agreement with Charter Impact effective May 1, 2025.

The California Fair Political Practices Commission (FPPC) regulates independent contractors under state conflict-of-interest laws when they are hired by public agencies. The charter school should be involved in identifying consultants that will participate in making governmental decisions on its behalf. If an independent contractor participates in governmental decision-making by recommending a service provider such as in the example provided in the previous paragraph, the charter school should evaluate whether it should complete California Form 805, Agency Report of: Consultants, or any other applicable disclosures.

FCMAT reviewed the charter school's check register dating from 07/20/2022 – 06/10/2025. During that period, several payments were issued to individuals and businesses for student enrollment recruitment services totaling more than $90,000. In addition, payments of $20,000 were issued to an individual for facilities improvements. Purchases exceeding $15,000 require board approval per the charter school's Fiscal Policies and Procedures. FCMAT was not provided with evidence of board approval or executed contracts for recruitment or facilities improvements services to determine the terms and conditions of the services rendered to the charter school. While each individual payment did not exceed $15,000, given the impact to the charter school budget of the cumulative payments, and to protect the best interests of the charter school, the best practice is to develop and execute contracts for services that will exceed the $15,000 threshold.

Independent Contractors Versus Employees

During fieldwork and document review, FCMAT noted that Explore Academy has entered into a contract with a campus site support/monitor for 2025-26. Explore Academy also has an employee with a substantially similar title, campus monitor/after school support. Misclassifying employees as independent contractors can lead to significant penalties for employers. Both the Internal Revenue Service and the California Department of Industrial Relations have specific guidelines and tests to determine the appropriate classification for employees and independent contractors. The charter school should evaluate the duties of both individuals and whether they have been appropriately classified as an employee and/or as an independent contractor.

Recommendations

The charter school should:

1. Develop a system to ensure that all charter school contracts are fully executed, maintained, and filed for record-keeping purposes.
2. Evaluate whether independent contractors will participate in the charter school's decision-making by conducting procurement processes and recommendations for the board, and ensure the proper disclosure forms are completed by the independent contractor(s).

3. Ensure special services such as student recruitment service and facilities improvements service contracts are executed between the charter school and the vendor memorializing the description of the service to be performed or goods to be delivered, the pricing for the service or goods which may include a “not to exceed” amount, and the start and end date of the contract as well as any other clauses that protect and indemnify the charter school.

4. Evaluate the duties performed under the contract for campus site support/monitor and the duties performed by the employee who is the campus monitor/after school support and whether each has been appropriately classified as an employee or an independent contractor.

Human Resources

As a small charter school, Explore Academy has minimal administrative staffing. Most human resources duties are performed by a third party, TrueNorth.

Hiring

TrueNorth primarily advertises teaching positions through EDJOIN. While other advertising platforms were mentioned during interviews, specific names and examples were not provided to FCMAT.

Interviews conducted with both Explore Academy and TrueNorth revealed that TrueNorth is responsible for reviewing all applications to ensure candidates meet job requirements. This includes credential verification and reference checks. Candidates who meet the criteria are then recommended to the executive director for final interviews and hiring decisions. In the most recent hiring cycle, TrueNorth conducted all interviews independently, without participation from Explore Academy staff or board directors.

FCMAT received conflicting information regarding the interview process for prospective employees. During an interview with TrueNorth on August 26, 2025, representatives stated that they conducted teacher interviews on behalf of Explore Academy, with no involvement from Explore Academy staff or board members. However, an excerpt from an email dated February 7 from TrueNorth to the OCDE states they do not participate in interviews:

1. What role does TrueNorth play in managing the recruitment process? We will mostly play a logistics role in supporting the school through the interview process. We will work with the school to develop job descriptions, developing salary bands competitive with area schools which are approved by the Board members. When asked to do so, we will post job listings (e.g., EdJoin) and help them review applications if requested to do so. The school will determine positions it needs and we will work with them to put their needs into job postings.
2. Does TrueNorth participate in interviews? We will help with initial screening and verifying resume credentials, complete application packets received from interested job candidates. The Principal/Executive Director will interview and make choices. We will provide our evaluations of candidates if that is requested. **We do not anticipate participating in the actual interviews**.
3. Does TrueNorth participate in any procuring contracts? No

[Emphasis added by FCMAT]

While the board of directors may delegate recruitment, selection and hiring responsibilities, it must retain ultimate authority over employment decisions. If staff or board members are not directly involved in the recruitment and selection process, the board should still receive formal hiring recommendations and be responsible for approving and appointing employees.

Recommendations

The charter school should:

1. Ensure that third party organizations are following the directions of the charter school in hiring processes and all state and federal regulations.
2. Report all employees hired by the executive director to the board as an information item.

3. Have the board of directors approve all newly hired employees as best practice.

Onboarding

The contract with TrueNorth indicates they will “support the executive director in the following: develop an employee onboarding program.” TrueNorth connects employees with Charter Safe, Explore’s JPA for liability insurance, for mandated training and sends pay information to Charter Impact. According to staff interviews, new employees upload their information to Paycom but school staff must do DOJ clearances, employment eligibility verification and follow-up on outstanding documents.

The charter school has an onboarding checklist that it has used inconsistently. To ensure Explore Academy remains in compliance, it should consistently use this checklist to track the completion of onboarding requirements. The checklist should be reviewed and updated annually for any necessary changes.

Recommendations

The charter school should:

1. Consistently use the onboarding checklist to track the completion of onboarding requirements.
2. Review and update the checklist annually for any necessary changes.

Exit Interviews

Exit interviews are a valuable tool to gather feedback for an organization. This feedback can improve workplace culture, processes and policies, and reduce turnover. Based on interviews and a review of personnel files, Explore Academy does not conduct exit interviews when employees separate from the school.

Recommendation

The charter school should:

1. Consider conducting and documenting exit interviews with separating employees.

Employee Evaluations

Although Explore Academy is not subject to EC 44664, the school’s approved material revision addresses employee evaluations within Element F: Employee Qualifications, as required by EC 47605.6(b)(5)(F). This section outlines “the qualifications to be met by individuals to be employed by the school,” and includes job descriptions that specify evaluation responsibilities.

For example, the principal’s job description includes:

- Leading instructional staff to achieve high performance through goal setting, feedback, and evaluation.
- Monitoring instructional planning and implementation.
- Reviewing instructional and planning documents.
- Conducting formal and informal classroom observations and maintaining written records with recommendations.

- Performing regular evaluations of instructional staff, including annual performance reviews.

Employee evaluations are a critical tool for assessing individual performance and enhancing organizational effectiveness. They provide a structured opportunity for employees and supervisors to:

- Review job performance.
- Recognize achievements.
- Identify areas for growth and improvement.
- Communicate support needs, such as training or resources.

A consistent evaluation process fosters professional development, aligns individual goals with organizational objectives, and supports strategic staffing decisions. It also promotes accountability, improves communication between staff and leadership, and contributes to employee motivation and job satisfaction.

Explore Academy outlines its evaluation procedures in both its Employee Handbook (Page 47) and employment contracts for teachers. According to these documents:

- Performance reviews are to be conducted periodically by the employee's immediate supervisor.
- The frequency of evaluations may vary based on factors such as job position, tenure, performance history, and changes in duties.
- Evaluations assess areas including work quality and quantity, job knowledge, initiative, and interpersonal attitude.
- Employees are required to sign evaluation reports to acknowledge receipt and discussion, not to indicate agreement.
- New hires may have performance goals reviewed within the first 90 days.
- Teacher contracts specify at minimum annual evaluations, typically around the anniversary of employment.
- Salary increases and promotions are not tied to performance evaluations but are based on objective criteria such as years of experience.

Despite these stated policies, FCMAT found no evidence of consistent annual performance evaluations in personnel files. This discrepancy suggests a gap between policy and practice, which may impact accountability, employee development, and compliance with internal governance standards.

Recommendations

The charter school should:

1. Conduct evaluations as outlined both in its employee handbook and its employment contracts.
2. Have employees sign evaluations indicating acknowledgement of receipt.
3. Keep a copy of the evaluation in the employee's personnel file.

Training and Cross-training

As the school has been unable to secure a consistent office manager, FCMAT was unable to determine the level of training and cross training that occurred. No training plan or written processes and procedures are established for a new or substitute employee to follow.

Written processes and procedures ensure consistency and compliance as well as continuity during times of transition.

Recommendations

The charter school should:

1. Create written processes and procedures for new or substitute staff to follow.
2. Create a plan for training a new office manager.

Personnel File Management

Explore Academy has no board policy regarding personnel files. However, the employee handbook states, "At the time of employment, a personnel file is established for each employee. It is each employee's responsibility to keep their Supervisor, Executive Director or Human Resources advised of changes that should be reflected in their personnel file. Such changes include change in address, telephone number, marital status, number of dependents and person(s) to notify in case of emergency."

As a best practice, personnel files should also contain the following information:

- Completed personnel file checklist.
- Log of individuals accessing the file with dates.
- Employment application and resume.
- Offer letter/signed employment agreement (including salary, position title, and start date).
- Signed job description (match above).
- Emergency contact information.
- Proof of credential verification.
- Tuberculosis (TB) test clearance.
- Proof of required background check and clearance.
- Proof of required annual trainings (mandated reporter, sexual harassment prevention, etc.).
- Signed employee handbook acknowledgment (new signatures should be obtained when revised).
- Signed annual performance evaluations.
- Disciplinary records (if applicable).
- Leave of absence documentation (if applicable).
- Separation/exit interview documentation (when applicable).

The following items should not be stored in an employee's personnel file:

- Form I-9 - Employment Eligibility Verification.

  Form I-9, and copies of any documents retained should be kept in a separate secured file with limited access. If the charter school keeps copies of documents proving employment eligibility, it should keep them for all employees to avoid claims of discrimination.

- The following should be kept in a payroll file for each employee:
  - Form W-4 - Employee Withholding Certificate (federal).
  - DE 4 - Employee's Withholding Allowance Certificate (California).
  - Health Benefits Enrollment Forms (if applicable).
  - Direct Deposit Authorization (if applicable).

FCMAT randomly chose six employee files from the 2024-25 fiscal year: four teachers and two classified employees and reviewed the personnel files that were available on site. While not part of the scope of this report, at the time of the FCMAT interviews, no personnel files were available for 2025-26.

Table 14: Results of personnel file review, 2024-25

Document	Certificated 1	Certificated 2	Certificated 3	Certificated 4	Classified 1	Classified 2
Completed personnel file checklist	Yes (partial)	Yes (partial)	Yes (partial)	No	No	No
Log of individuals accessing the file with dates	No	No	No	No	No	No
Employment application and resume	Yes	No (Resume only)	No (Resume only)	Yes	No	No
Offer letter/signed employment agreement (including salary, position title, and start date)	No	Yes	Yes	Yes	No	No
Signed job description (match above)	No	No	No	No	No	No
Emergency contact information	No	No	No	No	No	No
Proof of credential verification	No	No	Yes	yes	N/A	N/A
TB test clearance	No	No	No	Yes	No	Yes
Proof of required background check and clearance	No	No	Yes	No	No	No
Proof of required annual trainings (mandated reporter, sexual harassment prevention, etc.)	Yes (partial)	No	Yes	Yes	No	Yes

Document	Certificated 1	Certificated 2	Certificated 3	Certificated 4	Classified 1	Classified 2
Signed employee handbook acknowledgment (with new signatures obtained when revised)	No	No	No	No	No	No
Annual performance evaluations	No	No	Yes	Yes	No	No
Disciplinary records (if applicable)[1]						
Leave of absence documentation (if applicable)[1]						
Separation/exit interview documentation (when applicable)[1]						

[1]Staff was unable to verify whether the absence of documentation for these items was because they were not applicable (disciplinary records, leave of absence documentation) or because documentation was not appropriately kept.

Sources: FCMAT and the charter school.

Three personnel files contained I-9 and copies of employee documents.

One personnel file contained a W-9 - Request for Taxpayer Identification Number and Certification, which is to be completed by vendors and independent contractors. Employees complete W-4 - Employee's Withholding Certificate. Neither form belongs in a personnel file.

One personnel file contained no position title or anything to indicate the position the employee holds/held.

Recommendations

The charter school should:

1. Create individual personnel files for each employee.
2. Ensure that each employee file includes the following:
    - Completed personnel file checklist.
    - Log of individuals accessing the file with dates.
    - Employment application and resume.
    - Offer letter/signed employment agreement (including salary, position title, and start date).
    - Signed job description (match above).
    - Emergency contact information.
    - Proof of credential verification.
    - TB test clearance.
    - Proof of required background check and clearance.

- Proof of required annual trainings (mandated reporter, sexual harassment prevention, etc.).
- Signed employee handbook acknowledgment (with new signatures obtained when revised).
- Signed annual performance evaluations.
- Disciplinary records (if applicable).
- Leave of absence documentation (if applicable).
- Separation/exit interview documentation (when applicable).

3. Create a separate file for employment eligibility information. If copies of documents proving eligibility are kept, they should be kept for all employees.
4. Create a separate payroll file for each employee that contains withholding certificates, health and welfare forms (if applicable), and direct deposit authorization (if applicable).

Leave Management

Explore Academy provides two types of paid leave to its employees: paid sick leave and paid time off (PTO). The employee handbook includes the accrual and limits of leaves for employees.

According to the employee handbook, paid sick leave is accrued based on the employee's role and accrual calendar, with a minimum accrual of one hour for every 30 hours worked. Leave accrual is capped for part-time, temporary and substitute employees. Accrued sick leave carries over from year to year and is not paid out upon separation from employment. Documents submitted by Explore Academy indicate that payouts for sick leave were made at the end of the 2024-25 fiscal year despite the employee handbook stating otherwise. The charter has authority to determine its own practice, but it should align with any policies, employment contracts and the employee handbook.

Paid time off is also accrued based on the employee's role and accrual calendar. Unlike paid sick leave, there is no provision in the handbook for PTO for temporary or substitute employees. While the handbook does not expressly state that PTO is paid out upon separation from employment, documentation provided by Explore Academy clearly shows payments for PTO to numerous employees throughout the year, with most occurring at the end of the 2024-25 fiscal year.

Recommendations

The charter school should:

1. Align the employee handbook and its practice for paying out sick leave.
2. Clarify the payout policy for PTO in its employee handbook.

Appendices

Appendix A – Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR MANAGEMENT ASSISTANCE

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Orange County Department of Education, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d). The Client has requested that the FCMAT assign professionals to study specific aspects of the Client's operations. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

1. The Client has requested that FCMAT review the Explore Academy's 2025-26 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the charter school's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the charter school eliminate its structural budget deficit, if any.

2. Review the charter school's operational processes and procedures in the Business Services Department and make recommendations for improved efficiency, if any, in the following areas:
   - Budget development.
   - Budget monitoring.
   - Position control.
   - Payroll.
   - Accounts payable.
   - Accounts receivable.
   - Contracted services.

3. Review the charter school's operational processes and procedures in the Human Resources Department and make recommendations for improved efficiency, if any. The review will include, but may not be limited to:
   - Hiring, onboarding and exit interviews.
   - Evaluations.
   - Training and cross-training.
   - Personnel file management.
   - Leave management.

4. The team will present the final report to the charter school's governing board at a public meeting following the completion of the review.

B. <u>Services and Products to be Provided</u>

1. Orientation Meeting
   The Team will conduct an orientation session at the Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork
   The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

3. Exit Meeting
   The Team will hold an exit meeting at the conclusion of the fieldwork to inform the Client of the status of the study. The exit meeting will include a review of the scope of work; outstanding items, including documents, data and interviews not yet received or held; and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter
   Approximately 10 business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report
   An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report
   An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation
   Presentations to the Client's board are optional and are made at the request of the Client. If a board presentation is requested, it will be noted in the scope and objectives of the study or can be added as a change in scope at a later date.

8. Follow-Up Review
   If requested by the Client within six to 12 months after completion of the study, FCMAT, at no additional cost, will assess the Client's progress in implementing the recommendations included in the report. This follow-up support is primarily a document review-based study. Progress in implementing the recommendations will be documented to the Client in a FCMAT management letter. FCMAT will work with the Client on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after the date of the final report.

3. <u>PROJECT PERSONNEL</u>

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

4. <u>PROJECT COSTS</u>

The cost for studies requested pursuant to EC 42127.8(d)(1) and 84041 shall be as follows:

A. $1,200 per day for each FCMAT staff member while on site conducting fieldwork. The cost of independent FCMAT consultants will be billed at their daily rate for all work performed. On-site is defined as either 1) physically at the Client's office or school site(s), or 2) in a scheduled virtual meeting with the Client's personnel, representatives or others associated with the scope of work pursuant to Section 13 below.

B. All out-of-pocket expenses, including travel and its associated costs, and miscellaneous items necessary to complete the scope and objectives of the study.

C. The applicable indirect rate at the time work is performed on the study will be added to all costs billed.

D. The Client will be invoiced for 50% of the not-to-exceed cost shown below following completion of fieldwork (progress payment) and the remaining amount shall be due upon the issuance of the final report or presentation to the Client's board, whichever is later (final payment). The Parties agree that changes documented in a revised study agreement may change the original not-to-exceed amount shown below. If changes are made before or during fieldwork, the new not-to-exceed amount documented in such a revised study agreement will constitute the basis for the progress payment. If changes are made after fieldwork, 100% of the total changed value documented in a revised study agreement, less progress payments made, will constitute the final payment due. All payments shall be due immediately based on the terms of the invoice.

Based on the scope and objectives of the study, the total not-to-exceed cost of the study will be $32,000.

E. Any change to the scope of work will affect the total cost. Changes may include, but are not limited to, delays, revisions to the scope of services, and substitution or addition of personnel. The need for changes shall be communicated by FCMAT to the Client in advance in the form of a revised study agreement.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools, Administrative Agent, 1300 17th St., City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE CLIENT

A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

B. Provide private office or conference room space for the Team's use during fieldwork.

C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.

F. Facilitate access to requested board members, officers and staff for interviews.

G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.

I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides the Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client's initial request for services.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the of person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within 10 business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within 10 business days of FCMAT's receipt of requested documents and data.
Orientation meeting	First day of fieldwork.
Exit meeting	Last day of fieldwork.
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.

ACTION	TIMELINE
Client uploads supplemental documents and data to FCMAT's online SharePoint repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within eight weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within 10 business days of FCMAT providing a draft report to the Client.

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related parties from which, in the Team's judgment, it must obtain information. Once the Team has completed its fieldwork, it will proceed to prepare a report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

Prior to completion of fieldwork and upon written notice to FCMAT, the Client may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the Client does not provide written notice of termination prior to completion of fieldwork, the Team will complete its work and deliver its final report and the Client will be responsible for the full costs.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Client in any manner without prior express written authorization from an officer of the Client.

9. **RECORDS**

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the FCMAT website. Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. **CONTACT WITH PUPILS**

Pursuant to EC 45125.1, representatives of FCMAT will have limited contact with pupils. The Client shall take appropriate steps to comply with EC 45125.1.

11. **INSURANCE**

During the term of this Agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

12. **HOLD HARMLESS**

FCMAT shall hold the Client, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this Agreement. Conversely, the Client shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of the Client's board, officers, agents and employees undertaken under this Agreement.

13. **PUBLIC SAFETY CONSIDERATIONS**

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).

C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client's contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT's process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT's job lead assigned to the study.

Name:	Renee Hendrick, Deputy Superintendent, Operations
Telephone:	(714) 966-4061
Email:	rhendrick@ocde.us

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

6/5/25

Stefan Bean, Ed.D., Superintendent
Orange County Department of Education

Date

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2025.06.10 08:37:46 -07'00'

Michael H. Fine, Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team