

August 1, 2022

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

Dear Ms. Beyer:

Re: 2022-23 Budget Adoption Report

Our office has completed its review of Literacy First Charter School's Budget Adoption Report in compliance with the provisions of Education Code Section 47604.33 et seq. The charter school's Budget Adoption Report has been analyzed in the context of the 2022-23 Governor's May Revision and 2022-23 State Budget Act.

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

Local Control Accountability Plan (LCAP)

Our office has received a copy of the charter school's Local Control Accountability Plan (LCAP), LCAP Supplement to the Annual Update and Budget Overview for Parents. Additionally, a copy of the LCAP, LCAP Supplement to the Annual Update and Budget Overview for Parents is posted on the charter school's website.

Financial Status in 2022-23

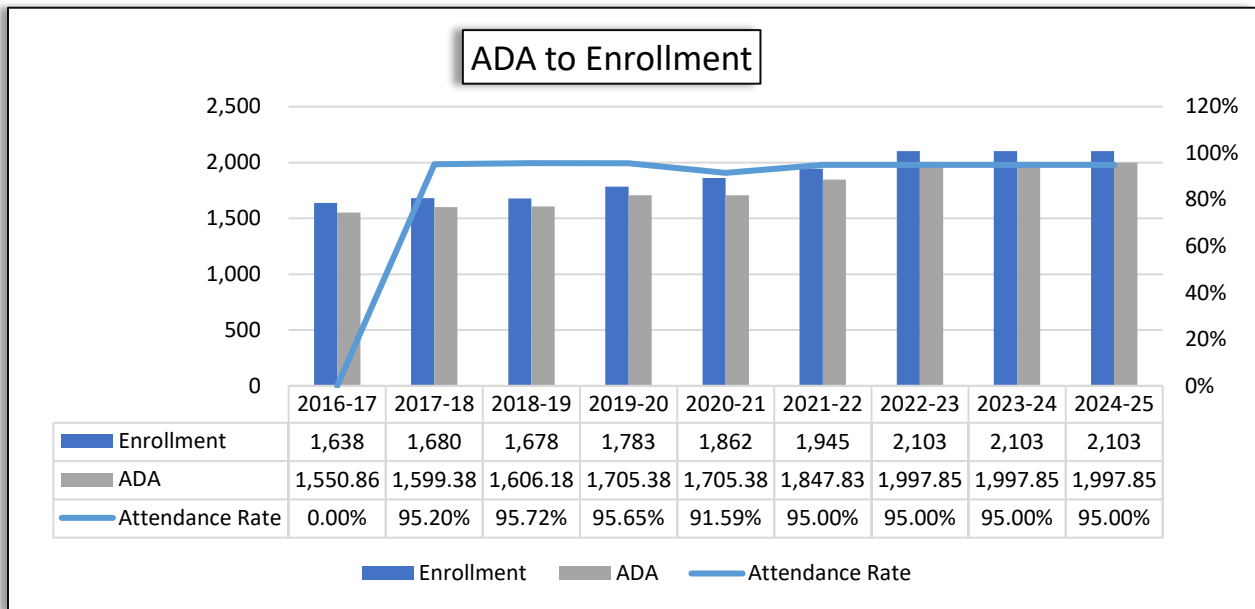
Attendance and Enrollment

Literacy First Charter School is projecting an increase in enrollment from 2021-22 to 2022-23 of 7.51% to 2,103 students. The charter school's average daily attendance (ADA) is projected to be 1997.85 in 2022-23 with an enrollment to ADA ratio of 95.0%. The two subsequent years project flat enrollment with no increase in ADA or change to the enrollment to ADA ratio.

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.

Historical enrollment and attendance figures, as well as the assumptions included in the district's multiyear projection, are presented in the chart below.

Note: The graph reflects the hold harmless prior year ADA in 2020-21.



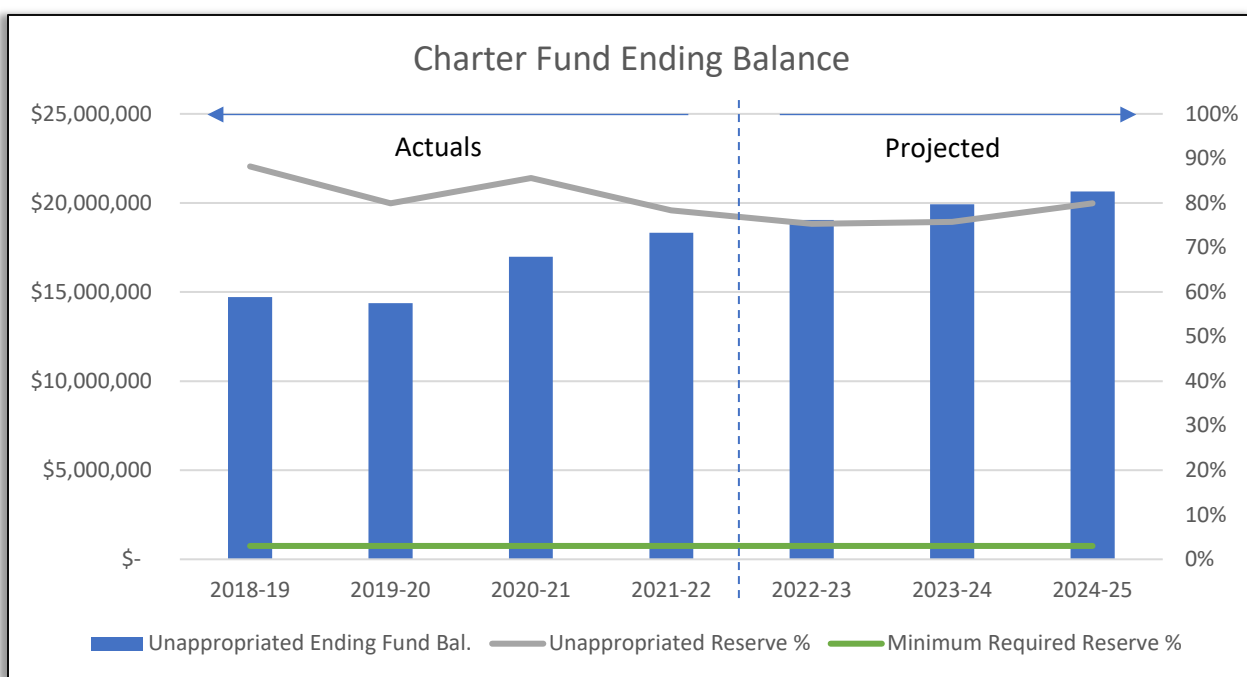
Deficit Spending / Ending Fund Balance / Reserve for Economic Uncertainties

The 2022-23 Adopted Budget projects the following impacts to the unrestricted general fund:

Fiscal Year	Surplus/(Deficit)	Ending Fund Balance	Reserve for Economic Uncertainties (Ending Fund Balance/Total Expenditures)
2022-23	\$2.17 million	\$19.05 million	75.31%
2023-24	\$882,717	\$19.93 million	75.79%
2024-25	\$716,747	\$20.65 million	79.91%

The San Diego County Office of Education requires the charter school to maintain a Reserve for Economic Uncertainties (REU) equal to 3% of expenditures. The charter school projects that it will meet this requirement in 2022-23 and beyond.

The following chart displays the district's ending fund balance and REU from fiscal year 2018-19 through the projection period.



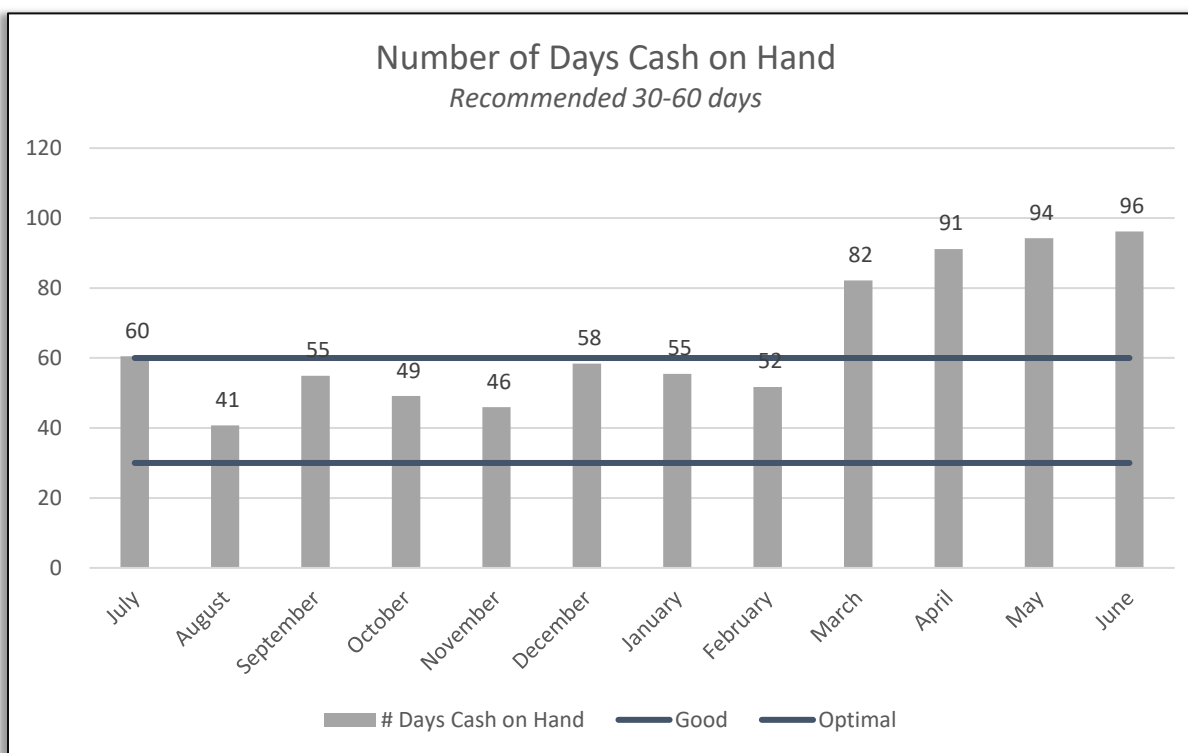
Multi-Year Projection

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 reserve percentage in 2022-23 and beyond.

Cash Flow

The cash flow submitted with the 2022-23 Adopted Budget 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 School is projected to range from 41 to 96 days.



Long-Term Debt and Liabilities

Literacy First Charter School entered into a lease agreement with Literacy First Charter School Issuer (LLC) on November 1, 2019, for use of the facilities located at Main Street and Bradley Street. The minimum lease amount due in 2023 is \$723,090.

Conclusion

Literacy First Charter School projects a 7.51% increase in enrollment from the previous fiscal year of 2021-22 by 158 students. The projected average daily attendance (ADA) is 1,997.85 in the 2022-23 fiscal year with an ADA to enrollment ratio of 95.0%. The subsequent two years project flat enrollment and ADA.

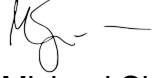
The charter school is projecting a surplus in the multi-year projection and will be able to meet the 3% reserve requirement over the projection period.

We appreciate the 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.

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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,

A handwritten signature in black ink, appearing to read 'MS', followed by a horizontal line.

Michael Simonson
Deputy Superintendent, Chief Business Officer

cc: Mrs. Priscilla Schreiber, Board President, Literacy First Charter School
Mr. Steve Robinson, Chief Financial Official, Literacy First Charter School