

February 25, 2022

Literacy First Charter School
Debbie Beyer, Executive Director
799 East Washington Avenue
El Cajon, CA 92020

Dear Ms. Beyer:

Re: 2021-22 First Interim Report

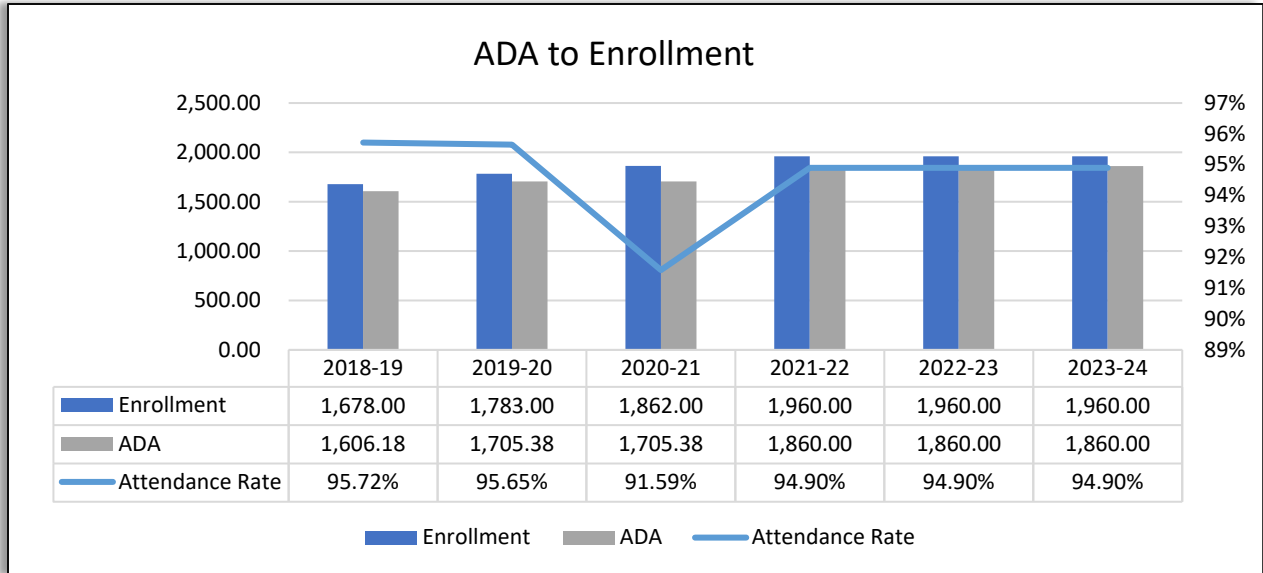
Our office has completed its review of your First Interim Report in compliance with the provisions of Education Code Section 47604.33 et seq. The charter school's First Interim Report has been analyzed in the context of the 2021-22 State Budget Act.

In accordance with the provisions of Education Code Section 47604.33, as the chartering authority of the charter school, the County Superintendent of Schools has assessed the fiscal condition of the charter school and believes the charter school will meet all its financial obligations for the current and two subsequent fiscal years based on the financial reports at this time.

First Interim Financial Status in 2021-22

Attendance and Enrollment

Literacy First Charter School currently has an enrollment of 1,960 students which represents an increase of 5% from the previous fiscal year of 2020-21. The projected average daily attendance (ADA) is 1,860 in the 2021-22 fiscal year with an ADA to enrollment ratio of 94.9%. At 2021-22 Adopted Budget, the charter school had projected 2,062 enrollment and 1,959 ADA. The charter school is projecting flat enrollment of 1,960 and ADA of 1,860 for the two subsequent years.



The memorandum of understanding (MOU) between Literacy First Charter School and the San Diego County Office of Education (SDCOE) states that a material revision is required if the charter school has a 25% increase or decrease of the enrollment projected in the charter petition. Based on the charter school’s projections, a material revision will not be needed.

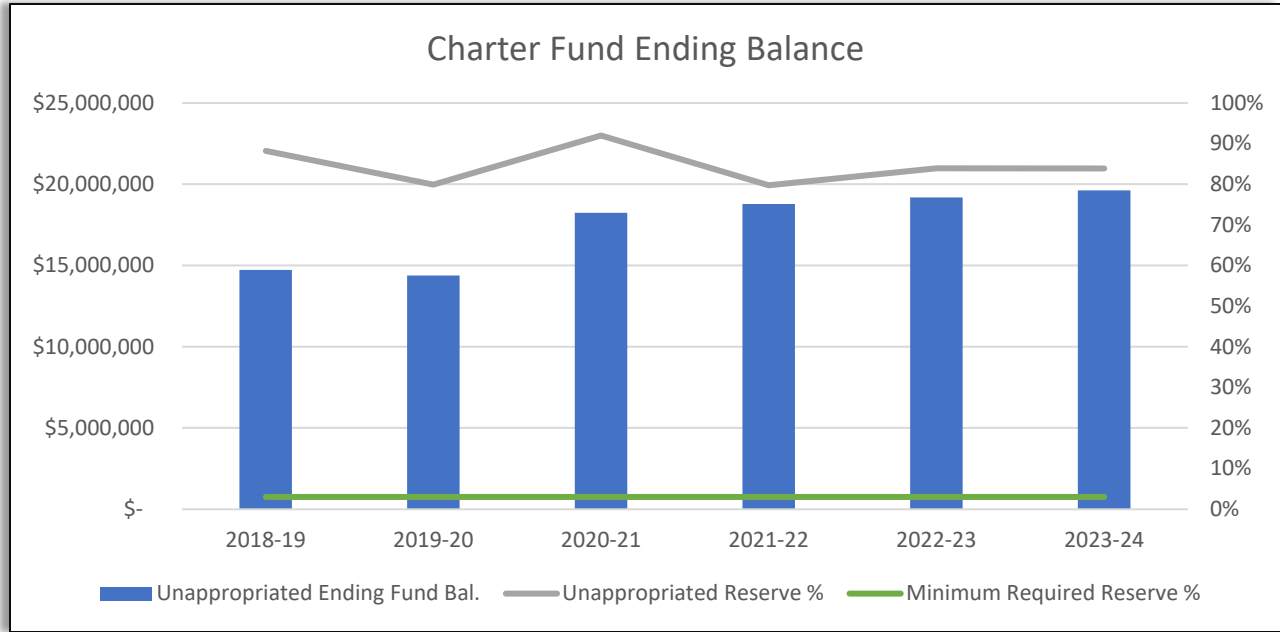
	Petition Enrollment	Actual/Projected Enrollment	Difference	% Difference
2019-20	1,783	1,783	0	0.00%
2020-21	1,862	1,862	0	0.00%
2021-22	1,862	1,960	98	5.26%
2022-23	1,928	1,960	32	1.66%
2023-24	1,928	1,960	32	1.66%

Deficit Spending / Ending Fund Balance / Reserve for Economic Uncertainties

The charter school continues to deficit spend in the unrestricted general fund as follows:

Fiscal Year	Surplus/(Deficit)	Ending Fund Balance	Reserve for Economic Uncertainties (Ending Fund Balance/Total Expenditures)
2021-22	\$1,234,330	\$18.78 million	79.75%
2022-23	\$399,487	\$19.18 million	83.90%
2023-24	\$430,508	\$19.61 million	83.85%

SDCOE requires the charter school to maintain a Reserve for Economic Uncertainties equal to 3% of expenditures. The charter school projects that it will meet this requirement in 2021-22 and beyond.



Multi-Year Projection

We have reviewed the charter school’s assumptions for the multi-year projection and they appear to be reasonable. Based upon these assumptions, the charter school will meet the required 3% reserve percentage for all years in the projection period.

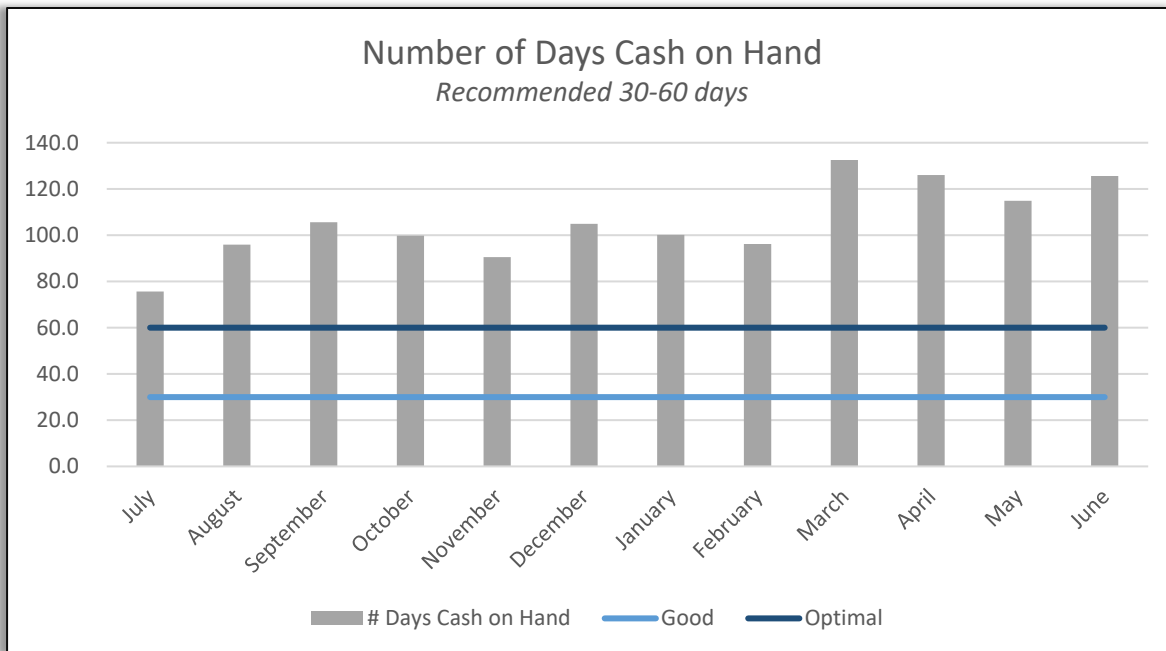
Long-Term Debt and Liabilities

The Charter School Holding, LLC. issued Charter School Lease Revenue Bonds (tax-exempt bonds) in November 2019 for \$10.6 million for the acquisition, construction, renovation, improvement and equipping of 1012 East Bradley Avenue, El Cajon, CA, and the Main Street facilities. Based on the First Interim Report, Literacy First Charter School will be able to repay the debt within the respective terms.

Bond Component	Rate	Amount	Maturity Date	Payment Due in 2021-22
2019 Series A Revenue Bonds	5.00%	\$7,450,000	December 1, 2049	\$372,500
2019 Series B Revenue Bonds	4.75%	\$3,180,000	December 1, 2030	\$351,565

Cash Flow

The cash flow submitted with the 2021-22 First Interim Report projects a positive cash balance in all months. The charter school industry recommends that charter schools maintain a cash balance between 30- and 60-days cash on hand. Cash on hand for Literacy First Charter is projected to range from 76 to 133 days.



Conclusion

Literacy First Charter School has increased enrollment of 98 students, which represents an increase of 5%, from the previous fiscal year of 2020-21. The charter school is projecting flat enrollment of 1,960 and ADA of 1,860 for the two subsequent years. The charter school projects a budget surplus for the current and the two subsequent years. The charter school should be able to meet the Reserve for Economic Uncertainties of 3% for the three fiscal years of the projection period with an estimated ending fund balance of \$4.6 million in 2023-24.

SDCOE appreciates Literacy First Charter School's efforts to ensure fiscal solvency. Should any adverse circumstances arise which would negatively impact the financial condition of the charter school, please notify this office as soon as possible.

If you have any questions concerning this review, please feel free to contact Anna Buxbaum at abuxbaum@sdcoe.net, or at (858) 290-5899.

Sincerely,

Kristin Armatris
Senior Director, Charter School Services

cc: Mrs. Priscilla Schreiber, Board President, Literacy First Charter School
Mr. Steve Robinson, Chief Financial Official, Literacy First Charter School
Anna Buxbaum, Coordinator, Charter School Services, SDCOE