



Magnolia Public Schools

Regular Finance Committee Meeting

Date and Time

Wednesday December 5, 2018 at 6:00 PM PST

Location

MPS Home Office: 250 E. 1st St. Suite 1500 Los Angeles, CA 90012- Conference Room

Access to the Board Meeting:

Any interested parties or community members may attend the meeting from the locations where the meeting is taking place, or from where committee members are joining, or by phone using the following conference number: 1.844.572.5683; 1948435

- MSA Santa Ana: 2840 W. 1st St., Santa Ana CA 92703 (Mr. Shohrat Geldiyev)
- 1363 Ridgecrest Rd Pinole, CA 94564 (Mr. Serdar Orazov)

In compliance with the Americans with Disabilities Act (ADA) and upon request, Magnolia Public Schools may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Individuals who require appropriate alternative modification of the agenda in order to participate in committee meetings are invited to contact the MPS central office. If you need special assistance to attend the meeting or translation services, please notify Barbara Torres at (213) 628-3634 x100 within 48 hours to make arrangements and accommodate your disability.

Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 250 East 1st Street Ste 1500 Los Angeles, CA 90012.

Finance Committee Members:

Mr. Serdar Orazov, Chair
Dr. Saken Sherkhanov
Ms. Sandra Covarrubias
Mr. Shohrat Geldiyev

CEO and Superintendent:

Mr. Alfredo Rubalcava

Agenda

	Purpose	Presenter	Time
I. Opening Items			6:00 PM
A.	Call the Meeting to Order		1 m
B.	Record Attendance and Guests		1 m

- C. Pledge of Allegiance** 1 m
 - D. Public Comment** 1 m
 - E. Approval of Agenda** Vote 1 m
 - F. Approval of Minutes from Regular Finance Committee Meeting- September 12, 2018** Approve Minutes 1 m
- Approve minutes for Regular Finance Committee Meeting on September 12, 2018

II. Recommendation of Action Items **6:06 PM**

- A. Approval Recommendation of 2017-18 MPS Audit Reports** Vote Nanie Montijo 20 m
- B. Approval Recommendation 2018-19 First Interim Financial Reports** Vote Nanie Montijo 30 m

III. Discussion Item **6:56 PM**

- A. MSA-4 Fiscal Benchmarks Update** Discuss Nanie Montijo 5 m

IV. Closing Items **7:01 PM**

- A. Adjourn Meeting** Vote

Cover Sheet

Approval of Minutes from Regular Finance Committee Meeting- September 12, 2018

Section: I. Opening Items
Item: F. Approval of Minutes from Regular Finance Committee Meeting- September 12, 2018
Purpose: Approve Minutes
Submitted by:
Related Material:
Minutes for Regular Finance Committee Meeting on September 12, 2018

APPROVED



Magnolia Public Schools

Minutes

Regular Finance Committee Meeting

Date and Time

Wednesday September 12, 2018 at 6:00 PM

Location

Teleconference; Dial: 1.844.572.5683 Code: 1948435

Committee members joined from the following locations:

- 5653 Alton Pkwy Irvine CA, 92618 (Mr. Shohrat Geldiyev)
- 7401 Madora Ave. Winnetka, CA 91306 (Ms. Sandra Covarrubias)
- 11935 Dorothy Street, Los Angeles, CA 90049 (Dr. Saken Sherkhanov)
- 1363 Ridgecrest Rd Pinole, CA 94564 (Mr. Serdar Orazov)

Finance Committee Members:

Mr. Serdar Orazov, Chair
Dr. Saken Sherkhanov
Ms. Sandra Covarrubias
Mr. Shohrat Geldiyev

CEO and Superintendent:

Mr. Alfredo Rubalcava

Committee Members Present

S. Covarrubias (remote), S. Geldiyev (remote), S. Orazov (remote), S. Sherkhanov (remote)

Committee Members Absent

None

I. Opening Items

A. Call the Meeting to Order

S. Orazov called a meeting of the Finance committee of Magnolia Public Schools to order on Wednesday Sep 12, 2018 @ 6:06 PM at Teleconference; Dial: 1.844.572.5683 Code: 1948435.

B. Record Attendance and Guests

All committee members joined the meeting remotely, refer to attendance details stated above.

C. Public Comment

There were no public comments.

D. Approval of Agenda

S. Sherkhanov made a motion to approve the agenda as presented.

S. Orazov seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

S. Sherkhanov Aye

S. Orazov Aye

S. Geldiyev Aye

S. Covarrubias Aye

E. Approval of Minutes from Regular Finance Committee Meeting- May 21, 2018

The minutes being approved were incorrectly stated on the agenda. The minutes being approved were for the Special Finance Committee Meeting that took place on June 8, 2018. S. Covarrubias and S. Geldiyev were new committee members to the Finance Committee, they did not participate in the June 8, 2018 Finance Committee meeting but voted for approval.

S. Sherkhanov made a motion to approve minutes from the Special Finance Committee on 06-08-18.

S. Orazov seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

S. Geldiyev Aye

S. Sherkhanov Aye

S. Covarrubias Aye

S. Orazov Aye

II. Action Item

A. Approval of 2017-18 Unaudited Actuals and Review of July '18 Financials

N. Montijo, MPS Chief Financial Officer (CFO), presented the 2017-18 Unaudited Actuals to the Finance Committee. She explained that the MERF budget ended with savings and MSA Santa Ana and MSA San Diego were the only two schools that ended in the red.

S. Orazov, Committee Chair, suggested staff to review the numbers once again due to the savings in the MERF budget and wants to discuss how these savings can be reallocated in the future. He also requested a report that shows the current year budget versus actuals from 2017-18. N. Montijo stated that there may be expenses not yet accrued if there are invoices that have not been received. Staff went over the implications that negative budgets may have on renewals and they explained the plan and action steps to address authorizer concerns, they explained there are both short term and long term plans for budget issues. The July financials were not reviewed since there are no new forecasts.

S. Orazov made a motion to recommend approval of the Unaudited Actuals Report for Fiscal Year Ended June 30, 2018.

S. Sherkhanov seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

S. Sherkhanov Aye

S. Covarrubias Aye

S. Orazov Aye

S. Geldiyev Aye

B. Approval for Additional Positions Due to Increased Enrollment at MSA-3

S. Daniel, MSA-3 Principal, explained the growth in student enrollment and the need to hire the new requested staff. She went over the school's operations and academic program and what interests the students. She stated that in order to continue to serve the students as is promised by the school, the additional staff is needed. N. Montijo, MPS Chief Financial Officer (CFO), stated that the increase in enrollment will be based on the enrollment count from October 1st and adjustments will be made if and when necessary. Committee Members presented their concerns regarding losing students within the year and asked that there be a plan in place to made adjustments. There was a lengthy discussion on these items, all questions were addressed.

S. Sherkhanov made a motion to recommend approval for MSA 3 to increase staffing as follows:one (1) part-time special education teacher aide into full time position, one (1) additional full time special education teacher position, approval of Behavior Intervention Implementation Specialist Services, approve Additional Stipends for (4) full time teachers, Approve one (1) new part-time general education teacher and approve, Additional hours for administrative assistant.

S. Orazov seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

S. Sherkhanov Aye

S. Covarrubias Aye

S. Geldiyev Aye

S. Orazov Aye

III. Discussion Item

A. Finance Update on Board Requests

This item was briefly discussed and will be presented for further discussion at the September 13th Regular Board Meeting.

IV. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 7:10 PM.

Respectfully Submitted,

S. Orazov

Cover Sheet

Approval Recommendation of 2017-18 MPS Audit Reports

Section: II. Recommendation of Action Items
Item: A. Approval Recommendation of 2017-18 MPS Audit Reports
Purpose: Vote
Submitted by:
Related Material: II A Audit Reports.pdf



Board Agenda Item #	Agenda #II A- Action Item
Date:	December 5, 2018
To:	Magnolia Board of Directors- Finance Committee
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Nanie Montijo, Chief Financial Officer
RE:	Approval of 2017-18 Audit Report

Proposed Board Recommendation

Motion to approve the Financial Audit Report for fiscal year 2017-18 of all ten (10) schools and the consolidated audit including the home office.

Background

Under Education Code (EC) Sections 41020 through 41020.8, all school districts must file their annual audit reports for the preceding fiscal year by December 15, with the Los Angeles County Superintendent of Schools (County Superintendent), the California Department of Education (CDE), and the State Controller's Office (SCO). The audit shall be conducted by an auditor from the list approved by the SCO and mutually agreeable to the authorizers and the Charter School.

The Governing Board of each school district must review the annual audit report for the prior fiscal year at a public meeting. According to EC Section 41020.3, the review will include: “. . . the annual audit of the local education agency for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or management letter issue.”

The board is required to review and approve annual financial audit report annually and submit to our various oversight entities by December 15.

In an audit engagement:

- The auditor explains that preparing the financial statements and maintaining sound internal control is management responsibility;
- The auditor explains its own responsibilities, duties and rights regarding the engagement; emphasizes the nature of the audit and states that the auditor only examines the internal controls and accounting records on a sample basis;

- The auditor gives his opinion on the financial statements:
 - ❑ An unqualified report concludes that the financial statements present fairly its affairs in all material aspects. Also known as a clean report, which implies that any changes in the accounting policies, application and effects are adequately determined and disclosed.

 - ❑ A qualified report is when there is a limitation of scope in auditor's work, or when there is disagreement with management regarding application, acceptability or adequacy of accounting policies. The issue must be material or financially worth consideration to qualify a report.
 - ❑ If issues are material and pervasive, the auditor issues a disclaimer or adverse opinion.

Independent auditor's report received from VTD at the end of their audit engagement with MERF for fiscal year 2017-18 states that the financial statements present fairly, in all material aspects, the respective financial position of the Charter School, as of June 30, 2018. The changes in its net assets, its cash flows for the year that ended, in accordance with accounting principles generally accepted in the United States of America.

Budget Implications

None.

How Does This Action Relate/Affect/Benefit All MSAs?

All MPS schools will be in compliance with the federal, state and all authorizers' requirements.

Name of Staff Originator:

Nanie Montijo, Chief Financial Officer

Exhibits (attachments):

2017-18 Audit Reports for each MPS school
2017-18 MERF and Consolidated Audit Reports

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Educational & Research Foundation
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Educational & Research Foundation (the Foundation) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule of Expenditures of Federal Awards and the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/20/2018

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,600,493	\$ 9,834,842
Restricted cash	4,659,987	648,760
Accounts receivable	4,781,620	3,194,412
Prepaid expenses and other current assets	1,027,408	1,620,157
Total Current Assets	<u>33,069,508</u>	<u>15,298,171</u>
Non-Current Assets:		
Debt issue costs, net	1,076,199	358,782
Security deposits	43,117	64,690
Fixed assets	46,055,549	30,157,534
Less: accumulated depreciation	(4,120,699)	(3,115,417)
Total Non-Current Assets	<u>43,054,166</u>	<u>27,465,589</u>
Total Assets	<u>\$ 76,123,674</u>	<u>\$ 42,763,760</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 3,232,385	\$ 3,212,491
Deferred revenue	2,290,659	519,063
Current portion of long-term obligations	306,020	3,129,116
Total Current Liabilities	<u>5,829,064</u>	<u>6,860,670</u>
Long-Term Obligations:		
Non-current portion of long-term obligations	43,383,648	14,424,680
Total Liabilities	<u>49,212,712</u>	<u>21,285,350</u>
NET ASSETS		
Unrestricted	24,467,494	20,413,178
Designated	2,443,468	1,065,232
Total Net Assets	<u>26,910,962</u>	<u>21,478,410</u>
Total Liabilities and Net Assets	<u>\$ 76,123,674</u>	<u>\$ 42,763,760</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/20/2018

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
State apportionments	\$ 36,259,514	\$ 34,483,963
Federal revenue	3,851,301	3,756,458
Other state revenue	8,196,747	6,383,153
Local revenue	1,528,298	1,400,619
Total Revenues	<u>49,835,860</u>	<u>46,024,193</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 23,353,633	\$ 23,151,926
Student services	1,867,468	2,173,408
Materials and supplies	426,368	839,491
Student nutrition	1,472,329	1,670,987
Other expenses	848,175	1,221,591
Subtotal	<u>27,967,973</u>	<u>29,057,403</u>
Management and general:		
Salaries and benefits	5,770,193	5,787,982
Amortization	38,894	12,814
Depreciation	1,228,552	907,827
Insurance	11,628	790
Management fee	16,296	326,637
Occupancy	2,613,954	1,809,451
Operating expenses	5,571,915	6,622,041
Debt service	691,435	360,088
Interest	492,468	173,344
Subtotal	<u>16,435,335</u>	<u>16,000,974</u>
Total Expenses	<u>44,403,308</u>	<u>45,058,377</u>
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	<u>5,432,552</u>	<u>965,816</u>
Extraordinary item - MSA Santa Clara	-	(348,866)
CHANGE IN NET ASSETS	<u>5,432,552</u>	<u>616,950</u>
NET ASSETS, BEGINNING OF YEAR	<u>21,478,410</u>	<u>20,861,460</u>
NET ASSETS, END OF YEAR	<u>\$ 26,910,962</u>	<u>\$ 21,478,410</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/20/2018

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,432,552	\$ 616,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,136,583	776,526
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(1,587,208)	1,122,987
Prepaid expenses and other current assets	592,749	(1,478,486)
Security deposits	21,573	79,460
Increase in liabilities		
Accounts payable and accruals	19,894	95,417
Deferred revenue	1,771,596	11,145
Net Cash Provided by Operating Activities	<u>7,387,739</u>	<u>1,223,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(16,029,316)</u>	<u>(6,765,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan principal payments	(3,129,116)	(190,867)
Proceeds from long-term debt obligation	29,264,988	-
Restricted cash	(4,011,227)	5,678,755
Debt issue cost payments	(717,417)	12,814
Net Cash Provided by Financing Activities	<u>21,407,228</u>	<u>5,500,702</u>
NET CHANGE IN CASH	<u>12,765,651</u>	<u>(41,089)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,834,842</u>	<u>9,875,931</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,600,493</u>	<u>\$ 9,834,842</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ 492,468</u>	<u>\$ 173,344</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

DRAFT 11/20/2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Educational & Research Foundation

Magnolia Educational & Research Foundation (MERF) is a California not-for-profit organization. During the fiscal year ended June 30, 2018, MERF operated ten Magnolia Science Academy (MSA) kindergarten through grade twelve charter schools serving 3,790 students throughout California dedicated to inspiring students to choose career paths in science, technology, engineering, and math (STEM), while providing a robust, standards-based education program within a supportive culture of excellence.

To ensure students have the tools to succeed, the Foundations offer the following programs, which are mostly free of charge:

- Academic programs
- Student support programs
- After school programs
- Parent involvement programs

The Foundations operate under the approval of the California State Board of Education, Los Angeles Unified School District and San Diego Unified School District. Each school receives public per-pupil funding from the State of California, in addition to grants from various government sources.

Other Related Entities

Magnolia Properties Management, Inc. (MPM Inc.)

On January 12, 2012, MPM Inc., a separate 501(c)(3) nonprofit public benefit corporation, was formed for the primary purposes to facilitate the development of charter schools. Additional purposes are to lease, to own, manage and operate an educational institution, to provide charter school facilities and operational and other support to charter schools, to assist philanthropists and foundations in accelerating the growth of high quality charter schools, and to provide and otherwise obtain or assist in obtaining charter school financing. MPM Inc. was formed and is operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of Magnolia Educational & Research Foundation (MERF).

MPM Sherman Way, LLC

MERF formed the MPM Sherman Way, LLC exclusively for the acquisition of property and assets of Magnolia Science Academy Charter Schools, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The Magnolia Science Academy makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA 1 Reseda Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of MERF. MPM Inc. is the sole member of the LLC.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

DRAFT 11/20/2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

MPM Santa Ana, LLC

MERF formed the MPM Santa Ana, LLC exclusively for the acquisition of property and assets of Magnolia Science Academy Charter Schools, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The Magnolia Science Academy Santa Ana (MSA-SA) makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA-SA Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of MERF. MPM Inc. is the sole member of the LLC.

MPM San Diego, LLC

MERF formed the MPM San Diego, LLC (the LLC) exclusively for the acquisition of property and assets of Magnolia Science Academy Charter Schools, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The Magnolia Science Academy San Diego (MSA-SD) makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA-SD Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of MERF. MPM Inc. is the sole member of the LLC.

Joint Powers Agency and Risk Management Pools

Magnolia Science Academy Charter Schools are associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MERF. Additional information is presented in Note 15 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MERF are described below to enhance the use of the consolidated financial statements to the reader.

Financial Statement Presentation

MERF is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MERF had no temporarily or permanently restricted net assets, as of June 30, 2018 and 2017, respectively. In addition, MERF is required to present a Statement of Cash Flows.

Accounting Method - Basis of Accounting

The financial statements were prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, Not-for-Profit Organizations accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Foundation uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)**DRAFT 11/20/2018****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(With comparative financial information at June 30, 2017)**JUNE 30, 2018**

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or when the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." MERF, MPM Inc., and the LLC had no temporarily or permanently restricted net assets at June 30, 2018 and 2017, respectively.

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded if they create or enhance non-financial assets or require a specialized skill that MERF would otherwise need to purchase. As of June 30, 2018 and 2017, respectively, no in-kind contributions of services were received.

Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which generally require revenue recognition upon incurrence of expenses related to the specified services. Deferred revenue is recorded to the extent cash received on specific grants exceeds qualified expenses.

Income Taxes

MERF is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as a public charity described in Section 509(a)(1) Type 1 supporting organizations and is exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The statute of limitations for Federal and California State purposes is generally three and four years, respectively.

MERF has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. MERF management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, MERF considers all highly liquid investments available for current use with an initial maturity of three months or less to be considered as cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management had determined all accounts receivable are fully collectible and no allowance for bad debts has been established.

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Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by MERF Headquarters to each individual charter school and reimbursement for those resources from each individual charter school to MERF Headquarters.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$1,228,552 and \$907,827, respectively.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by MERF prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when MERF has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Certain grants received before the eligibility requirements are met are recorded as deferred revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MERF, MPM Inc., and the LLC.

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Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MERF and the LLC do not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used. MERF and the LLC do not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. The grant portion of the Foundation Facilities Program is classified as designated assets until the funds are used for the purchase of the land and the construction of the facility. As of June 30, 2018 and 2017, the amount of restricted cash was \$4,659,987 and \$648,760, respectively. As of June 30, 2018 and 2017, there was a designated balance of \$2,443,468 and \$1,065,232, respectively, for California Clean Energy Jobs Act, College Readiness funds, National School Lunch Program, and Proposition 1 D funds.

Consolidation

The consolidated financial statements include the accounts of MERF, MPM Inc., the LLC, and all MSA charter schools. All significant intra-company accounts and transactions have been eliminated in consolidation.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 12).

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

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NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 22,096,194	\$ 25,888,140	\$ 9,043,882	\$ 10,098,608
County pooled investment funds	504,299	N/A	790,960	N/A
Total	<u>\$ 22,600,493</u>	<u>\$ 25,888,140</u>	<u>\$ 9,834,842</u>	<u>\$ 10,098,608</u>

The majority of MERF's cash is held in bank accounts, which are subject to federally insured limits of \$250,000. MERF has not experienced any losses in such accounts. At June 30, 2018 and 2017, MERF had \$25,388,140 and \$9,204,748, respectively, in excess of FDIC insured limits in bank accounts.

NOTE 4 - RESTRICTED CASH

At June 30, 2018 and 2017, cash held for restricted purposes consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Bond reserve	\$ 4,553,380	\$ 4,553,380	\$ 446,563	\$ 446,563
Facility reserve	106,607	106,607	202,197	202,197
Current Restricted Cash	<u>\$ 4,659,987</u>	<u>\$ 4,659,987</u>	<u>\$ 648,760</u>	<u>\$ 648,760</u>

The majority of MERF's restricted cash is held in bank accounts, which are subject to federally insured limits of \$250,000. MERF has not experienced any losses in such accounts. At June 30, 2018 and 2017, MERF had \$4,553,130 and \$196,563, respectively, in excess of FDIC insured limits in bank accounts.

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NOTE 5 - INVESTMENTS (CASH EQUIVALENTS)

Summary of Investments

Two MSA charter schools have investments held in county investment pools. Investments as of June 30, 2018 and 2017, are classified in the accompanying financial statements as follows:

Magnolia Science Academy San Diego

Investment Type	June 30, 2018		June 30, 2017	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
San Diego County Pooled Investment Funds	\$ 62,058	\$ 61,400	\$ 14,476	\$ 14,427

Magnolia Science Academy Santa Ana

Investment Type	June 30, 2018		June 30, 2017	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
Orange County Pooled Investment Funds	\$ 442,241	\$ 440,337	\$ 776,484	\$ 775,242

All assets have been valued using a market approach, with quoted market prices.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Foundations do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. MERF manages exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

MERF monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

NOTE 6 - MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

MERF determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

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The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Uncategorized - Investments in the Orange and San Diego County Treasury Investment Pools are not measured using the input levels above because the Foundations' transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The fair value measurements are as follows at June 30, 2018:

Magnolia Science Academy San Diego

<u>Investment Type</u>	<u>Level</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
San Diego County Treasury Investment Pool	Uncategorized	<u>\$61,400</u>	370

Magnolia Science Academy Santa Ana

<u>Investment Type</u>	<u>Level</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
Orange County Pooled Investment Funds	Uncategorized	<u>\$ 440,337</u>	302

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NOTE 7 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Local Control Funding Formula	\$ 2,261,602	\$ 2,018,722
Federal receivable	965,463	699,232
State receivable	1,216,639	58,203
Due From LACOE	-	16,815
Local receivable	-	21,902
Lottery	335,247	379,538
Other	2,669	-
Total Accounts Receivable	<u>\$ 4,781,620</u>	<u>\$ 3,194,412</u>

NOTE 8 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,386,854	\$ 2,386,854
Building improvements	28,388,867	24,123,767
Leasehold improvements	384,879	374,818
Computer and equipment	2,775,055	2,536,238
Work in progress	12,119,894	735,857
Subtotal	46,055,549	30,157,534
Less: accumulated depreciation	(4,120,699)	(3,115,417)
Total Fixed Assets	<u>\$ 41,934,850</u>	<u>\$ 27,042,117</u>

During the years ended June 30, 2018 and 2017, \$1,228,552 and \$907,827, respectively, was charged to depreciation expense.

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NOTE 9 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 733,254	\$ 751,947
Compensated absences	121,768	-
Vendor payables	1,981,453	2,324,075
Due to other agencies	395,910	136,469
Total Accounts Payable and Accruals	<u>\$ 3,232,385</u>	<u>\$ 3,212,491</u>

NOTE 10 - DEFERRED REVENUE

Deferred revenue at June 30, 2018, consisted of the following:

	<u>2018</u>	<u>2017</u>
State sources	\$ 2,290,659	\$ 446,563
Other	-	72,500
Total Deferred Revenue	<u>\$ 2,290,659</u>	<u>\$ 519,063</u>

NOTE 11 - LONG-TERM OBLIGATIONS

At June 30, 2018, MERF's long-term obligations summary is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
Bonds payable (CSFA)	\$ 5,870,000	\$ 25,000,000	\$ 85,000	\$ 30,785,000	\$ 90,000
Loans (CCSFP)	8,883,784	-	244,116	8,639,668	223,520
Note payable	2,800,000	4,265,000	2,800,000	4,265,000	82,500
Total	<u>\$ 17,553,784</u>	<u>\$ 29,265,000</u>	<u>\$ 3,129,116</u>	<u>\$ 43,689,668</u>	<u>\$ 396,020</u>

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At June 30, 2017, MERF's long-term obligations summary is as follows:

	Balance			Balance		Due in
	July 1, 2016	Additions	Deductions	June 30, 2017	One Year	
Bonds payable						
(CSFA)	\$ 5,950,000	\$ -	\$ 80,000	\$ 5,870,000	\$ 85,000	
Loans (CCSFP)	8,950,465	-	66,669	8,883,796	244,116	
Capital leases	44,198	-	44,198	-	-	
Note payable	2,800,000	-	-	2,800,000	2,800,000	
Total	<u>\$ 17,744,663</u>	<u>\$ -</u>	<u>\$ 190,867</u>	<u>\$ 17,553,796</u>	<u>\$ 3,129,116</u>	

California School Finance Authority (CSFA) School Facility Revenue Bonds

Series 2014A and 2014B

In June 2014, the CSFA issued \$6,020,000 in School Facilities Revenues, Series 2014A and Series 2014B for the purpose of a loan to MPM Sherman Way, LLC. The proceeds from the bonds will be used for the purpose of purchase, renovations, and improvement of charter school facilities. The bonds mature in August 2044 with monthly interest payments due commencing July 1, 2044. At June 30, 2018, the principal balance outstanding was \$5,785,000.

Series 2017A-1 and 2017A-2

In August 2017, the CSFA issued \$25,000,000 in School Facilities Revenues, Series 2017A-1 and Series 2017A-2 for the purpose of a loan to MPM Sherman Way, LLC, MPM Santa Ana, LLC, and MPM Sand Diego, LLC. The proceeds from the bonds will be used for the purpose of purchase, renovations, and improvement of charter school facilities. The bonds mature in July 2044 with monthly interest payments due commencing July 1, 2044. At June 30, 2018, the principal balance outstanding was \$25,000,000.

The bonds mature through 2045 as follows:

Repayment Year	Current Interest		
	Principal	to Maturity	Total
2019	\$ 90,000	\$ 1,660,688	\$ 1,750,688
2020	620,000	1,641,088	2,261,088
2021	655,000	1,607,444	2,262,444
2022	685,000	1,572,269	2,257,269
2023	720,000	1,535,387	2,255,387
2024-2028	4,230,000	7,117,626	11,347,626
2029-2033	4,740,000	6,498,538	11,238,538
2034-2038	6,350,000	4,843,338	11,193,338
2039-2043	8,520,000	2,611,500	11,131,500
2044-2045	4,175,000	256,319	4,431,319
Total	<u>\$ 30,785,000</u>	<u>\$ 29,344,197</u>	<u>\$ 60,129,197</u>

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Debt Service Coverage and Cash Days on Hand

Under the current bonding agreement, MPM Sherman Way, MPM Santa Ana, and MPM San Diego (the Lessees) or Magnolia Educational and Research Foundation (MERF) is required to maintain a Debt Service Coverage Ratio of 1.10 to 1.00 and Cash Days on Hand of 45 days.

The Debt Service Coverage Ratio is calculated by dividing the Combined Net Income Available for Debt Service from Magnolia Science Academy (MSA) by the Maximum Annual Debt Service for all outstanding indebtedness. As of June 30, 2018, MSA had a 2.56 Debt Service Coverage Ratio and was in compliance with the 1.10 to 1.00 required ratio and cash on hand of 45 days.

Debt Service Coverage

Net Income	\$ 1,425,567
Depreciation	6,361
Rent	916,260
Income Available for Coverage	2,348,188
Debt Service	916,260

Debt Service Coverage	2.56
Limit	1.10
Compliance	Yes

The Days Cash on Hand is calculated by reducing non-cash expenses from total expenses and divided by 365 days. As of June 30, 2018, MSA had 113 days cash on hand and was in compliance with the 45 days required.

Days Cash on Hand

Total Expenses	\$ 6,599,203
Depreciation	6,361
Cash Expenses	6,592,842
Expense/Day	18,063
Cash	2,044,087

Days Cash on Hand	113
Limit	45
Compliance	Yes

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Loans (CCSFP)

Summarized below are MERF's loans at June 30, 2018:

	Balance			Balance		Due in
	July 1, 2017	Additions	Deductions	June 30, 2018	One Year	
MSA SD (CCSFP)	\$ 151,806	\$ -	\$ -	\$ 151,806	\$ -	
MSA SA (Revolving)	25,000	-	25,000	-	-	
MSA SA (CCSFP)	8,706,978	-	219,116	8,487,862	223,520	
Total	\$ 8,883,784	\$ -	\$ 244,116	\$ 8,639,668	\$ 223,520	

Magnolia Science Academy Santa Ana (MSA SA)

Magnolia Science Academy Santa Ana received unsecured revolving loan payable to the California Department of Education totaling \$150,000 on November 30, 2012. The loan balance as of June 30, 2018, was \$75,000. The loan has an interest rate of 0.53 percent and it matures in five years. The repayment terms require six monthly payments each year in five fiscal years beginning on October 30, 2013. The State Controller's Office deducts the loan payments from MSA SA's State School Fund Apportionments. At June 30, 2018, the loan was paid in full.

Magnolia Science Academy Santa Ana has been approved by the State of California's Charter School Facilities Program (CCSFP) for \$17,413,956 for constructing a new facility, which will cost the same amount. The State will fund 50 percent of the total amount of \$17,413,956; the State will fund 50 percent of the total project cost through a loan in the amount of \$8,706,990 and the other 50 percent through a grant in the amount of \$8,706,978. The loan has an annual interest rate of 3.00 percent and it matures 30 years after the completion of the project. The outstanding loan balance as of June 30, 2018, was \$8,487,862. The current portion due in 2017-2018 is \$223,520.

Magnolia Science Academy San Diego (MSA SD)

Magnolia Science Academy San Diego has been approved by the State of California's Charter School Facilities Program (CCSFP) for \$3,036,122 for constructing a new facility, which will cost the same amount. The State will fund 50 percent of the total amount of \$3,036,122; the State will fund 50 percent of the total project cost through a loan in the amount of \$1,518,061 and the other 50 percent through a grant in the amount of \$1,518,061. The loan has an annual interest rate of 2.00 percent and it matures 30 years after the completion of the project, which is estimated to be in the middle of calendar year 2016. The repayment schedule will be determined after completion of the project. The State Controller's Office will deduct the loan payments from MSA SD's State School Fund Apportionments. The outstanding loan balance as of June 30, 2018, was \$151,806.

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Note Payable

Magnolia Science Academy (MSA 1)

MSA entered into a promissory note agreement with Luxor Properties, Inc. and Michael William Spivak, to purchase the property located at 18220-18228 Sherman Way, Los Angeles, California. MSA 1 received a loan in the amount of \$2,800,000. The loan bears an interest rate of 6.50 percent. The terms of the loan require monthly interest payments of \$15,667 for a 23-month period and the remaining principal balance on the final payment. At June 30, 2018, this note was paid in full.

On December 1, 2017, Magnolia Educational & Research Foundation entered into a promissory note agreement with MPM Santa Ana LLC. The loan agreement provides that the loan will be funded in two tranches. The initial advance of \$1,480,000 on September 6, 2017 and the second advance of \$2,785,000 on December 22, 2017. Monthly payment terms include an interest rate of ten percent beginning in 2017 and maturing June 30, 2045. Total payment made in 2017-2018 was \$226,533 in interest only. Principle payments begin August 1, 2018. The balance as of June 30, 2018 was \$4,265,000.

Future payments are as follows:

Fiscal Year Ending June 30,	Payments
2019	509,000
2020	512,833
2021	508,375
2022	503,417
2023	497,958
2024-2028	2,380,666
2029-2033	2,137,583
2034-2038	1,983,127
2039-2043	1,777,458
2044-2045	352,625
Less: Amount Representing Interest	(6,898,042)
Total	<u>\$ 4,265,000</u>

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NOTE 12 - FACILITIES USES AGREEMENTS/OPERATING LEASES

Total rental and facility expenses were \$1,027,496 for year ended June 30, 2018, for the sole purpose of operating the Foundations' education programs, related Charter Schools' activities. Future rental and facility expenses are as follows:

Fiscal Year Ending	Future Lease Commitments
2019	\$ 926,408
2020	1,153,425
2021	927,619
2022	944,561
2023	639,275
Thereafter	10,763,284
Total	<u>\$ 15,354,572</u>

Lease Commitments

Charter School	Future Lease Commitments
MSA 1	\$ 12,937,551
MSA 7	1,079,021
MSA SD	480,000
MERF Office	858,000
Total	<u>\$ 15,354,572</u>

NOTE 13 - FAIR VALUE FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of MERF financial instruments as of June 30, 2018 are as follows:

	June 30, 2018		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 22,600,493	\$ 22,600,493	\$ 9,834,842	\$ 9,833,550
Restricted cash and cash equivalents	4,659,987	4,659,987	648,760	648,760
Revolving and CCSF loans	8,639,668	8,639,668	8,883,796	8,883,796
Notes payable	4,265,000	4,265,000	2,800,000	2,800,000
Bonds payable (CSFA)	30,785,000	30,785,000	5,870,000	5,870,000

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NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Foundation chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Foundation has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Foundation contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

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The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Foundation contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the Foundation's total contributions were \$2,272,070.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

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JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Foundation is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$485,547.

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On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,087,636 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITY

Magnolia Science Academy Charter Schools are participants in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MERF and CharterSAFE is such that CharterSAFE is not considered a component unit of MERF for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and Magnolia Science Academy Charter Schools are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the years ended June 30, 2018 and 2017, Magnolia Science Academy Charter Schools made payments of \$448,499 and \$392,554, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, MERF had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 16 - CONTINGENCIES**Grants**

MERF has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the Office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MERF is not currently a party to any legal proceedings.

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NOTE 17 - SUBSEQUENT EVENTS

MERF's management has evaluated events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements through _____, 2018, which is the date the consolidated financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year consolidated financial statements.

SUPPLEMENTARY INFORMATION

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Special Education:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 572,884
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,428,512
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	271
Title II, Part A, Supporting Effective Instruction	84.367	14341	165,992
Title III, English Learner Student Program	84.365	14346	66,026
State Charter School Facilities Incentive Grants	84.242D	[1]	507,580
Total U.S. Department of Education			<u>2,741,265</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13525	68,717
Especially Needy Breakfast	10.553	13526	280,828
National School Lunch Program	10.555	13524	731,203
Food Distribution	10.555	13524	29,288
Total Child Nutrition Cluster			<u>1,110,036</u>
Total U.S. Department of Agriculture			<u>1,110,036</u>
Total Federal Programs			<u>\$ 3,851,301</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

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LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2018

ORGANIZATION

MERF operates ten schools in California under ten charters. Each school is operated on the same tax identification number as MERF. Charters were granted for each school for up to five years, with an opportunity for renewal. Charters may be revoked by the charter authorizer for material violations of the charter, failure to meet or make progress toward student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. As of June 30, 2018, the Foundations operated by MERF were as follows:

Charter School Name	Charter Number	Sponsoring District	Charter Expiration	Grades Served	Number of Students Served
Magnolia Science Academy	0438	Los Angeles COE	June 30, 2022	6-12	537
Magnolia Science Academy 2	0906	Los Angeles COE	June 30, 2022	6-12	448
Magnolia Science Academy 3	0917	Los Angeles COE	June 30, 2022	6-12	455
Magnolia Science Academy 4	0986	Los Angeles USD	June 30, 2023	6-12	185
Magnolia Science Academy 5	0987	Los Angeles COE	June 30, 2023	6-12	206
Magnolia Science Academy 6	0988	Los Angeles USD	June 30, 2019	6-8	155
Magnolia Science Academy 7	0989	Los Angeles USD	June 30, 2019	K-5	200
Magnolia Science Academy Bell	1236	Los Angeles USD	June 30, 2020	6-8	487
Magnolia Science Academy San Diego	0698	San Diego USD	June 30, 2020	6-8	397
Magnolia Science Academy Santa Ana	1686	CDE	June 30, 2019	K-12	720

See accompanying note to supplementary information.

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LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE, *Continued*
FOR THE YEAR ENDED JUNE 30, 2018

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Mr. Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

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MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	MERF	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 475,054	\$ 2,044,087	\$ 1,094,844	\$ 740,137	\$ 1,336,770	\$ 1,731,955	\$ 1,442,531
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Accounts receivable	-	1,349,175	521,854	440,748	156,659	157,623	162,484
Intra-company receivable	2,263,534	588,400	62,177	6,604	936	22,592	2,500
Prepaid expenses and other current assets	419,062	260,679	87,263	1,743	377	11,698	14,884
Total Current Assets	3,157,650	4,242,341	1,766,138	1,189,232	1,494,742	1,923,868	1,622,399
Non-Current Assets:							
Debt issue cost, net	-	-	-	-	-	-	-
Investments in LLC's	-	161,923	-	-	-	-	-
Security deposits	16,000	-	-	-	-	-	-
Fixed assets	134,513	1,489,734	410,237	267,427	178,296	205,518	158,971
Less: accumulated depreciation	(117,723)	(665,047)	(294,698)	(181,398)	(131,837)	(123,576)	(130,981)
Total Non-Current Assets	32,790	986,610	115,539	86,029	46,459	81,942	27,990
Total Assets	\$ 3,190,440	\$ 5,228,951	\$ 1,881,677	\$ 1,275,261	\$ 1,541,201	\$ 2,005,810	\$ 1,650,389
LIABILITIES							
Current Liabilities:							
Accounts payable and accruals	\$ 296,731	\$ 267,565	\$ 729,383	\$ 208,639	\$ 70,621	\$ 102,310	\$ 46,433
Intra-company payable	2,099,748	149,542	35,064	2,905	66	8,168	58
Deferred revenue	-	-	-	-	-	-	-
Current portion of long-term obligations	-	-	-	-	-	-	-
Total Current Liabilities	2,396,479	417,107	764,447	211,544	70,687	110,478	46,491
Long-Term Obligations:							
Non-current portion of long-term obligations	-	-	-	-	-	-	-
Total Liabilities	2,396,479	417,107	764,447	211,544	70,687	110,478	46,491
NET ASSETS							
Unrestricted (deficit)	793,961	4,446,128	834,378	788,750	1,205,407	1,644,202	1,491,714
Designated	-	365,716	282,852	274,967	265,107	251,130	112,184
Total Net Assets	793,961	4,811,844	1,117,230	1,063,717	1,470,514	1,895,332	1,603,898
Total Liabilities and Net Assets	\$ 3,190,440	\$ 5,228,951	\$ 1,881,677	\$ 1,275,261	\$ 1,541,201	\$ 2,005,810	\$ 1,650,389

See accompanying note to supplementary information.

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MSA-7	MSA-Bell	MSA-SD	MSA-SA	MPM Inc./ LLC	Elimination	Total	Memo 2017 Total
\$ 1,269,979	\$ 1,907,434	\$ 657,784	\$ 708,858	\$ 9,191,060	\$ -	\$ 22,600,493	\$ 9,834,842
-	-	106,607	-	4,553,380	-	4,659,987	648,760
318,241	385,404	271,945	1,017,487	-	-	4,781,620	3,194,412
-	1,722,916	-	34,430	-	(4,704,089)	-	-
<u>22,337</u>	<u>79,980</u>	<u>128,519</u>	<u>866</u>	<u>-</u>	<u>-</u>	<u>1,027,408</u>	<u>1,620,157</u>
<u>1,610,557</u>	<u>4,095,734</u>	<u>1,164,855</u>	<u>1,761,641</u>	<u>13,744,440</u>	<u>(4,704,089)</u>	<u>33,069,508</u>	<u>15,298,171</u>
-	-	-	-	1,076,199	-	1,076,199	358,782
-	-	198,191	75,554	-	(435,668)	-	-
7,227	-	-	19,890	-	-	43,117	64,690
290,998	320,329	667,450	22,622,538	19,309,538	-	46,055,549	30,157,534
<u>(122,900)</u>	<u>(187,190)</u>	<u>(372,561)</u>	<u>(1,091,112)</u>	<u>(701,676)</u>	<u>-</u>	<u>(4,120,699)</u>	<u>(3,115,417)</u>
<u>175,325</u>	<u>133,139</u>	<u>493,080</u>	<u>21,626,870</u>	<u>19,684,061</u>	<u>(435,668)</u>	<u>43,054,166</u>	<u>27,465,589</u>
<u>\$ 1,785,882</u>	<u>\$ 4,228,873</u>	<u>\$ 1,657,935</u>	<u>\$ 23,388,511</u>	<u>\$ 33,428,501</u>	<u>\$ (5,139,757)</u>	<u>\$ 76,123,674</u>	<u>\$ 42,763,760</u>
\$ 277,107	\$ 144,722	\$ 137,405	\$ 951,469	\$ -	\$ -	\$ 3,232,385	\$ 3,212,491
10,579	434	215,638	2,181,887	-	(4,704,089)	-	-
-	-	-	-	2,290,659	-	2,290,659	519,063
-	-	-	306,020	-	-	306,020	3,129,116
<u>287,686</u>	<u>145,156</u>	<u>353,043</u>	<u>3,439,376</u>	<u>2,290,659</u>	<u>(4,704,089)</u>	<u>5,829,064</u>	<u>6,860,670</u>
-	-	151,806	12,446,842	30,785,000	-	43,383,648	14,424,680
<u>287,686</u>	<u>145,156</u>	<u>504,849</u>	<u>15,886,218</u>	<u>33,075,659</u>	<u>(4,704,089)</u>	<u>49,212,712</u>	<u>21,285,350</u>
1,243,634	3,810,806	803,763	7,487,577	352,842	(435,668)	24,467,494	20,413,178
254,562	272,911	349,323	14,716	-	-	2,443,468	1,065,232
<u>1,498,196</u>	<u>4,083,717</u>	<u>1,153,086</u>	<u>7,502,293</u>	<u>352,842</u>	<u>(435,668)</u>	<u>26,910,962</u>	<u>21,478,410</u>
<u>\$ 1,785,882</u>	<u>\$ 4,228,873</u>	<u>\$ 1,657,935</u>	<u>\$ 23,388,511</u>	<u>\$ 33,428,501</u>	<u>\$ (5,139,757)</u>	<u>\$ 76,123,674</u>	<u>\$ 42,763,760</u>

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MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
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CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2018

	MERF	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6
CHANGES IN UNRESTRICTED NET ASSETS							
REVENUES							
State apportionments	\$ -	\$ 5,502,695	\$ 4,472,148	\$ 4,459,164	\$ 1,713,551	\$ 1,927,351	\$ 1,449,785
Federal revenue	-	980,659	489,784	444,672	243,319	218,909	143,028
Other State revenue	-	1,589,193	825,899	925,197	444,462	481,588	374,247
Rent revenue	-	-	-	-	-	-	-
Local revenue	6,803,273	175,333	105,589	84,847	45,510	124,580	52,349
Total Revenues	6,803,273	8,247,880	5,893,420	5,913,880	2,446,842	2,752,428	2,019,409
EXPENSES							
Program services:							
Salaries and benefits	2,377,403	3,015,806	2,627,816	2,575,050	1,005,461	1,207,677	887,176
Student services	-	151,514	183,325	220,659	173,790	167,097	80,009
Materials and supplies	-	63,887	70,533	-	29,527	33,358	18,712
Student nutrition	16,645	238,193	222,727	189,326	64,698	85,556	44,443
Other expenses	88,051	90,337	103,544	74,152	38,253	56,762	34,220
Subtotal	2,482,099	3,559,737	3,207,945	3,059,187	1,311,729	1,550,450	1,064,560
EXPENSES (Continued)							
Management and general:							
Salaries and benefits	594,351	753,952	666,961	643,762	247,132	291,913	221,794
Depreciation	933	6,361	48,000	22,407	15,656	11,392	28,726
Insurance	11,628	-	-	-	-	-	-
Management fee	-	1,095,870	993,132	993,132	82,190	82,190	82,190
Occupancy	165,442	982,094	356,041	261,243	134,184	119,251	125,889
Operating expenses	1,988,081	378,797	401,197	502,393	215,596	177,457	151,273
Debt service	-	-	-	-	-	-	-
Interest	-	45,500	-	-	-	-	-
Subtotal	2,760,435	3,262,574	2,465,331	2,422,937	694,758	682,203	609,872
Total Expenses	5,242,534	6,822,311	5,673,276	5,482,124	2,006,487	2,232,653	1,674,432
CHANGE IN UNRESTRICTED NET ASSETS BEFORE EXTRAORDINARY ITEM							
Extraordinary item - MSA Santa Clara	1,560,739	1,425,569	220,144	431,756	440,355	519,775	344,977
Extraordinary item - MSA Santa Clara	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS							
NET ASSETS (DEFICIT), BEGINNING OF YEAR	1,560,739	1,425,569	220,144	431,756	440,355	519,775	344,977
NET ASSETS (DEFICIT), END OF YEAR	(766,778)	3,386,275	897,086	631,961	1,030,159	1,375,557	1,258,921
Contributed capital	-	-	-	-	-	-	-
NET ASSETS (DEFICIT), END OF YEAR	\$ 793,961	\$ 4,811,844	\$ 1,117,230	\$ 1,063,717	\$ 1,470,514	\$ 1,895,332	\$ 1,603,898

See accompanying note to supplementary information.

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MSA-7	MSA-Bell	MSA-SD	MSA-SA	MPM Inc./ LLC	Elimination	Total	Memo 2017 Total
\$ 2,565,977	\$ 4,538,699	\$ 2,947,210	\$ 6,682,934	\$ -	\$ -	\$ 36,259,514	\$ 34,483,963
241,181	342,604	117,595	629,550	-	-	3,851,301	3,756,458
945,358	980,866	788,908	841,029	-	-	8,196,747	6,383,153
-	-	-	-	880,748	(880,748)	-	-
98,633	74,954	99,365	173,872	66,546	(6,376,553)	1,528,298	1,400,619
3,851,149	5,937,123	3,953,078	8,327,385	947,294	(7,257,301)	49,835,860	46,024,193
1,393,792	2,287,778	1,901,413	4,074,261	-	-	23,353,633	23,151,926
177,626	231,491	181,840	300,117	-	-	1,867,468	2,173,408
45,381	27,207	8,906	128,857	-	-	426,368	839,491
93,406	144,444	31,385	341,506	-	-	1,472,329	1,670,987
48,552	124,961	50,080	139,263	-	-	848,175	1,221,591
1,758,757	2,815,881	2,173,624	4,984,004	-	-	27,967,973	29,057,403
348,448	539,574	472,297	990,009	-	-	5,770,193	5,787,982
18,515	57,572	30,567	527,830	460,593	-	1,228,552	907,827
-	-	-	-	-	-	11,628	790
547,935	1,095,870	324,470	1,095,870	-	(6,376,553)	16,296	326,637
293,076	318,111	698,460	40,911	-	(880,748)	2,613,954	1,809,451
398,552	392,797	349,260	616,512	-	-	5,571,915	6,622,041
-	-	-	-	691,435	-	691,435	360,088
-	-	-	446,968	-	-	492,468	173,344
1,606,526	2,403,924	1,875,054	3,718,100	1,190,922	(7,257,301)	16,435,335	16,000,974
3,365,283	5,219,805	4,048,678	8,702,104	1,190,922	(7,257,301)	44,403,308	45,058,377
485,866	717,318	(95,600)	(374,719)	(243,628)	-	5,432,552	965,816
-	-	-	-	-	-	-	(348,866)
485,866	717,318	(95,600)	(374,719)	(243,628)	-	5,432,552	616,950
1,012,330	3,366,399	1,248,686	7,877,012	160,802	-	21,478,410	20,861,460
-	-	-	-	435,668	(435,668)	-	-
\$ 1,498,196	\$ 4,083,717	\$ 1,153,086	\$ 7,502,293	\$ 352,842	\$ (435,668)	\$ 26,910,962	\$ 21,478,410

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MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

FOUNDNTATION ONLY COMPARATIVE STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 475,054	\$ 52,671
Accounts receivable	-	463
Intra-company receivable	2,263,534	2,798,858
Prepaid expenses and other current assets	419,062	417,711
Total Current Assets	<u>3,157,650</u>	<u>3,269,703</u>
Non-Current Assets:		
Security deposits	16,000	16,000
Fixed assets	134,513	134,513
Less: accumulated depreciation	(117,723)	(116,790)
Total Non-Current Assets	<u>32,790</u>	<u>33,723</u>
Total Assets	<u>\$ 3,190,440</u>	<u>\$ 3,303,426</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 296,731	\$ 443,504
Intra-company payable	2,099,748	3,554,200
Deferred revenue	-	72,500
Total Liabilities	<u>2,396,479</u>	<u>4,070,204</u>
NET ASSETS		
Unrestricted	793,961	(766,778)
Total Liabilities and Net Assets	<u>\$ 3,190,440</u>	<u>\$ 3,303,426</u>

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MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

FOUNDATION ONLY COMPARATIVE STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Local revenue	\$ 6,803,273	\$ 6,522,442
EXPENSES		
Program services:		
Salaries and benefits	2,377,403	2,817,654
Materials and supplies	-	12,200
Student nutrition	16,645	28,445
Other expenses	88,051	107,407
Subtotal	<u>2,482,099</u>	<u>2,965,706</u>
Management and general:		
Salaries and benefits	\$ 594,351	\$ 704,413
Depreciation	933	1,440
Insurance	11,628	790
Occupancy	165,442	157,972
Operating expenses	1,988,081	2,368,307
Interest	-	74
Subtotal	<u>2,760,435</u>	<u>3,232,996</u>
Total Expenses	<u>5,242,534</u>	<u>6,198,702</u>
CHANGE IN UNRESTRICTED NET ASSETS		
BEFORE EXTRAORDINARY ITEM	<u>1,560,739</u>	<u>323,740</u>
Extraordinary item - equity transfer	-	(768,450)
Extraordinary item - MSA Santa Clara	-	(348,866)
Total extraordinary items	<u>-</u>	<u>(1,117,316)</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,560,739	(793,576)
NET ASSETS, BEGINNING OF YEAR	<u>(766,778)</u>	<u>26,798</u>
NET ASSETS, END OF YEAR	<u>\$ 793,961</u>	<u>\$ (766,778)</u>

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MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

FOUNDATION ONLY COMPARATIVE STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ 1,560,739	\$ (793,576)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	933	1,440
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	463	98,152
Intra-company receivable	535,324	(243,308)
Prepaid expenses and other current assets	(1,351)	(376,983)
Security deposits	-	1,525
Increase (Decrease) in liabilities		
Accounts payable and accruals	(146,773)	(139,293)
Intra-company payable	(1,454,452)	1,366,413
Deferred revenue	(72,500)	72,500
Net Cash Provided by (Used in) Operating Activities	<u>422,383</u>	<u>(13,130)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan principal payments	<u>-</u>	<u>(16,667)</u>
NET CHANGE IN CASH	<u>422,383</u>	<u>(29,797)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>52,671</u>	<u>82,468</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 475,054</u>	<u>\$ 52,671</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ 74</u>

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)**NOTE TO SUPPLEMENTARY INFORMATION**
JUNE 30, 2018

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Magnolia Science Academy charter schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Magnolia Science Academy charter schools have not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the Foundations operated, members of the governing board, and members of the administration.

Consolidating Statements

The accompanying consolidating financial statements report the individual programs of MERF and are presented on the accrual basis of accounting. Eliminating entries in the consolidated financial statements are due to rent payments between the LLC and MSA 1, MSA Santa Ana, MSA San Diego, and CMO fees paid to MERF from the MSA charter schools in accordance with the structured fee schedule.

Foundation Only Comparative Statements

The accompanying foundation only comparative financial statements report the individual program of MERF and are presented on the accrual basis of accounting.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Educational & Research Foundation
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Educational & Research Foundation (the Foundation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Magnolia Educational & Research Foundation
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Magnolia Educational & Research Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Magnolia Educational & Research Foundation's (the Charter) major Federal programs for the year ended June 30, 2018. Magnolia Educational & Research Foundation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Magnolia Educational & Research Foundation's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Magnolia Educational & Research Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Magnolia Educational & Research Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Magnolia Educational & Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Magnolia Educational & Research Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Magnolia Educational & Research Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Magnolia Educational & Research Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DRAFT 11/20/2018

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

DRAFT 11/20/2018

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

DRAFT 11/20/2018

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
(A California Nonprofit Public Benefit Corporation)

DRAFT 11/20/2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year.

Governing Board
Magnolia Educational & Research Foundation
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

In planning and performing our audit of the financial statements of Magnolia Educational & Research Foundation (MERF) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board of Directors
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Reseda, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy (MSA) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,044,087	\$ 1,311,426
Accounts receivable	1,349,175	878,726
Intra-company receivable	588,400	472,932
Prepaid expenses and other current assets	260,679	280,865
Total Current Assets	<u>4,242,341</u>	<u>2,943,949</u>
Non-Current Assets:		
Investments in LLC	161,923	-
Fixed assets	1,489,734	4,731,515
Less: accumulated depreciation	(665,047)	(892,019)
Total Non-Current Assets	<u>986,610</u>	<u>3,839,496</u>
Total Assets	<u>\$ 5,228,951</u>	<u>\$ 6,783,445</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 267,565	\$ 361,845
Intra-company payable	149,542	235,325
Current portion of long-term obligation	-	2,800,000
Total Current Liabilities	<u>417,107</u>	<u>3,397,170</u>
NET ASSETS		
Unrestricted	4,446,128	3,220,044
Designated	365,716	166,231
Total Net Assets	<u>4,811,844</u>	<u>3,386,275</u>
Total Liabilities and Net Assets	<u>\$ 5,228,951</u>	<u>\$ 6,783,445</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 5,502,695	\$ 5,303,302
Federal revenue	980,659	877,014
Other State revenue	1,589,193	1,303,726
Local revenue	175,333	170,676
Total Revenues	<u>8,247,880</u>	<u>7,654,718</u>
EXPENSES		
Program services:		
Salaries and benefits	3,015,806	3,072,266
Student services	151,514	251,718
Materials and supplies	63,887	214,078
Student nutrition	238,193	261,320
Other expenses	90,337	171,166
Subtotal	<u>3,559,737</u>	<u>3,970,548</u>
Management and general:		
Salaries and benefits	\$ 753,952	\$ 768,066
Depreciation	6,361	146,154
Management fee	1,095,870	1,055,710
Occupancy	982,094	571,057
Operating expenses	378,797	744,118
Interest	45,500	173,203
Subtotal	<u>3,262,574</u>	<u>3,458,308</u>
Total Expenses	<u>6,822,311</u>	<u>7,428,856</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>1,425,569</u>	<u>225,862</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,386,275</u>	<u>3,160,413</u>
NET ASSETS, END OF YEAR	<u>\$ 4,811,844</u>	<u>\$ 3,386,275</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 1,425,569	\$ 225,862
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	6,361	146,154
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(470,449)	(438,707)
Intra-company receivable	(115,468)	(472,932)
Prepaid expenses and other current assets	20,186	(280,865)
Cash received for security deposits - net	-	39,035
Increase (Decrease) in liabilities		
Accounts payable and accruals	(94,280)	296,932
Intra-company payable	(85,783)	235,325
Net Cash Provided (Used) by Operating Activities	<u>686,136</u>	<u>(249,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution in LLC's	(161,923)	-
Capital expenditures	3,008,448	(2,977,092)
Net Cash Provided (Used) by Investing Activities	<u>2,846,525</u>	<u>(2,977,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	-	2,800,000
Loan principal payments	(2,800,000)	-
Net Cash Provided (Used) by Investing Activities	<u>(2,800,000)</u>	<u>2,800,000</u>
NET CHANGE IN CASH	732,661	(426,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,311,426</u>	<u>1,737,714</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,044,087</u>	<u>\$ 1,311,426</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ 45,500</u>	<u>\$ 173,203</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy

Charter school number authorized by the State: 0438

Magnolia Science Academy (MSA) is a charter school located in Reseda, California that provides sixth through twelfth grade education to approximately 537 students. MSA was created under the approval of the Los Angeles Unified School District and the California State Board of Education, and receives public per-pupil funding to help support their operation. Los Angeles County Office of Education approved a new charter agreement in 2016 for a period of five years ending in 2022. MSA is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA's Charter School Management Organization (CMO) that manages MSA's nonacademic operation such as financial, general administration, and human resource management. MSA's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

MPM Sherman Way, LLC

The Foundation has the following consolidated affiliates (where the Foundation is the sole member) that were formed to provide assistance with funding capital improvement on behalf of the Foundation's activities: MPM Sherman Way LLC, a California limited liability company.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA. Additional information is presented in Note 14 to the financial statements.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA are described below to enhance the financial statements.

Financial Statement Presentation

MSA is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA had no temporarily or permanently restricted net assets, as of June 30, 2018 and 2017, respectively. In addition, MSA is required to present a Statement of Cash Flows.

Accounting Method - Basis of Accounting

The financial statements were prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, Not-for-Profit Organizations accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." During 2017-2018, MSA did not receive any donor-restricted contributions.

Income Taxes

MSA is operated by MERF a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA is not aware of any such actions at this time.

**MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

MSA has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$6,361 and \$146,154, respectively.

Deferred Revenue

Deferred revenue arises when resources are received by MSA prior to the incurrence of qualifying expenditures. In subsequent periods, when the obligation in which the resources were received are met, or when MSA have a legal claim to the resources, the liability for deferred revenue is removed from the Statement of Net Assets and revenue is recognized.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA' program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of MSA consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA has \$365,716 and \$166,231, respectively, designated balance for California Clean Energy Jobs Act and Educator Effectiveness and College Readiness.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA and reimbursement for those resources.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 11).

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 2,044,087	\$ 2,188,763	\$ 1,311,426	\$ 1,412,747

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA had a balance of \$2,153,528 and \$1,376,354, respectively, in excess of FDIC insured limits. Management believes MSA is not exposed to any significant risk related to cash.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 388,547	\$ 347,155
Due from other agencies	-	3,284
Federal receivable	160,149	360,441
State receivable	748,648	112,034
Lottery	51,831	46,655
Local receivable	-	9,157
Total Accounts Receivable	<u>\$ 1,349,175</u>	<u>\$ 878,726</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA and reimbursement for those resources from MSA to the Foundation, and cash transfers for cash flow purposes. MSA and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA had an intra-company receivable balance of \$588,400 and \$472,932, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposits, insurance, and miscellaneous vendors	<u>\$ 260,679</u>	<u>\$ 280,865</u>

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Building	\$ -	\$ 2,800,000
Computer and equipment	422,141	283,867
Land	-	1,000,000
Building improvements	374,818	647,648
Work in progress	692,775	692,775
Subtotal	<u>1,489,734</u>	<u>5,424,290</u>
Less: accumulated depreciation	<u>(665,047)</u>	<u>(892,019)</u>
Total Fixed Assets	<u>\$ 824,687</u>	<u>\$ 4,532,271</u>

During the year ended June 30, 2018 and 2017, \$6,361 and \$146,154, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 94,591	\$ 77,720
Vendor payables	64,974	275,408
Due to other agencies	108,000	8,717
Total Accounts Payable	<u>\$ 267,565</u>	<u>\$ 361,845</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The June 30, 2018, intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA and reimbursement for those resources from MSA to the Foundation, and cash transfers for cash flow purposes. MSA and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA had an intra-company payable balance of \$149,542 and \$235,325, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS

Debt Service Coverage and Cash Days on Hand

Under the current bonding agreement, the Lessee or Magnolia Educational and Research Foundation (MERF) is required to maintain a Debt Service Coverage Ratio of 1.10 to 1.00 and Cash Days on Hand of 45 days.

The Debt Service Coverage Ratio is calculated by dividing the Combined Net Income Available for Debt Service from Magnolia Science Academy (MSA) by the Maximum Annual Debt Service for all outstanding indebtedness. As of June 30, 2018, MSA had a 2.56 Debt Service Coverage Ratio and was in compliance with the 1.10 to 1.00 required ratio.

Debt Service Coverage

Net Income	\$ 1,425,567
Depreciation	6,361
Rent	916,260
Income Available for Coverage	2,348,188
Debt Service	916,260

Debt Service Coverage	2.56
Limit	1.10
Compliance	Yes

The Days Cash on Hand is calculated by reducing non-cash expenses from total expenses and divided by 365 days. As of June 30, 2018, MSA had 113 days cash on hand and was in compliance with the 45 days required.

Days Cash on Hand

Total Expenses	\$ 6,599,203
Depreciation	6,361
Cash Expenses	6,592,842
Expense/Day	18,062.58
Cash	2,044,087

Days Cash on Hand	113
Limit	45
Compliance	Yes

Purpose: To ensure that the charter is in compliance with the debt covenants.

Procedure: The auditor obtained the covenant calculation from Brock Atar (Senior Financial Analyst) and footed for accuracy check tied to the Balance sheet and Income Statement.

Conclusion: Based on the procedure performed the auditor determined that the charter is in conjunction with the debt covenants.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - OPERATING LEASES

Magnolia Science Academy entered into a lease agreement with MPM Sherman Way LLC, a California limited liability company on June 1, 2014 and August 1, 2017 for the refinancing of the acquisition and construction of charter school facilities under the Series 2014 and 2017 Loans for property located at 18238 Sherman Way, Reseda, California. The 2014 and 2017 loans are in relations to California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A and Series 2014B (Taxable) and (Magnolia Public Schools- Obligated Group) Draw Down Series 2017, respectively. Monthly payments shall begin September 25, 2017 and the lease expires on June 25, 2044. Lease payments during 2017-2018 were \$ 916,260.

The future minimum lease commitments are as follows:

<u>Fiscal Year</u>	<u>Facility Lease Payment</u>
2019	\$ 1,291,901
2020	1,295,589
2021	1,295,476
2022	1,297,781
2023	1,302,336
Thereafter	<u>28,563,252</u>
Total	<u>\$35,046,335</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

MSA is part of the Foundation. MSA pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal years ended June 30, 2018 and 2017, were \$1,095,870 and \$1,055,710, respectively.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA's total contributions were \$404,295.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	December 31,	January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.5%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$73,135.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$218,863 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA are a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA made payments of \$61,724 and \$33,177, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, MSA had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 15 - CONTINGENCIES

Grants

MSA has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the Office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

Magnolia Science Academy is not currently a party to any legal proceedings.

NOTE 16 - SUBSEQUENT EVENTS

MSA's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Special Education:			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14981	235,579
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	26,218
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	65,612
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	414
State Charter School Facilities Incentive Grants	84.242D	[1]	355,411
Section 611	84.027	13379	<u>69,887</u>
Total U.S. Department of Education			<u>753,121</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	75,295
National School Lunch Program	10.555	13524	147,998
Food Distribution	10.555	13524	<u>4,245</u>
Total Child Nutrition Cluster			<u>227,538</u>
Total U.S. Department of Agriculture			<u>227,538</u>
Total Federal Programs			<u>\$ 980,659</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy (Charter Number 0438) was granted on December 20, 2016, by the Los Angeles County of Education. MSA operates one school, grades six through twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhonov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	85.05	84.62
Seventh and eighth	163.26	163.74
Ninth through twelfth	274.54	273.37
Total Regular ADA	<u>522.85</u>	<u>521.73</u>
Classroom based ADA		
Sixth	85.05	84.62
Seventh and eighth	163.26	163.74
Ninth through twelfth	274.54	273.37
Total Classroom based ADA	<u>522.85</u>	<u>521.73</u>

MSA did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		66,165	180	N/A	Complied
Grade 7		66,165	180	N/A	Complied
Grade 8		66,165	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,165	180	N/A	Complied
Grade 10		66,165	180	N/A	Complied
Grade 11		66,165	180	N/A	Complied
Grade 12		66,165	180	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 4,811,844
Increase (Decrease) in:	
Accounts Receivable	(1,232,592)
Intra-company receivable	588,400
Prepaid expenses and other current assets	258,995
Investment in LLC	161,923
Fixed assets	354,192
(Increase) Decrease in:	
Accounts payable and accruals	18,624
Intra-company payable	<u>(149,542)</u>
Net Assets, June 30, 2018, Audited Financial Statement	<u>\$ 4,811,844</u>

See accompanying note to supplementary information.

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of MSA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. MSA has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA and whether MSA complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

MSA must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Reseda, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy (MSA) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**
*(Unmodified Opinion on Compliance for Each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)*

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Reseda, California

Report on Compliance for Each Major Federal Program

We have audited Magnolia Science Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Magnolia Science Academy's (MSA) major Federal programs for the year ended June 30, 2018 and 2017. Magnolia Science Academy's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Magnolia Science Academy's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Magnolia Science Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Magnolia Science Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Magnolia Science Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Magnolia Science Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Magnolia Science Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Magnolia Science Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Reseda, California

Report on State Compliance

We have audited Magnolia Science Academy's (MSA) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

DRAFT 11/14/2018

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

DRAFT 11/14/2018

MSA does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA did not operate Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DRAFT 11/14/2018

MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Basic Grants Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

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**MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/14/2018

**MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/14/2018

**MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/14/2018

**MAGNOLIA SCIENCE ACADEMY
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Reseda, California

In planning and performing our audit of the financial statements of Magnolia Science Academy (MSA), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA for the year ended June 30, 2018

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 2
(A California Nonprofit Public Benefit Corporation)
Van Nuys, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 2 (MSA 2) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 2's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 2's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 2, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 2's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,094,844	\$ 780,732
Accounts receivable	521,854	372,689
Intra-company receivable	62,177	143,253
Prepaid expenses and other current assets	87,263	21,802
Total Current Assets	<u>1,766,138</u>	<u>1,318,476</u>
Non-Current Assets:		
Fixed assets	410,237	384,728
Less: accumulated depreciation	(294,698)	(236,637)
Total Non-Current Assets	<u>115,539</u>	<u>148,091</u>
Total Assets	<u>\$ 1,881,677</u>	<u>\$ 1,466,567</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 729,383	\$ 553,995
Intra-company payable	75,090	15,486
Total Liabilities	<u>804,473</u>	<u>569,481</u>
NET ASSETS		
Unrestricted	794,352	788,456
Designated	282,852	108,630
Total Net Assets	<u>1,077,204</u>	<u>897,086</u>
Total Liabilities and Net Assets	<u>\$ 1,881,677</u>	<u>\$ 1,466,567</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 4,472,148	\$ 4,239,354
Federal revenue	489,784	464,894
Other State revenue	825,899	688,822
Local revenue	105,589	100,029
Total Revenues	<u>5,893,420</u>	<u>5,493,099</u>
EXPENSES		
Program services:		
Salaries and benefits	2,667,842	2,690,380
Student services	183,325	258,650
Materials and supplies	70,533	102,589
Student nutrition	222,727	304,100
Other expenses	103,544	116,495
Subtotal	<u>3,247,971</u>	<u>3,472,214</u>
Management and general:		
Salaries and benefits	666,961	672,595
Depreciation	48,000	56,349
Management fee	993,132	953,736
Occupancy	356,041	137,682
Operating expenses	401,197	444,322
Interest	-	67
Subtotal	<u>2,465,331</u>	<u>2,264,751</u>
Total Expenses	<u>5,713,302</u>	<u>5,736,965</u>
CHANGE IN NET ASSETS	<u>180,118</u>	<u>(243,866)</u>
NET ASSETS, BEGINNING OF YEAR	<u>897,086</u>	<u>1,140,952</u>
NET ASSETS, END OF YEAR	<u>\$ 1,077,204</u>	<u>\$ 897,086</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 180,118	\$ (243,866)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	48,000	46,289
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(149,165)	60,902
Intra-company receivable	81,076	(16,840)
Prepaid expenses and other current assets	(65,461)	(10,943)
Increase (Decrease) in liabilities		
Accounts payable and accruals	175,388	308,547
Intra-company payable	59,604	(302,377)
Net Cash Provided (used) by Operating Activities	<u>329,560</u>	<u>(158,288)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(15,448)</u>	<u>(10,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan principal payments	<u>-</u>	<u>(25,006)</u>
NET CHANGE IN CASH	314,112	(193,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>780,732</u>	<u>974,391</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,094,844</u>	<u>\$ 780,732</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ 67</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy 2

Charter school number authorized by the State: 0906

Magnolia Science Academy 2 (MSA 2) is a charter school located in Van Nuys, California that provides sixth through twelfth grade education to approximately 448 students. MSA 2 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education, and receives public per-pupil funding to help support their operation. Los Angeles County Office of Education approved a new charter agreement in 2018 for a period of five years ending in 2022. MSA 2 is economically dependent on Federal and State funding. Magnolia Public Schools provides a college preparatory educational program emphasizing science, technology, engineering, and math (STEM) in a safe environment that cultivates respect for self and others. Graduates of Magnolia Public Schools are scientific thinkers who contribute to the global community as socially responsible and educated members of society.

Magnolia Educational and Research Foundation

MSA 2 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 2's Charter School Management Organization (CMO) that manages MSA 2's nonacademic operation such as financial, general administration, and human resource management. MSA 2's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tiered expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 2 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 2. Additional information is presented in Note 14 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 2 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 2 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 2 had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA 2 is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 2 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA 2 did not receive any donor-restricted contributions.

Income Taxes

MSA 2 is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 2 is not aware of any such actions at this time.

MSA 2 has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA 2 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, management has determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 2 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$48,000 and \$56,349, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 2's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy 2 consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 2.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 2 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 2 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 2 has a \$282,852 and \$108,630, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness and College Readiness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA 2 and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 1,094,844	\$ 1,262,083	\$ 780,732	\$ 855,379

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA 2 maintains its cash in bank deposit accounts that at times may exceed insured limits. MSA 2 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 2 had \$1,241,766 and \$833,344, respectively, in excess of insured limits.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 280,263	\$ 269,667
Federal receivable	159,670	61,679
Due from other agencies	-	2,904
State receivable	37,137	1,784
Lottery	43,499	36,655
Other	1,285	-
Total Accounts Receivable	<u>\$ 521,854</u>	<u>\$ 372,689</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 2 and reimbursement for those resources from MSA 2 to the Foundation, and cash transfers for cash flow purposes. MSA 2 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 2 had an intra-company receivable balance of \$62,177 and \$143,253, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposit, insurance, and miscellaneous vendors	<u>\$ 87,263</u>	<u>\$ 21,802</u>

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 379,284	\$ 394,789
Leasehold improvements	10,061	-
Work in progress	<u>20,892</u>	<u>-</u>
Subtotal	410,237	394,789
Less: accumulated depreciation	<u>(294,698)</u>	<u>(246,698)</u>
Total Fixed Assets	<u>\$ 115,539</u>	<u>\$ 148,091</u>

During the year ended June 30, 2018 and 2017, \$48,000 and \$56,349, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 139,121	\$ 101,673
Vendor payables	260,848	444,523
Due to other agencies	<u>329,414</u>	<u>7,799</u>
	<u>\$ 729,383</u>	<u>\$ 553,995</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The June 30, 2018, intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 2 and reimbursement for those resources from MSA 2 to the Foundation, and cash transfers for cash flow purposes. MSA 2 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 2 had an intra-company payable balance of \$75,090 and \$15,486, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FACILITIES USE AGREEMENT

Magnolia Science Academy 2 renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA 2 education programs and related Charter School's activities. The terms of this agreement are renewed annually and include rental fees shall that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018 and 2017, was \$149,352 and \$130,000, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 2 is part of the Foundation. MSA 2 pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, were \$993,132 and \$953,736, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 2 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 2 has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 2 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 2 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	On or before	On or after
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 2's total contributions were \$266,980.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 2 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$59,003.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$146,492 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - CONTINGENCIES

Grants

MSA 2 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the Office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA 2 is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 2 is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 2 and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA 2 for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA 2 are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA 2 made payments of \$39,165 and \$146,363, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 2 had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 15 - SUBSEQUENT EVENTS

MSA 2's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy 2 (Charter Number 0906) was granted on July 1, 2002, by the Los Angeles Unified School District. MSA 2 operates one school, grades six through twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	94.52	93.77
Seventh and eighth	168.00	166.40
Ninth through twelfth	178.36	176.75
Total Regular ADA	<u>440.88</u>	<u>436.92</u>
Classroom based ADA		
Sixth	94.52	93.77
Seventh and eighth	168.00	166.40
Ninth through twelfth	177.28	175.78
Total Classroom based ADA	<u>439.80</u>	<u>435.95</u>

MSA 2 did operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		64,825	180	N/A	Complied
Grade 7		64,825	180	N/A	Complied
Grade 8		64,825	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,825	180	N/A	Complied
Grade 10		64,825	180	N/A	Complied
Grade 11		64,825	180	N/A	Complied
Grade 12		64,825	180	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2018, Unaudited Actuals	\$ 1,255,567
Increase in:	
Accounts payable and accruals	<u>(178,363)</u>
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 1,077,204</u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 2
(A California Non-Profit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 2. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 2 and whether MSA 2 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy 2
(A California Nonprofit Public Benefit Corporation)
Van Nuys, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy 2 (MSA 2) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 2's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 2's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 2's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 2 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy 2
(A California Nonprofit Public Benefit Corporation)
Van Nuys, California

Report on State Compliance

We have audited Magnolia Science Academy 2's (MSA 2) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 2's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 2's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 2's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 2 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 2's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 2 did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

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MSA 2 does not operate a Before or After School Program within the After/Before School Education and Safety Program; therefore, we did not perform and related procedures.

MSA 2 does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Finding for Non Classroom-Based Instruction.

MSA 2 did not receive funding for Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

**MAGNOLIA SCIENCE ACADEMY 2
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 2
(A California Nonprofit Public Benefit Corporation)
Van Nuys, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 2, for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA 2 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 3
(A California Nonprofit Public Benefit Corporation)
Carson, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 3 (MSA 3) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 3's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 3's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 3, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 3's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 740,137	\$ 178,629
Accounts receivable	440,748	317,618
Intra-company receivable	6,604	91,362
Prepaid expenses and other current assets	1,743	320,505
Total Current Assets	<u>1,189,232</u>	<u>908,114</u>
Non-Current Assets:		
Fixed assets	267,427	226,873
Less: accumulated depreciation	(181,398)	(158,991)
Total Non-Current Assets	<u>86,029</u>	<u>67,882</u>
Total Assets	<u>\$ 1,275,261</u>	<u>\$ 975,996</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 208,639	\$ 230,779
Intra-company payable	2,905	113,256
Total Current Liabilities	<u>211,544</u>	<u>344,035</u>
NET ASSETS		
Unrestricted	788,750	518,637
Designated	274,967	113,324
Total Net Assets	<u>1,063,717</u>	<u>631,961</u>
Total Liabilities and Net Assets	<u>\$ 1,275,261</u>	<u>\$ 975,996</u>

The accompanying notes are an integral part of these financial statements.

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 4,459,164	\$ 4,255,160
Federal revenue	444,672	477,370
Other State revenue	925,197	813,720
Local revenue	<u>84,847</u>	<u>66,643</u>
Total Revenues	<u>5,913,880</u>	<u>5,612,893</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 2,575,050	\$ 2,826,246
Student services	220,659	237,598
Student nutrition	189,326	264,096
Other expenses	<u>74,152</u>	<u>114,460</u>
Subtotal	<u>3,059,187</u>	<u>3,442,400</u>
Management and general:		
Salaries and benefits	643,762	706,562
Depreciation	22,407	19,096
Management fee	993,132	954,479
Occupancy	261,243	278,867
Operating expenses	<u>502,393</u>	<u>554,952</u>
Subtotal	<u>2,422,937</u>	<u>2,513,956</u>
Total Expenses	<u>5,482,124</u>	<u>5,956,356</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>431,756</u>	<u>(343,463)</u>
NET ASSETS, BEGINNING OF YEAR	<u>631,961</u>	<u>975,424</u>
NET ASSETS, END OF YEAR	<u>\$ 1,063,717</u>	<u>\$ 631,961</u>

The accompanying notes are an integral part of these financial statements.

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 431,756	\$ (343,463)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	22,407	19,096
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(123,130)	216,684
Intra-company receivable	88,457	256,822
Prepaid expenses and other current assets	340,656	(309,538)
Increase (Decrease) in liabilities		
Accounts payable and accruals	(47,733)	(13,175)
Deferred revenue	(110,351)	(6,295)
Net Cash Provided (Used) by Operating Activities	602,062	(179,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(40,554)	(5,434)
NET CHANGE IN CASH	561,508	(185,303)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	178,629	363,932
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 740,137	\$ 178,629
Supplemental cash flow disclosure:		
Cash paid during the period for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy 3

Charter school number authorized by the State: 0917

Magnolia Science Academy 3 (MSA 3) is a charter school located in Carson, California that provides sixth through twelfth grade education to approximately 455 students. MSA 3 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education, and receives public per-pupil funding to help support their operation. Los Angeles County Office of Education approved a new charter agreement in 2016 for a period of five years ending in 2022. MSA 3 is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA 3 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 3's Charter School Management Organization (CMO) that manages MSA 3's nonacademic operation such as financial, general administration, and human resource management. MSA 3's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 3 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 3. Additional information is presented in Note 14 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 3 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 3 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 3 had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA 3 is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 3 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA 3 did not receive any donor-restricted contributions.

Income Taxes

MSA 3 is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 3 is not aware of any such actions at this time.

MSA 3 has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash

For purposes of the Statement of Cash Flows, MSA 3 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management has determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 3 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$22,407 and \$19,096, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 3's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 3.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 3 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 3 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 3 has \$274,967 and \$113,324, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness, and College Readiness funds.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 740,137	\$ 855,539	\$ 178,629	\$ 314,392

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA 3 maintains its cash in bank deposit accounts that at times may exceed insured limits. MSA 3 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 3 had \$841,766 and \$306,293, respectively, in excess of insured limits.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
State principal apportionment	\$ 202,714	\$ 196,092
Due from other agencies	-	2,777
Federal receivable	145,084	68,793
State receivable	46,855	11,779
Lottery	45,141	37,723
Local receivable	-	454
Other	954	-
Total Accounts Receivable	\$ 440,748	\$ 317,618

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 3 and reimbursement for those resources from MSA 3 to the Foundation, and cash transfers for cash flow purposes. MSA 3 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. On June 30, 2018 and 2017, MSA 3 had an intercompany receivable balance of \$6,604 and \$91,362, respectively, from the Foundation.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Prepaid rent, security deposit, insurance, and miscellaneous vendors	\$ 1,743	\$ 320,505

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Computer and equipment	\$ 250,814	\$ 226,873
Work in progress	16,613	-
Subtotal	267,427	226,873
Less: accumulated depreciation	(181,398)	(158,991)
Total Fixed Assets	\$ 86,029	\$ 67,882

During the year ended June 30, 2018 and 2017, \$22,407 and \$19,096, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 64,352	\$ 72,003
Vendor payables	77,326	154,433
Due to other agencies	66,961	4,343
Total Accounts Payable	\$ 208,639	\$ 230,779

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 3 and reimbursement for those resources from MSA 3 to the Foundation, and cash transfers for cash flow purposes. MSA 3 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 3 had an intra-company payable balance of \$2,905 and \$113,256, respectively, from the Foundation.

NOTE 10 - FACILITIES USE AGREEMENT

Magnolia Science Academy 3 renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA 3 education programs and related Charter School's activities. The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018 and 2017, was \$256,444 and \$222,266, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 3 is part of the Foundation. MSA 3 pays the Foundation management fees for services received. The amount is calculated based on management assessment. The amount of management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, was \$993,132 and \$954,479, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 3 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 3 has no plans to withdraw from this multi-employer plan.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 3 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 3 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	December 31, 2012	January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 3's total contributions were \$223,107.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	December 31,	January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 3 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$86,521.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$139,481 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - CONTINGENCIES

Grants

MSA 3 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA 3 is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 3 is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 3 and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA 3 for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA 3 are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA 3 made payments of \$~~52,039~~^{43,143} and \$22,812, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 3 had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 15 - SUBSEQUENT EVENTS

MSA 3's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy 3 (Charter Number 0917) was granted on December 20, 2016, for a period of five years expiring June 30, 2022, by the Los Angeles County of Education. MSA 3 operates one school, grades six through twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

A;fredp Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	85.04	85.02
Seventh and eighth	170.72	170.42
Ninth through twelfth	185.74	186.84
Total Regular ADA	<u>441.50</u>	<u>442.28</u>
Classroom based ADA		
Sixth	85.04	85.02
Seventh and eighth	170.72	170.42
Ninth through twelfth	185.74	186.84
Total Classroom based ADA	<u>441.50</u>	<u>442.28</u>

MSA 3 did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		67,024	180	N/A	Complied
Grade 7		67,024	180	N/A	Complied
Grade 8		67,024	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		67,024	180	N/A	Complied
Grade 10		67,024	180	N/A	Complied
Grade 11		67,024	180	N/A	Complied
Grade 12		67,024	180	N/A	Complied

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 1,071,973
Increase (Decrease) in:	
Accounts receivable	(3,698)
Intra-company receivable	6,604
(Increase) Decrease in:	
Accounts payable and accruals	(7,989)
Intra-company receivable	(2,905)
Net Assets, June 30, 2018,	
Audited Financial Statement	<u>\$ 1,063,985</u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 3. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 3 and whether MSA 3 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Carson, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy (MSA 3) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 3's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 3's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 3's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 3 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 3's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy
(A California Nonprofit Public Benefit Corporation)
Carson, California

Report on State Compliance

We have audited Magnolia Science Academy's (MSA 3) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 3's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 3's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 3's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 3 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

DRAFT 11/15/2018

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 3's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 3 does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

DRAFT 11/15/2018

MSA 3 does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA 3 does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA 3 did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

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**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

**MAGNOLIA SCIENCE ACADEMY 3
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 3
(A California Nonprofit Public Benefit Corporation)
Carson, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 3 (MSA 3), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

| We are pleased to report there are no matters to note for MSA 3 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 4
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 4 (MSA 4) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 4's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 4's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 4, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 4's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,336,770	\$ 776,350
Accounts receivable	156,659	175,940
Intra-company receivable	936	253,943
Prepaid expenses and other current assets	<u>377</u>	<u>8,944</u>
Total Current Assets	<u>1,494,742</u>	<u>1,215,177</u>
Non-Current Assets:		
Fixed assets	178,296	169,911
Less: accumulated depreciation	<u>(131,837)</u>	<u>(116,181)</u>
Total Non-Current Assets	<u>46,459</u>	<u>53,730</u>
Total Assets	<u>\$ 1,541,201</u>	<u>\$ 1,268,907</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accruals	\$ 70,621	\$ 210,556
Intra-company payable	<u>66</u>	<u>28,192</u>
Total Current Liabilities	<u>70,687</u>	<u>238,748</u>
NET ASSETS		
Unrestricted	1,205,407	906,855
Designated	<u>265,107</u>	<u>123,304</u>
Total Net Assets	<u>1,470,514</u>	<u>1,030,159</u>
Total Liabilities and Net Assets	<u>\$ 1,541,201</u>	<u>\$ 1,268,907</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 1,713,551	\$ 1,828,007
Federal revenue	243,319	216,088
Other State revenue	444,462	331,828
Local revenue	45,510	51,712
Total Revenues	<u>2,446,842</u>	<u>2,427,635</u>
EXPENSES		
Program services:		
Salaries and benefits	1,005,461	1,053,767
Student services	173,790	218,254
Materials and supplies	29,527	17,584
Student nutrition	64,698	51,818
Other expenses	38,253	40,550
Subtotal	<u>1,311,729</u>	<u>1,381,973</u>
Management and general:		
Salaries and benefits	\$ 247,132	\$ 263,442
Depreciation	15,656	15,656
Management fee	82,190	90,995
Occupancy	134,184	104,583
Operating expenses	215,596	203,317
Subtotal	<u>694,758</u>	<u>677,993</u>
Total Expenses	<u>2,006,487</u>	<u>2,059,966</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>440,355</u>	<u>367,669</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,030,159</u>	<u>662,490</u>
NET ASSETS, END OF YEAR	<u>\$ 1,470,514</u>	<u>\$ 1,030,159</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 440,355	\$ 367,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	15,656	15,655
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	19,281	22,778
Intra-company receivable	251,609	(50,615)
Prepaid expenses and other current assets	8,567	(3,320)
Increase (Decrease) in liabilities		
Accounts payable and accruals	(138,537)	68,634
Intra-company payable	(28,126)	(133,713)
Net Cash Provided by Operating Activities	<u>568,805</u>	<u>287,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(8,385)</u>	<u>(5,241)</u>
NET CHANGE IN CASH	560,420	281,847
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>776,350</u>	<u>494,503</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,336,770</u>	<u>\$ 776,350</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy 4

Charter school number authorized by the State: 0986

Magnolia Science Academy 4 (MSA 4) is a charter school located in Los Angeles, California that provides sixth through twelfth grade education to approximately 185 students. MSA 4 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education, and receives public per-pupil funding to help support their operation. MSA 4 was granted a five year extension through June 30, 2025. MSA 4 is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA 4 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 4's Charter School Management Organization (CMO) that manages MSA 4's nonacademic operation such as financial, general administration, and human resource management. MSA 4's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 4 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 4. Additional information is presented in Note 14 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 4 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 4 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 4 had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA 4 is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 4 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA 4 did not receive any donor-restricted contributions.

Income Taxes

MSA 4 is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 4 is not aware of any such actions at this time.

MSA 4 has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash

For purposes of the Statement of Cash Flows, MSA 4 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 4 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$15,656 and \$15,656, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 4's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy 4 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy 4 consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 4.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 4 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 4 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 4 has a \$265,107 and \$123,304, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness, and College Readiness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA 4 and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 1,336,770	\$ 1,414,246	\$ 776,350	\$ 801,382

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA 4 maintains its cash in bank deposit accounts that at times may exceed insured limits. MSA 4 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 4 had \$1,391,479 and \$780,738, respectively, in excess of insured limits.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 70,394	\$ 124,430
Due from other agencies	-	1,124
Federal receivable	49,072	32,350
State receivable	22,095	351
Lottery	14,885	17,685
Other	213	-
Total Accounts Receivable	<u>\$ 156,659</u>	<u>\$ 175,940</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 4 and reimbursement for those resources from MSA 4 to the Foundation, and cash transfers for cash flow purposes. MSA 4 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 4 had an intra-company receivable balance of \$936 and \$253,943, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposit, insurance, and miscellaneous vendors	\$ 377	\$ 8,944

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Computer and equipment	\$ 164,670	\$ 169,911
Work in progress	13,626	-
Subtotal	178,296	169,911
Less: accumulated depreciation	(131,837)	(116,181)
Total Fixed Assets	<u>\$ 46,459</u>	<u>\$ 53,730</u>

During the year ended June 30, 2018 and 2017, \$15,656 and \$15,656, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 35,401	\$ 23,904
Vendor payables	35,192	183,640
Due to other agencies	28	3,012
Total Accounts Payable	<u>\$ 70,621</u>	<u>\$ 210,556</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The June 30, 2018, intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 4 and reimbursement for those resources from MSA 4 to the Foundation, and cash transfers for cash flow purposes. MSA 4 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 4 had an intra-company payable balance of \$66 and \$28,192, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FACILITIES USE AGREEMENT

Magnolia Science Academy 4 renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA 4 education programs and related charter school activities. The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018 and 2017, was \$134,184 and \$145,840, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 4 is part of the Foundation. MSA 4 pays the Foundation management fees for services received. The amount is calculated based on management assessment. The amount of management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, was \$82,190 and \$90,995, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 4 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 4 has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 4 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 4 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	December 31, 2012	January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 4's total contributions were \$90,278.

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	December 31,	January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 4 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$11,951.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$63,150 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - CONTINGENCIES

Grants

MSA 4 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Litigation

MSA 4 is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 4 is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 4 and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA 4 for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA 4 are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA 4 made payments of \$21,542 and \$11,054, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 4 had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 15 - SUBSEQUENT EVENTS

MSA 4's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy 4 (Charter Number 0986) was granted on May 8, 2008, by the Los Angeles Unified School District. MSA 4 operates one school, grades six through twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Glediyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	3.77	3.89
Seventh and eighth	41.70	42.70
Ninth through twelfth	122.40	123.06
Total Regular ADA	<u>167.87</u>	<u>169.65</u>
Classroom based ADA		
Sixth	3.77	3.89
Seventh and eighth	41.70	42.70
Ninth through twelfth	122.40	123.06
Total Classroom based ADA	<u>167.87</u>	<u>169.65</u>

MSA 4 did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		65,447	180	N/A	Complied
Grade 7		65,447	180	N/A	Complied
Grade 8		65,447	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,447	180	N/A	Complied
Grade 10		65,447	180	N/A	Complied
Grade 11		65,447	180	N/A	Complied
Grade 12		65,447	180	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 1,493,108
Increase (Decrease) in:	
Intra-company receivable	1,764
(Increase) Decrease in:	
Intra-company payable	(66)
Accounts payable and accruals	<u>(24,292)</u>
Net Assets, June 30, 2018, Audited Financial Statement	<u><u>\$ 1,470,514</u></u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 4. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 4 and whether MSA 4 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy 4
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy 4 (MSA 4) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 4's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 4's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 4's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 4 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 4's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 4's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy 4
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Magnolia Science Academy 4's (MSA 4) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 4's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 4's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 4's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 4's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 4 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018,

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 4's compliance with the State laws and regulations applicable to the following items:

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	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 4 does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

MSA 4 does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

DRAFT 11/15/2018

MSA 4 does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA 4 did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

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**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

**MAGNOLIA SCIENCE ACADEMY 4
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 4
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 4 (MSA 4), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to report for MSA 4 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 5
(A California Nonprofit Public Benefit Corporation)
Reseda, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 5 (MSA 5) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 5's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 5's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 5, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 5's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 5's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,731,955	\$ 1,000,807
Accounts receivable	157,623	226,139
Intra-company receivable	62,618	152,180
Prepaid expenses and other current assets	11,698	121,849
Total Current Assets	<u>1,963,894</u>	<u>1,500,975</u>
Non-Current Assets:		
Fixed assets	205,518	134,541
Less: accumulated depreciation	<u>(123,576)</u>	<u>(112,184)</u>
Total Non-Current Assets	<u>81,942</u>	<u>22,357</u>
Total Assets	<u>\$ 2,045,836</u>	<u>\$ 1,523,332</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 102,310	\$ 113,039
Intra-company payable	<u>8,168</u>	<u>34,736</u>
Total Current Liabilities	<u>110,478</u>	<u>147,775</u>
NET ASSETS		
Unrestricted	1,684,228	1,304,697
Designated	<u>251,130</u>	<u>70,860</u>
Total Net Assets	<u>1,935,358</u>	<u>1,375,557</u>
Total Liabilities and Net Assets	<u>\$ 2,045,836</u>	<u>\$ 1,523,332</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 1,927,351	\$ 1,652,001
Federal revenue	218,909	213,304
Other State revenue	481,588	231,392
Local revenue	124,580	175,803
Total Revenues	<u>2,752,428</u>	<u>2,272,500</u>
EXPENSES		
Program services:		
Salaries and benefits	1,167,651	959,417
Student services	167,097	137,126
Materials and supplies	33,358	12,627
Student nutrition	85,556	67,687
Other expenses	56,762	95,173
Subtotal	<u>1,510,424</u>	<u>1,272,030</u>
Management and general:		
Salaries and benefits	\$ 291,913	\$ 239,854
Depreciation	11,392	7,177
Management fee	82,190	90,202
Occupancy	119,251	91,457
Operating expenses	177,457	273,738
Subtotal	<u>682,203</u>	<u>702,428</u>
Total Expenses	<u>2,192,627</u>	<u>1,974,458</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>559,801</u>	<u>298,042</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,375,557</u>	<u>1,077,515</u>
NET ASSETS, END OF YEAR	<u>\$ 1,935,358</u>	<u>\$ 1,375,557</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 559,801	\$ 298,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	11,392	7,176
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	68,516	51,299
Intra-company receivable	89,562	53,970
Prepaid expenses and other current assets	110,151	(120,617)
Increase (Decrease) in liabilities		
Accounts payable and accruals	(10,729)	(14,977)
Intra-company payable	(26,568)	20,353
Net Cash Provided by Operating Activities	<u>802,125</u>	<u>295,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(70,977)</u>	<u>(22,623)</u>
NET CHANGE IN CASH	731,148	272,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,000,807</u>	<u>728,184</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,731,955</u></u>	<u><u>\$ 1,000,807</u></u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy 5

Charter school number authorized by the State: 0987

Magnolia Science Academy 5 (MSA 5), formerly located in Hollywood, now located in Reseda, California provides sixth through ninth grade education to approximately 206 students. MSA 5 was created under the approval of the Los Angeles Unified School District and the California State Board of Education, and receives public per-pupil funding to help support their operation. During 2018, MSA 5 was approved for a five year period ending June 30, 2023 under Los Angeles County Office of Education. MSA 5 is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA 5 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 5's Charter School Management Organization (CMO) that manages MSA 5's nonacademic operation such as financial, general administration, and human resource management. MSA 5's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 5 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 5. Additional information is presented in Note 13 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 5 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 5 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 5 had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA 5 is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 5 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA 5 did not receive any donor-restricted contributions.

Income Taxes

MSA 5 is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 5 is not aware of any such actions at this time.

MSA 5 has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA 5 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 5 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$11,392 and \$7,177.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 5's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 5.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 5 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 5 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 5 has a \$251,130 and \$70,860, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness, and College Readiness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA 5 and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in bank	<u>\$ 1,731,955</u>	<u>\$ 1,827,198</u>	<u>\$ 1,000,807</u>	<u>\$ 1,030,293</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA 5 maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA 5 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 5 had a balance of \$1,797,783 and \$1,003,752, respectively, in excess of FDIC insured limits. Management believes MSA 5 is not exposed to any significant risk related to cash.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 80,927	\$ 110,951
Due from other agencies	-	906
Federal receivable	33,944	74,915
State receivable	21,005	20,480
Lottery	<u>21,747</u>	<u>18,887</u>
Total Accounts Receivable	<u>\$ 157,623</u>	<u>\$ 226,139</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2015, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 5 and reimbursement for those resources from MSA 5 to the Foundation, and cash transfers for cash flow purposes. MSA 5 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 5 had an intra-company receivable balance of \$62,618 and \$152,180, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposits, insurance, and miscellaneous vendors	<u>\$ 11,698</u>	<u>\$ 121,849</u>

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computer and equipment	\$ 191,682	\$ 134,541
Work in progress	13,836	-
Subtotal	<u>205,518</u>	<u>134,541</u>
Less: accumulated depreciation	<u>(123,576)</u>	<u>(112,184)</u>
Total Fixed Assets	<u><u>\$ 81,942</u></u>	<u><u>\$ 22,357</u></u>

During the year ended June 30, 2018 and 2017, \$11,392 and \$7,177, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 40,053	\$ 45,410
Vendor payables	58,713	41,793
Due to other agencies	3,544	25,836
Total Accounts Payable	<u><u>\$ 102,310</u></u>	<u><u>\$ 113,039</u></u>

NOTE 9 - INTRA-COMPANY PAYABLE

The June 30, 2016, intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 5 and reimbursement for those resources from MSA 5 to the Foundation, and cash transfers for cash flow purposes. MSA 5 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 5 had an intra-company payable balance of \$8,168 and \$34,736, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FACILITIES USE AGREEMENT

Magnolia Science Academy 5 renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA 5 education programs and related charter school activities. The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018 and 2017, was \$119,195 and \$83,452, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 5 is part of the Foundation. MSA 5 pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, were \$82,190 and \$90,202, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 5 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 5 has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 5 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 5 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	December 31, 2012	January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 5's total contributions were \$127,705.

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 5 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$18,940.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$55,921 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 5 is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 5 and the CharterSAFE is such that the CharterSAFE is not considered a component unit of MSA 5 for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and MSA 5 are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

During the year ended June 30, 2018 and 2017, MSA 5 made payments of \$20,163 and \$14,538, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 5 had no recorded accounts receivable or accounts payable to the CharterSAFE.

NOTE 14 - CONTINGENCIES

Grants

MSA 5 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA 5 is not currently a party to any legal proceedings.

NOTE 15 - SUBSEQUENT EVENTS

MSA 5's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy (Charter Number 0987) was granted on January 23, 2018, by the Los Angeles County Office of Education for a five year period ending June 30, 2023. MSA 5 has been approved for grades six through eight and operated one school, grades six through nine.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhonov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	59.05	59.02
Seventh and eighth	99.46	98.90
Ninth	39.15	39.13
Total Regular ADA	<u>197.66</u>	<u>197.05</u>
Classroom based ADA		
Sixth	59.05	59.02
Seventh and eighth	99.46	98.90
Ninth	39.15	39.13
Total Classroom based ADA	<u>197.66</u>	<u>197.05</u>

MSA 5 did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		65,554	180	N/A	Complied
Grade 7		65,554	180	N/A	Complied
Grade 8		65,554	180	N/A	Complied
Grade 9	64,800	65,554	180	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2018, Unaudited Actuals	\$ 1,935,072
Increase (Decrease) in:	
Intra-company receivable	(54,450)
Prepaid expenses and other current assets	62,618
(Increase) in:	
Accounts payable and accruals	286
Intra-company payable	<u>(8,168)</u>
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 1,935,358</u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 5. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 5 and whether MSA 5 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy 5
(A California Nonprofit Public Benefit Corporation)
Reseda, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy 5 (MSA 5) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 5's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 5's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 5's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 5 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 5's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 5's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy 5
(A California Nonprofit Public Benefit Corporation)
Reseda, California

Report on State Compliance

We have audited Magnolia Science Academy 5's (MSA 5) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 5's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 5's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 5's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 5's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 5 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 5's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 5 does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

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MSA 5 does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA 5 does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA 5 did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

**MAGNOLIA SCIENCE ACADEMY 5
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 5
(A California Nonprofit Public Benefit Corporation)
Reseda, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 5 (MSA 5), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA 5 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 6
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 6 (MSA 6) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 6's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 6's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 6, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 6's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 6's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 6's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,442,531	\$ 754,059
Accounts receivable	162,484	168,102
Intra-company receivable	2,500	450,000
Prepaid expenses and other current assets	14,884	17,566
Total Current Assets	<u>1,622,399</u>	<u>1,389,727</u>
Non-Current Assets:		
Fixed assets	158,971	153,988
Less: accumulated depreciation	<u>(130,981)</u>	<u>(102,255)</u>
Total Non-Current Assets	<u>27,990</u>	<u>51,733</u>
Total Assets	<u>\$ 1,650,389</u>	<u>\$ 1,441,460</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 46,433	\$ 156,147
Intra-company payable	<u>58</u>	<u>26,392</u>
Total Current Liabilities	<u>46,491</u>	<u>182,539</u>
NET ASSETS		
Unrestricted	1,491,714	1,204,609
Designated	<u>112,184</u>	<u>54,312</u>
Total Net Assets	<u>1,603,898</u>	<u>1,258,921</u>
Total Liabilities and Net Assets	<u>\$ 1,650,389</u>	<u>\$ 1,441,460</u>

The accompanying notes are an integral part of these financial statements.

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 1,449,785	\$ 1,552,530
Federal revenue	143,028	148,639
Other State revenue	374,247	303,769
Local revenue	52,349	28,043
Total Revenues	<u>2,019,409</u>	<u>2,032,981</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 887,176	\$ 893,030
Student services	80,009	76,545
Materials and supplies	18,712	57,669
Student nutrition	44,443	48,940
Other expenses	34,220	40,095
Subtotal	<u>1,064,560</u>	<u>1,116,279</u>
Management and general:		
Salaries and benefits	221,794	223,258
Depreciation	28,726	19,778
Management fee	82,190	89,797
Occupancy	125,889	113,421
Operating expenses	151,273	168,792
Subtotal	<u>609,872</u>	<u>615,046</u>
Total Expenses	<u>1,674,432</u>	<u>1,731,325</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>344,977</u>	<u>301,656</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,258,921</u>	<u>957,265</u>
NET ASSETS, END OF YEAR	<u>\$ 1,603,898</u>	<u>\$ 1,258,921</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 344,977	\$ 301,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	28,726	19,778
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	5,618	129,308
Intra-company receivable	447,500	(150,000)
Prepaid expenses and other current assets	2,682	(13,731)
Increase (Decrease) in liabilities		
Accounts payable and accruals	(109,714)	19,923
Intra-company payable	(26,334)	(83,618)
Net Cash Provided by Operating Activities	693,455	223,316
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,983)	(5,111)
NET CHANGE IN CASH	688,472	218,205
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	754,059	535,854
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,442,531	\$ 754,059
Supplemental cash flow disclosure:		
Cash paid during the period for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**NOTES TO FINANCIAL STATEMENTS**
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION**Magnolia Science Academy 6**

Charter school number authorized by the State: 0988

Magnolia Science Academy-6 (MSA 6) is a charter school located in Los Angeles, California that provides sixth through eighth grade education to approximately 155 students. The School was created under the approval of the Los Angeles Unified School District (ending June 30, 2019) and the California State Board of Education, and receives public per-pupil funding to help support their operation. The School is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA 6 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 6's Charter School Management Organization (CMO) that manages MSA 6's nonacademic operation such as financial, general administration, and human resource management. MSA 6's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 6 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 6. Additional information is presented in Note 14 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 6 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 6 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 6 had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA 6 is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 6 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA 6 did not receive any donor-restricted contributions.

Income Taxes

MSA 6 is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 6 is not aware of any such actions at this time.

MSA 6 has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA 6 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 6 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$28,726 and \$19,778, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 6's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 6.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 6 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 6 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 6 has \$112,184 and \$54,312, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness, National School Lunch Program, and College Readiness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA 6 and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 10).

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in bank	<u>\$ 1,442,531</u>	<u>\$ 1,496,957</u>	<u>\$ 754,059</u>	<u>\$ 776,573</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA 6 maintains its cash in bank deposit accounts that at times may exceed insured limits. MSA 6 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 6 had \$1,472,859 and \$756,568, respectively, in excess of insured limits.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 36,937	\$ 99,113
Due from other agencies	-	1,055
Federal receivable	37,474	15,246
State receivable	74,645	25,242
Lottery	13,428	15,618
Local receivable	-	11,828
Total Accounts Receivable	<u>\$ 162,484</u>	<u>\$ 168,102</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 6 and reimbursement for those resources from MSA 6 to the Foundation, and cash transfers for cash flow purposes. MSA 6 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 6 had an intra-company receivable balance of \$2,500 and \$450,000, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposits, insurance, and miscellaneous vendors	<u>\$ 14,884</u>	<u>\$ 17,566</u>

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Computer and equipment	\$ 148,877	\$ 153,988
Work in progress	10,094	-
Subtotal	158,971	153,988
Less: accumulated depreciation	(130,981)	(102,255)
Total Fixed Assets	<u>\$ 27,990</u>	<u>\$ 51,733</u>

During the year ended June 30, 2018 and 2017, \$28,726 and \$19,778, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 37,359	\$ 40,242
Vendor payables	5,646	115,905
Due to other agencies	3,428	-
Total Accounts Payable	<u>\$ 46,433</u>	<u>\$ 156,147</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 6 and reimbursement for those resources from MSA 6 to the Foundation, and cash transfers for cash flow purposes. MSA 6 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 6 had an intra-company payable balance of \$58 and \$26,392, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OPERATING LEASE

Magnolia Science Academy 6 entered into a lease agreement with First Lutheran Church of Culver City and Palms on August 1, 2015, for the property located at 3754 Dunn Drive, Los Angeles, California for the sole purpose of operating MSA 6 educational programs and related Charter School activities. Lease payments during 2018 and 2017, were \$114,000 and \$113,500, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 6 is part of the Foundation. MSA 6 pays the Foundation management fees for services received. The amount is calculated based on management assessment. The amount of management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, was \$82,190 and \$89,797, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 6 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 6 has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 6 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 6 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	December 31, 2012	January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 6's total contributions were \$96,199.

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 6 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$15,954.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$49,077 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - CONTINGENCIES

Grants

MSA 6 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Litigation

MSA 6 is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 6 is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 6 and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA 6 for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA 6 are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA 6 made payments of \$19,055 and \$19,014, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 6 had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 15 - SUBSEQUENT EVENTS

MSA 6's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the

SUPPLEMENTARY INFORMATION

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy 6 (Charter Number 0988) was granted on May 8, 2008, by the Los Angeles Unified School District and renewed for a five year period ending June 30, 2019. MSA 6 operates one school, grades six through eight.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	44.03	43.34
Seventh and eighth	111.09	111.26
Total Regular ADA	<u>155.12</u>	<u>154.60</u>
Classroom based ADA		
Sixth	44.03	43.34
Seventh and eighth	111.09	111.26
Total Classroom based ADA	<u>155.12</u>	<u>154.60</u>

MSA 6 did not operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		63,846	180	N/A	Complied
Grade 7		63,846	180	N/A	Complied
Grade 8		63,846	180	N/A	Complied

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 1,603,577
Increase (Decrease) in:	
Accounts receivable	(2,441)
Intra-company receivable	2,500
(Increase) Decrease in:	
Accounts payable and accruals	320
Intra-company payable	<u>(58)</u>
Net Assets, June 30, 2018,	
Audited Financial Statement	<u><u>\$ 1,603,898</u></u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 6. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 6 and whether MSA 6 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy 6
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy 6 (MSA 6) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 6's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 6's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 6's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 6's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 6 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 6's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 6's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy 6
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Magnolia Science Academy 6's (MSA 6) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 6's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 6's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 6's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 6's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 6 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

DRAFT 11/15/2018

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 6's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 6 does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

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MSA 6 does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

MSA 6 does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

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**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 6
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 6
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 6 (MSA 6), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA 6 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy 7
(A California Nonprofit Public Benefit Corporation)
Northridge, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy 7 (MSA 7) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA 7's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA 7's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA 7, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA 7's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 7's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 7's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,269,979	\$ 830,140
Accounts receivable	318,241	271,398
Intra-company receivable	-	-
Prepaid expenses and other current assets	22,337	135,483
Total Current Assets	<u>1,610,557</u>	<u>1,237,021</u>
Non-Current Assets		
Security deposits	7,227	4,000
Fixed assets	290,998	135,974
Less: accumulated depreciation	(122,900)	(104,385)
Total Non-Current Assets	<u>175,325</u>	<u>35,589</u>
Total Assets	<u>\$ 1,785,882</u>	<u>\$ 1,272,610</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 277,107	\$ 109,231
Intra-company payable	10,579	151,049
Total Current Liabilities	<u>287,686</u>	<u>260,280</u>
NET ASSETS		
Unrestricted	1,243,634	959,589
Designated	254,562	52,741
Total Net Assets	<u>1,498,196</u>	<u>1,012,330</u>
Total Liabilities and Net Assets	<u>\$ 1,785,882</u>	<u>\$ 1,272,610</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 2,565,977	\$ 2,586,389
Federal revenue	241,181	230,631
Other State revenue	945,358	716,536
Local revenue	98,633	87,049
Total Revenues	<u>3,851,149</u>	<u>3,620,605</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 1,393,792	\$ 1,390,844
Student services	177,626	172,011
Materials and supplies	45,381	101,080
Student nutrition	93,406	117,260
Other expenses	48,552	78,570
Subtotal	<u>1,758,757</u>	<u>1,859,765</u>
Management and general:		
Salaries and benefits	348,448	347,711
Depreciation	18,515	20,286
Management fee	547,935	656,701
Occupancy	293,076	293,806
Operating expenses	398,552	377,358
Subtotal	<u>1,606,526</u>	<u>1,695,862</u>
Total Expenses	<u>3,365,283</u>	<u>3,555,627</u>
CHANGE IN NET ASSETS	485,866	64,978
NET ASSETS, BEGINNING OF YEAR	<u>1,012,330</u>	<u>947,352</u>
NET ASSETS, END OF YEAR	<u>\$ 1,498,196</u>	<u>\$ 1,012,330</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 485,866	\$ 64,978
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	18,515	20,286
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(46,843)	101,100
Intra-company receivable	-	112,514
Prepaid expenses and other current assets	113,146	(107,374)
Increase (Decreased) in liabilities:		
	167,876	(280,618)
Net Cash Provided (Used) by Operating Activities	<u>594,863</u>	<u>(71,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(155,024)</u>	<u>(13,074)</u>
NET CHANGE IN CASH	439,839	(84,137)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	830,140	914,277
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,269,979</u>	<u>\$ 830,140</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy 7

Charter school number authorized by the State: 0989

Magnolia Science Academy 7 (MSA 7) is a charter school located in Northridge, California that provides kindergarten through sixth grade education to approximately 200 students. MSA 7 was created under the approval of the Los Angeles Unified School District and the California State Board of Education, and receives public per-pupil funding to help support their operation. Los Angeles Unified School District approved the charter on February 26, 2008, and renewed the charter agreement in 2014 for a period of five years ending in 2019. MSA 7 is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA 7 is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA 7's Charter School Management Organization (CMO) that manages MSA 7's nonacademic operation such as financial, general administration, and human resource management. MSA 7's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

MPM Sherman Way, LLC

The Foundation has the following consolidated affiliates (where the Foundation is the sole member) that were formed to provide assistance with funding capital improvement on behalf of the Foundation's activities. MPM Sherman Way LLC, a California limited liability company.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA 7 is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA 7. Additional information is presented in Note 13 to the financial statements.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA 7 are described below to enhance the financial statements.

Financial Statement Presentation

MSA 7 is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA 7 had no temporarily or permanently restricted net assets, as of June 30, 2018 and 2017, respectively. In addition, MSA 7 is required to present a Statement of Cash Flows.

Accounting Method - Basis of Accounting

The financial statements were prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, Not-for-Profit Organizations accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA 7 uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." During 2017-2018, MSA 7 did not receive any donor-restricted contributions.

Income Taxes

MSA 7 are a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA 7 is not aware of any such actions at this time.

**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

MSA 7 have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA 7 considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA 7 has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$18,515 and \$20,286, respectively.

Deferred Revenue

Deferred revenue arises when resources are received by MSA 7 prior to the incurrence of qualifying expenditures. In subsequent periods, when the obligation in which the resources were received are met, or when MSA 7 have a legal claim to the resources, the liability for deferred revenue is removed from the Statement of Net Assets and revenue is recognized.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA 7' program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Net Asset Classes

Magnolia Science Academy 7 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy 7 consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA 7.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA 7 does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA 7 does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA 7 has a \$254,562 and \$52,741, respectively, designated balance for California Clean Energy Jobs Act and Educator Effectiveness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA 7 and reimbursement for those resources.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 10).

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand	\$ 1,269,979	\$ 1,327,872	\$ 830,140	\$ 861,042

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA 7 maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA 7 has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA 7 had a balance of \$1,306,496 and \$838,861, respectively, in excess of FDIC insured limits. Management believes MSA 7 is not exposed to any significant risk related to cash.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 88,402	\$ 141,304
Due from other agencies	-	1,751
Federal receivable	52,117	19,645
State receivable	151,786	83,082
Lottery	25,719	25,616
Other	217	-
Total Accounts Receivable	<u>\$ 318,241</u>	<u>\$ 271,398</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 7 and reimbursement for those resources from MSA 7 to the Foundation, and cash transfers for cash flow purposes. MSA 7 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 7 had an intra-company receivable balance of \$0 and \$0, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposits, insurance, and miscellaneous vendors	<u>\$ 29,564</u>	<u>\$ 139,483</u>

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Building improvements	\$ 27,904	\$ 40,978
Computer and equipment	94,996	94,996
Work in progress	168,098	-
Subtotal	290,998	135,974
Less: accumulated depreciation	(122,900)	(104,385)
Total Fixed Assets	<u>\$ 168,098</u>	<u>\$ 31,589</u>

During the year ended June 30, 2018 and 2017, \$18,515 and \$20,286, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 80,072	\$ 70,760
Vendor payables	185,047	22,180
Due to other agencies	11,988	16,291
Total Accounts Payable	<u>\$ 277,107</u>	<u>\$ 109,231</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA 7 and reimbursement for those resources from MSA 7 to the Foundation, and cash transfers for cash flow purposes. MSA 7 and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA 7 had an intra-company payable balance of \$10,579 and \$151,049, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OPERATING LEASES

Magnolia Science Academy 7 entered into a lease extension agreement with First Lutheran Church of Northridge on June 20, 2017, for the property located at 18355 Roscoe Boulevard, Northridge, California for the sole purpose of operating MSA 7 educational programs and related Charter School activities and include rental fees that shall be paid on the first of every month. Monthly payments in the amount of \$20, 867 shall be made beginning in fiscal year 2017-2018 and increase 3 percent annually. The term of the lease expired on August 1, 2022. Lease payments during 2018 and 2017, were \$271,754 and \$260,628, respectively.

The future minimum lease commitments are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2019	\$ 257,916
2020	265,656
2021	273,624
2022	281,832
Total	<u><u>\$ 1,079,028</u></u>

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA 7 is part of the Foundation. MSA 7 pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, were \$547,935 and \$656,701, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA 7 chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA 7 has no plans to withdraw from this multi-employer plan.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA 7 contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA 7 contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA 7's total contributions were \$140,104.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	On or before	On or after
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA 7 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$32,737.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$68,179 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA 7 are a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA 7 and the CharterSAFE is such that the CharterSAFE is not considered a component unit of MSA 7 for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and MSA 7 are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA 7 made payments of \$31,480 and \$31,152, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA 7 had no recorded accounts receivable or accounts payable to the CharterSAFE.

NOTE 14 - CONTINGENCIES

Grants

MSA 7 has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

Magnolia Science Academy 7 is not currently a party to any legal proceedings.

NOTE 15 - SUBSEQUENT EVENTS

MSA 7's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy 7 (Charter Number 0989) was granted on February 26, 2008, by the Los Angeles Unified School District and renewed for a five year period ending June 30, 2019. MSA 7 operates one school, grades kindergarten through five.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	152.39	149.02
Fourth through fifth	122.36	121.99
Total Regular ADA	<u>274.75</u>	<u>271.01</u>
Classroom based ADA		
Transitional kindergarten through third	152.39	149.02
Fourth through fifth	122.36	121.99
Total Classroom based ADA	<u>274.75</u>	<u>271.01</u>

MSA 7 did not operate a non-classroom based Instruction program.

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	60,645	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		56,875	180	N/A	Complied
Grade 2		56,875	180	N/A	Complied
Grade 3		56,875	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,875	180	N/A	Complied
Grade 5		56,875	180	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2018, Unaudited Actuals	\$ 1,498,659
Increase (Decrease) in:	
Accounts receivable	10,279
Prepaid expenses and other current assets	(7,227)
Security deposit	7,227
(Increase) Decrease in:	
Accounts payable and accruals	(163)
Intra-company payable	<u>(10,579)</u>
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 1,498,196</u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA 7. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA 7 and whether MSA 7 complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

MSA 7 must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy 7
(A California Nonprofit Public Benefit Corporation)
Northridge, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy 7 (MSA 7) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA 7's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA 7's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA 7's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA 7's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA 7's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA 7 in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA 7's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA 7's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy 7
(A California Nonprofit Public Benefit Corporation)
Northridge, California

Report on State Compliance

We have audited Magnolia Science Academy 7's (MSA 7) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA 7's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA 7's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA 7's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA 7's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA 7 complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA 7's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA 7 does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

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MSA 7 does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA 7 does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

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**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

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**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

**MAGNOLIA SCIENCE ACADEMY 7
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy 7
(A California Nonprofit Public Benefit Corporation)
Northridge, California

In planning and performing our audit of the financial statements of Magnolia Science Academy 7 (MSA 7), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA 7 for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy Bell
(A California Nonprofit Public Benefit Corporation)
Bell, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy Bell (MSA Bell) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA Bell's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA Bell's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA Bell, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA Bell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA Bell's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA Bell's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,907,434	\$ 925,839
Accounts receivable	385,404	384,871
Intra-company receivable	1,722,916	2,073,307
Prepaid expenses and other current assets	79,980	20,446
Total Current Assets	<u>4,095,734</u>	<u>3,404,463</u>
Non-Current Assets		
Fixed assets	320,329	313,302
Less: accumulated depreciation	(187,190)	(129,618)
Total Non-Current Assets	<u>133,139</u>	<u>183,684</u>
Total Assets	<u>\$ 4,228,873</u>	<u>\$ 3,588,147</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 144,722	\$ 208,560
Intra-company payable	434	13,188
Total Current Liabilities	<u>145,156</u>	<u>221,748</u>
NET ASSETS		
Unrestricted	3,810,806	3,309,032
Designated	272,911	57,367
Total Net Assets	<u>4,083,717</u>	<u>3,366,399</u>
Total Liabilities and		
Net Assets	<u>\$ 4,228,873</u>	<u>\$ 3,588,147</u>

The accompanying notes are an integral part of these financial statements.

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MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 4,538,699	\$ 4,526,038
Federal revenue	342,604	309,446
Other State revenue	980,866	786,188
Local revenue	74,954	71,939
Total Revenues	<u>5,937,123</u>	<u>5,693,611</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 2,287,778	\$ 2,391,957
Student services	231,491	207,080
Materials and supplies	27,207	27,006
Student nutrition	144,444	163,222
Other expenses	124,961	185,334
Subtotal	<u>2,815,881</u>	<u>2,974,599</u>
Management and general:		
Salaries and benefits	539,574	597,989
Depreciation	57,572	67,806
Management fee	1,095,870	1,052,849
Occupancy	318,111	235,424
Operating expenses	392,797	402,720
Subtotal	<u>2,403,924</u>	<u>2,356,788</u>
Total Expenses	<u>5,219,805</u>	<u>5,331,387</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>717,318</u>	<u>362,224</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,366,399</u>	<u>3,004,175</u>
NET ASSETS, END OF YEAR	<u>\$ 4,083,717</u>	<u>\$ 3,366,399</u>

The accompanying notes are an integral part of these financial statements.

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MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 717,318	\$ 362,224
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	57,572	67,806
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(533)	95,041
Intra-company receivable	350,391	(1,460,548)
Prepaid expenses and other current assets	(59,534)	(8,355)
Increase (Decrease) in liabilities		
Accounts payable and accruals	(63,838)	11,667
Intra-company payable	(12,754)	(61,022)
Net Cash Provided by (Used in) Operating Activities	<u>988,622</u>	<u>(993,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(7,027)</u>	<u>(110,794)</u>
NET CHANGE IN CASH	981,595	(1,103,981)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>925,839</u>	<u>2,029,820</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,907,434</u>	<u>\$ 925,839</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

Magnolia Science Academy Bell

Charter school number authorized by the State: 1236

Magnolia Science Academy-8 (MSA Bell) is a charter school located in Bell, California that provides sixth through eighth grade education to approximately 487 students. MSA Bell was created under the approval of the Los Angeles Unified School District (ending June 30, 2020) and the California State Board of Education, and receives public per-pupil funding to help support their operation. MSA Bell is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA Bell is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA Bell's Charter School Management Organization (CMO) that manages MSA Bell's nonacademic operation such as financial, general administration, and human resource management. MSA Bell's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA Bell is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA Bell. Additional information is presented in Note 15 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA Bell are described below to enhance the financial statements.

Financial Statement Presentation

MSA Bell is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA Bell had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA Bell is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA Bell uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA Bell did not receive any donor-restricted contributions.

Income Taxes

MSA Bell is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA Bell is not aware of any such actions at this time.

MSA Bell has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA Bell considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management has determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. MSA Bell has reported prepaid items either when purchased or during the benefiting period.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$57,572 and \$67,806, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA Bell's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA Bell.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA Bell does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA Bell does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2018 and 2017, MSA Bell has a \$272,911 and \$57,367, respectively, designated balance for California Clean Energy Jobs Act, Educator Effectiveness, and College Readiness funds.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA Bell and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash in banks	\$ 1,907,434	\$ 2,174,208	\$ 925,839	\$ 951,115

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA Bell maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA Bell has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA Bell had a balance of \$2,139,207 and \$926,614, respectively, in excess of FDIC insured limits. Management believes MSA Bell is not exposed to any significant risk related to cash.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
State principal apportionment	\$ 199,840	\$ 296,662
Due from other agencies	-	3,014
Federal receivable	122,396	27,902
State receivable	17,928	13,391
Lottery	45,240	43,902
Total Accounts Receivable	<u>\$ 385,404</u>	<u>\$ 384,871</u>

NOTE 5 - INTRA-COMPANY RECEIVABLE

The intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Bell and reimbursement for those resources from MSA Bell to the Foundation, and cash transfers for cash flow purposes. MSA Bell and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA Bell had an intra-company receivable balance of \$1,722,916 and \$2,073,307, respectively, from the Foundation.

NOTE 6 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Prepaid rent, security deposits, insurance, and miscellaneous vendors	<u>\$ 79,980</u>	<u>\$ 20,446</u>

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Computer and equipment	\$ 307,565	\$ 313,302
Work in progress	12,764	-
Subtotal	320,329	313,302
Less: accumulated depreciation	(187,190)	(129,618)
Total Fixed Assets	<u>\$ 133,139</u>	<u>\$ 183,684</u>

During the year ended June 30, 2018, \$57,572 and \$67,806, respectively, was charged to depreciation expense.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Salaries and benefits	\$ 98,996	\$ 80,371
Vendor payables	45,726	128,189
Total Accounts Payable	<u>\$ 144,722</u>	<u>\$ 208,560</u>

NOTE 9 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Bell and reimbursement for those resources from MSA Bell to the Foundation, and cash transfers for cash flow purposes. MSA Bell and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA Bell had an intra-company payable balance of \$434 and \$13,188, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FACILITIES USE AGREEMENT

Magnolia Science Academy Bell renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA Bell education programs and related charter school activities. The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018 and 2017, was \$318,111 and \$235,424, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

MSA Bell is part of the Foundation. MSA Bell pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, were \$1,095,870 and \$1,052,849, respectively.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA Bell chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA Bell has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA Bell contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA Bell contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA Bell's total contributions were \$232,680.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	6.50%
Required employee contribution rate	15.531%	15.531%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA Bell is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$44,743.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$129,480 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - CONTINGENCIES

Grants

MSA Bell has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA Bell is not currently a party to any legal proceedings.

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA Bell is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA Bell and the CharterSAFE is such that the CharterSAFE is not considered a component unit of MSA Bell for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and MSA Bell are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA Bell made payments of \$50,548 and \$50,567, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA Bell had no recorded accounts receivable or accounts payable to the CharterSAFE.

NOTE 16 - SUBSEQUENT EVENTS

MSA Bell's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018**

ORGANIZATION

Magnolia Science Academy Bell (Charter Number 1236) was granted on June 15, 2010, by the Los Angeles Unified School District and extended for a five year period ending June 30, 2020. MSA Bell operates one school, grades six through twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhonov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Secretary	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

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**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	131.91	132.02
Seventh and eighth	340.97	340.46
Total Regular ADA	<u>472.88</u>	<u>472.48</u>
Classroom based ADA		
Sixth	131.91	132.02
Seventh and eighth	340.97	340.46
Total Classroom based ADA	<u>472.88</u>	<u>472.48</u>

MSA Bell did not operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

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**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		64,320	180	N/A	Complied
Grade 7		64,320	180	N/A	Complied
Grade 8		64,320	180	N/A	Complied

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 4,082,888
Increase (Decrease) in:	
Accounts receivable	(1,722,482)
Intra-company receivable	1,722,916
(Increase) Decrease in:	
Accounts payable and accrued payroll	829
Intra-company payable	(434)
Net Assets, June 30, 2018, Unaudited Actuals	
Audited Financial Statement	<u>\$ 4,083,717</u>

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA Bell. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA Bell and whether MSA Bell complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy Bell
(A California Nonprofit Public Benefit Corporation)
Bell, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy Bell (MSA Bell) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA Bell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA Bell's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA Bell's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA Bell's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA Bell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA Bell in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA Bell's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA Bell's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy Bell
(A California Nonprofit Public Benefit Corporation)
Bell, California

Report on State Compliance

We have audited Magnolia Science Academy Bell's (MSA Bell) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA Bell's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA Bell's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA Bell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA Bell's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA Bell complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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In connection with the audit referred to above, we selected and tested transactions and records to determine MSA Bell's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA Bell does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

DRAFT 11/15/2018

MSA Bell does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA Bell did not offer Non Classroom-Based instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA Bell did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____,2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY BELL
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy Bell
(A California Nonprofit Public Benefit Corporation)
Bell, California

In planning and performing our audit of the financial statements of Magnolia Science Academy Bell (MSA Bell), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA Bell for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy Santa Ana
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy Santa Ana (MSA Santa Ana) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA Santa Ana's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA Santa Ana's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA Santa Ana, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA Santa Ana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA Santa Ana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA Santa Ana's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)**

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 708,858	\$ 1,480,920
Restricted assets:		
Cash held for restricted purposes	-	95,590
Accounts receivable	1,017,487	147,804
Intra-company receivable	34,430	15,416
Prepaid expenses and other current assets	866	28,949
Total Current Assets	<u>1,761,641</u>	<u>1,768,679</u>
Non-Current Assets:		
Investments in LLC's	75,554	-
Security deposits	19,890	19,690
Fixed assets	22,622,538	18,333,010
Less: accumulated depreciation	(1,091,112)	(563,281)
Total Non-Current Assets	<u>21,626,870</u>	<u>17,789,419</u>
Total Assets	<u>\$ 23,388,511</u>	<u>\$ 19,558,098</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 951,469	\$ 688,406
Intra-company payable	2,181,887	2,260,690
Current portion of long-term obligations	306,020	244,116
Total Current Liabilities	<u>3,439,376</u>	<u>3,193,212</u>
Long-Term Obligations:		
Non-current portion of long-term obligations	<u>12,446,842</u>	<u>8,487,874</u>
Total Liabilities	<u>15,886,218</u>	<u>11,681,086</u>
NET ASSETS		
Unrestricted	7,487,577	7,743,647
Designated	14,716	133,365
Total Net Assets	<u>7,502,293</u>	<u>7,877,012</u>
Total Liabilities and Net Assets	<u>\$ 23,388,511</u>	<u>\$ 19,558,098</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

STATEMENT OF ACTIVITIES

(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 6,682,934	\$ 5,507,828
Federal revenue	629,550	713,091
Other State revenue	841,029	644,077
Local revenue	173,872	89,144
Total Revenues	<u>8,327,385</u>	<u>6,954,140</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 4,074,261	\$ 3,131,430
Student services	300,117	440,818
Materials and supplies	128,857	276,599
Student nutrition	341,506	329,069
Other expenses	139,263	206,887
Subtotal	<u>4,984,004</u>	<u>4,384,803</u>
Management and general:		
Salaries and benefits	990,009	782,858
Depreciation	527,830	434,567
Management fee	1,095,870	1,079,401
Occupancy	40,911	72,093
Operating expenses	616,512	622,327
Subtotal	<u>3,718,100</u>	<u>2,991,246</u>
Total Expenses	<u>8,702,104</u>	<u>7,376,049</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(374,719)</u>	<u>(421,909)</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,877,012</u>	<u>8,298,921</u>
NET ASSETS, END OF YEAR	<u>\$ 7,502,293</u>	<u>\$ 7,877,012</u>

The accompanying notes are an integral part of these financial statements.

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**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)**

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (374,719)	\$ (421,909)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	527,830	434,566
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(869,683)	65,708
Intra-company receivable	(19,014)	(12,657)
Prepaid expenses and other current assets	28,083	(23,595)
Security deposits	(200)	7,310
Increase (Decrease) in liabilities		
Accounts payable and accruals	263,064	487,301
Intra-company payable	(78,803)	1,483,858
Deferred revenue	-	(61,355)
Net Cash Provided (Used) by Operating Activities	<u>(523,442)</u>	<u>1,959,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contributions in LLC's	(75,554)	
Restricted cash (received) used for construction	95,590	5,678,755
Capital expenditures	(4,289,528)	(6,302,713)
Net Cash Used by Investing Activities	<u>(4,269,492)</u>	<u>(623,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	<u>4,020,872</u>	<u>(24,996)</u>
NET CHANGE IN CASH	(772,062)	1,310,273
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,480,920</u>	<u>170,647</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 708,858</u>	<u>\$ 1,480,920</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ 446,968</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - ORGANIZATION AND MISSION**Magnolia Science Academy Santa Ana**

Charter school number authorized by the State: 0943

Magnolia Science Academy Santa Ana (MSA Santa Ana) (Formerly Pacific Technology School Santa Ana) is a charter school located in Santa Ana, California that provides transitional kindergarten through twelfth grade education to approximately 720 students. MSA Santa Ana was created under the approval the California State Board of Education, and receives public per-pupil funding to help support their operation. MSA Santa Ana is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA Santa Ana is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA Santa Ana's Charter School Management Organization (CMO) that manages MSA Santa Ana's nonacademic operation such as financial, general administration, and human resource management. MSA Santa Ana's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA Santa Ana is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA Santa Ana. Additional information is presented in Note 19 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA Santa Ana are described below to enhance the financial statements.

Financial Statement Presentation

MSA Santa Ana is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA Santa Ana had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA Santa Ana is required to present a statement of cash flows.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA Santa Ana uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA Santa Ana did not receive any donor-restricted contributions.

Income Taxes

MSA Santa Ana is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA Santa Ana is not aware of any such actions at this time.

MSA Santa Ana has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA Santa Ana considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management has determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$527,830 and \$434,567, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA Santa Ana's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Net Asset Classes

Magnolia Science Academy Santa Ana (formerly Pacific Technology School Santa Ana) is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy Santa Ana (formerly Pacific Technology School Santa Ana) consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA Santa Ana.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA Santa Ana does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA Santa Ana does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. The grant portion of MSA Santa Ana Facilities Program is classified as designated assets until the fund is used for the purchase of the land and the construction of the facility. As of June 30, 2018 and 2017, MSA Santa Ana had a designated balance of \$14,716 and \$133,365, respectively, for College Readiness.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA Santa Ana and reimbursement for those resources.

Prior Year Comparative Financial Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSA Santa Ana's financial statements for the year ended June 30, 2018, from which the comparative information was derived.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 266,617	\$ 455,326	\$ 704,436	\$ 749,046
Orange County Pooled Investment Funds	442,241	N/A	776,484	N/A
Total	<u>\$ 708,858</u>	<u>\$ 455,326</u>	<u>\$ 1,480,920</u>	<u>\$ 749,046</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA Santa Ana maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA Santa Ana has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA Santa Ana had a balance of \$419,062 and \$72,375, respectively, in excess of FDIC insured limits. Management believes MSA Santa Ana is not exposed to any significant risk related to cash.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - RESTRICTED CASH

Restricted cash arises from conditions required by the various financing arrangements. Financial statement classification is based on whether the restricted cash is held to satisfy current or long-term obligations. Restricted cash at June 30, 2018 and 2017, was comprised of the following:

	2018	2017
Current restricted cash	\$ -	\$ 95,590

Restricted cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA Santa Ana maintains its restricted cash in bank deposit accounts that at times may exceed federally insured limits. MSA Santa Ana has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA Santa Ana had no balance in excess of FDIC insured limits. Management believes MSA Santa Ana is not exposed to any significant risk related to cash.

NOTE 5 - INVESTMENTS

Summary of Investments

Investments as of June 30, 2018 and 2017, are classified in the accompanying financial statements as follows:

Investment Type	June 30, 2018		June 30, 2017	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
Orange County Pooled Investment Funds	\$ 442,241	\$ 440,337	\$ 776,484	\$ 775,242

All assets have been valued using a market approach, with quoted market prices.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. MSA Santa Ana does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. MSA Santa Ana manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

MSA Santa Ana monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6- MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

MSA Santa Ana determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Uncategorized - Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because MSA Santa Ana's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MSA Santa Ana's fair value measurements are as follows at June 30, 2018:

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Pooled Investment Funds	Uncategorized	\$ 440,337	302

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**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

MSA Santa Ana's fair value measurements are as follows at June 30, 2017:

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
Orange County Pooled Investment Funds	Uncategorized	\$ 775,242	325

NOTE 7 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
State principal apportionment	\$ 755,157	\$ -
Federal receivable	141,485	32,415
State receivable	57,467	15,051
Lottery	63,378	100,338
Total Accounts Receivable	\$ 1,017,487	\$ 147,804

NOTE 8 - INTRA-COMPANY RECEIVABLE

The June 30, 2018, intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Santa Ana and reimbursement for those resources from MSA Santa Ana to the Foundation, and cash transfers for cash flow purposes. MSA Santa Ana and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA Santa Ana had an intra-company receivable balance of \$34,430 and \$15,416, respectively, from the Foundation.

NOTE 9 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Prepaid rent, security deposits, insurance, and miscellaneous vendors	\$ 866	\$ 48,639

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**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Construction in progress	\$ -	\$ 170,543
Building and improvements	22,157,822	17,892,822
Computer and equipment	269,645	269,645
Work in progress	195,071	-
Subtotal	<u>22,622,538</u>	<u>18,333,010</u>
Less: accumulated depreciation	<u>(1,091,112)</u>	<u>(563,281)</u>
Total Fixed Assets	<u>\$ 21,531,426</u>	<u>\$ 17,769,729</u>

During the year ended June 30, 2018 and 2017, \$527,830 and \$434,567, respectively, was charged to depreciation expense.

NOTE 11 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 138,917	\$ 100,307
Vendor payables	812,552	473,859
Due to other agencies		114,240
Total Accounts Payable	<u>\$ 951,469</u>	<u>\$ 688,406</u>

NOTE 12 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Santa Ana and reimbursement for those resources from MSA Santa Ana to the Foundation, and cash transfers for cash flow purposes. MSA Santa Ana and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA Santa Ana had an intra-company payable balance of \$2,181,887 and \$2,260,690 from the Foundation.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - LOANS PAYABLE

Charter School Facilities Program

MSA Santa Ana has been approved by the State of California's Charter School Facilities Program for \$17,413,956 for constructing a new facility which will cost the same amount. The State will fund 50 percent of the total amount of \$17,413,956; the State will fund 50 percent of the total project cost through a loan in the amount of \$8,706,978 and the other 50 percent through a grant in the amount of \$8,706,978. The loan has an annual interest rate of 2.00 percent and it matures 30 years after the completion of the project. During 2017-2018, MSA Santa Ana made principal and interest payments of \$219,116 and \$446,968, respectively. The outstanding loan balance as of June 30, 2018, was \$8,812,874.

Future payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 223,520	\$ 168,646	\$ 392,166
2020	228,013	164,152	392,165
2021	232,597	159,569	392,166
2022	237,272	154,894	392,166
2023	242,040	150,125	392,165
2024-2028	1,285,166	675,663	1,960,829
2029-2033	1,419,620	541,208	1,960,828
2034-2038	1,568,144	392,683	1,960,827
2039-2043	1,732,208	228,621	1,960,829
2044-2047	1,344,294	53,297	1,397,591
Total	<u>\$ 8,512,874</u>	<u>\$ 2,688,858</u>	<u>\$ 11,201,732</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

MSA Santa Ana is part of the Foundation. MSA Santa Ana pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for the year ended June 30, 2018 and 2017, were \$1,095,870 and \$1,079,401, respectively.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA Santa Ana chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA Santa Ana has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA Santa Ana contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA Santa Ana contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA Santa Ana's total contributions were \$404,295

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	On or before	On or after
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA Santa Ana is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$73,135.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$114,224 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 - CONTINGENCIES

Grants

MSA Santa Ana has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA Santa Ana is not currently a party to any legal proceedings.

NOTE 17 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA Santa Ana is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA Santa Ana and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA Santa Ana for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA Santa Ana are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA Santa Ana made payments of \$76,477 and \$55,252, respectively, to CharterSAFE for services received. At June 30, 2018, MSA Santa Ana had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 18 - SUBSEQUENT EVENTS

MSA Santa Ana's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018**

ORGANIZATION

Magnolia Science Academy Santa Ana (Charter Number 1686) was granted on August 1, 2014, by the California State Board of Education. MSA Santa Ana operates one school, for students in transitional kindergarten through grade twelve.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shohrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Resigned June 30, 2018

See accompanying note to supplementary information.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	249.53	251.40
Sixth	174.26	178.90
Seventh and eighth	147.64	152.56
Ninth through twelfth	127.23	131.14
Total Regular ADA	<u>698.66</u>	<u>714.00</u>
Classroom based ADA		
Transitional kindergarten through third	249.53	251.40
Sixth	172.49	177.45
Seventh and eighth	147.64	152.56
Ninth through twelfth	126.83	130.81
Total Classroom based ADA	<u>696.49</u>	<u>712.22</u>

MSA Santa Ana did operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	54,245	181	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,500	181	N/A	Complied
Grade 2		53,500	181	N/A	Complied
Grade 3		53,500	181	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,640	181	N/A	Complied
Grade 5		54,640	181	N/A	Complied
Grades 6 - 8	54,000				
Grade 6		61,392	181	N/A	Complied
Grade 7		61,392	181	N/A	Complied
Grade 8		61,392	181	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,825	181	N/A	Complied
Grade 10		64,825	181	N/A	Complied
Grade 11		64,825	181	N/A	Complied
Grade 12		64,825	181	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Net Assets, June 30, 2018, Unaudited Actuals	\$ 7,502,296
(Decrease) in:	
Intra-company receivable	(34,430)
(Increase) Decrease in:	
Accounts payable and accruals	646,523
Intra-company payable	2,181,887
Current loan	<u>(2,793,980)</u>
Net Assets, June 30, 2018, Audited Financial Statement	<u>\$ 7,502,296</u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA Santa Ana. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA Santa Ana and whether MSA Santa Ana complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy Santa Ana
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy Santa Ana (MSA Santa Ana) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA Santa Ana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA Santa Ana's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA Santa Ana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA Santa Ana's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA Santa Ana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA Santa Ana in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA Santa Ana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA Santa Ana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy Santa Ana
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

Report on State Compliance

We have audited Magnolia Science Academy's Santa Ana (MSA Santa Ana) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA Santa Ana's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA Santa Ana's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA Santa Ana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA Santa Ana's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA Santa Ana complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018

DRAFT 11/15/2018

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA Santa Ana's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA Santa Ana did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

MSA Santa Ana does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

MSA Santa Ana does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA Santa Ana did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
-------------------------------------------------------------	-------------------

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY SANTA ANA
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy Santa Ana
(A California Nonprofit Public Benefit Corporation)
Santa Ana, California

In planning and performing our audit of the financial statements of Magnolia Science Academy Santa Ana (MSA Santa Ana), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA Santa Ana for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Magnolia Science Academy San Diego
(A California Nonprofit Public Benefit Corporation)
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of Magnolia Science Academy San Diego (MSA San Diego) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA San Diego's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSA San Diego's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA San Diego, as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2018, on our consideration of MSA San Diego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA San Diego's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA San Diego's internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2018

FINANCIAL STATEMENTS

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 657,784	\$ 620,061
Restricted assets		
Cash held for restricted purposes	106,607	106,607
Accounts receivable	271,945	250,662
Intra-company receivable	-	11,025
Prepaid expenses and other current assets	128,519	246,037
Total Current Assets	<u>1,164,855</u>	<u>1,234,392</u>
Non-Current Assets		
Investments in LLC's	198,191	-
Security deposits	-	25,000
Fixed assets	667,450	649,284
Less: accumulated depreciation	(372,561)	(341,993)
Total Non-Current Assets	<u>493,080</u>	<u>332,291</u>
Total Assets	<u>\$ 1,657,935</u>	<u>\$ 1,566,683</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 137,405	\$ 136,429
Intra-company payable	215,638	29,762
Total Current Liabilities	<u>353,043</u>	<u>166,191</u>
Long-Term Obligations:		
Non-current portion of long-term obligations	<u>151,806</u>	<u>151,806</u>
Total Liabilities	<u>504,849</u>	<u>317,997</u>
NET ASSETS		
Unrestricted	803,763	1,063,588
Designated	349,323	185,098
Total Net Assets	<u>1,153,086</u>	<u>1,248,686</u>
Total Liabilities and Net Assets	<u>\$ 1,657,935</u>	<u>\$ 1,566,683</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenues:		
State apportionments	\$ 2,947,210	\$ 3,033,354
Federal revenue	117,595	107,314
Other State revenue	788,908	594,225
Local revenue	99,365	111,765
Total Revenues	<u>3,953,078</u>	<u>3,846,658</u>
EXPENSES		
Program services:		
Salaries and benefits	\$ 1,901,413	\$ 1,924,008
Student services	181,840	173,608
Materials and supplies	8,906	18,074
Student nutrition	31,385	35,299
Other expenses	50,080	61,812
Subtotal	<u>2,173,624</u>	<u>2,212,801</u>
Management and general:		
Salaries and benefits	472,297	481,002
Depreciation	30,567	39,157
Management fee	324,470	377,766
Occupancy	698,460	330,000
Operating expenses	349,260	331,827
Subtotal	<u>1,875,054</u>	<u>1,559,752</u>
Total Expenses	<u>4,048,678</u>	<u>3,772,553</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(95,600)</u>	<u>74,105</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,248,686</u>	<u>1,174,581</u>
NET ASSETS, END OF YEAR	<u>\$ 1,153,086</u>	<u>\$ 1,248,686</u>

The accompanying notes are an integral part of these financial statements.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (95,600)	\$ 74,105
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	30,567	39,157
Changes in operating assets and liabilities:		
Decrease (Increase) in assets		
Accounts receivable	(21,283)	57,459
Intra-company receivable	11,025	(961)
Security deposits	25,000	(25,000)
Prepaid expenses and other current assets	117,518	(237,516)
Increase (Decrease) in liabilities		
Accounts payable and accruals	977	(54,162)
Intra-company payable	185,876	10,320
Deferred revenue	-	-
Net Cash Provided (Used) by Operating Activities	<u>254,080</u>	<u>(136,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution in LLC's	(198,191)	-
Capital expenditures	(18,166)	(5,116)
Net Cash Used by Investing Activities	<u>(216,357)</u>	<u>(5,116)</u>
NET CHANGE IN CASH	37,723	(141,714)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	620,061	761,775
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 657,784</u>	<u>\$ 620,061</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)****NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - ORGANIZATION AND MISSION**Magnolia Science Academy San Diego**

Charter school number authorized by the State: 0698

Magnolia Science Academy San Diego, formerly Momentum Middle Charter School (MSA San Diego) is a charter school located in San Diego, California that provides educational activities for students in grades sixth through ninth serving approximately 397 students. The School offers a rich academic program with elective classes, tutoring, and after school clubs. It was the most improved middle school according to all API scores in the year 2007. The School was created under the approval of the San Diego Unified School District (SDUSD) and the California State Board of Education, and receives public per-pupil funding to help support their operation. The School is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA San Diego is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA San Diego's Charter School Management Organization (CMO) that manages MSA San Diego's nonacademic operation such as financial, general administration, and human resource management. MSA San Diego's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

Other Related Entities

Joint Powers Agency and Risk Management Pools - MSA San Diego is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of MSA San Diego. Additional information is presented in Note 16 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by MSA San Diego are described below to enhance the financial statements.

Financial Statement Presentation

MSA San Diego is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. MSA San Diego had no temporarily or permanently restricted net assets as of June 30, 2018 and 2017, respectively. In addition, MSA San Diego is required to present a statement of cash flows.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to the situation when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. MSA San Diego uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the *Statement of Activities* as "net assets released from restrictions." During 2017-2018, MSA San Diego did not receive any donor-restricted contributions.

Income Taxes

MSA San Diego is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, MSA San Diego is not aware of any such actions at this time.

MSA San Diego has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MSA San Diego considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2018 and 2017, respectively, management has determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Fixed Assets

All assets with a useful life of greater than one year and costing more than \$5,000 will be capitalized and (except for land) will be recorded in the depreciation records. Property and equipment is capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Bulk computer, software, and other technology purchases with an aggregate value of \$25,000 or more are captured as fixed assets regardless of individual price of item. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed \$50,000. Leasehold improvements are depreciated over the lease term (including options) or the useful life. Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities. Depreciation expense for the year ended June 30, 2018 and 2017, was \$30,567 and \$39,157, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to MSA San Diego's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net Asset Classes

Magnolia Science Academy San Diego is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net assets of the Magnolia Science Academy consist of the following:

Unrestricted - All resources over which the governing board has discretionary control to use in carrying on the general operations of MSA San Diego.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes. MSA San Diego does not have temporarily restricted net assets.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the school. MSA San Diego does not have permanently restricted net assets.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. The grant portion of MSA San Diego Facilities Program is classified as designated assets until the fund is used for the purchase of the land and the construction of the facility. As of June 30, 2018 and 2017, MSA San Diego had a designated balance of \$349,323 and \$185,098, respectively, for California Clean Energy Jobs Act and Proposition 1D Funds for the 2018 and 2017 fiscal years.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by the Foundation to MSA San Diego and reimbursement for those resources.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018 and 2017, consisted of the following:

	June 30, 2018		June 30, 2017	
	Reported Amount	Bank Balance	Reported Amount	Bank Balance
Deposits				
Cash on hand and in banks	\$ 595,726	\$ 664,976	\$ 605,585	\$ 642,439
San Diego County Pooled Investment Funds	62,058	N/A	14,476	N/A
Total	<u>\$ 657,784</u>	<u>\$ 664,976</u>	<u>\$ 620,061</u>	<u>\$ 642,439</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA San Diego maintains its cash in bank deposit accounts that at times may exceed insured limits. MSA San Diego has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA San Diego had \$654,179 and \$625,889 in excess of insured limits.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - RESTRICTED CASH

Restricted cash arises from conditions required by the various financing arrangements. Financial statement classification is based on whether the restricted cash is held to satisfy current or long-term obligations. Restricted cash at June 30, 2018 and 2017, was comprised of the following:

	2018	2017
Current restricted cash for the Charter School Facilities Program	\$ 106,607	\$ 106,607

Restricted cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). MSA San Diego maintains its restricted cash in bank deposit accounts that at times may exceed insured limits. MSA San Diego has not experienced any losses in such accounts. At June 30, 2018 and 2017, MSA San Diego had \$0 and \$0, respectively, in excess of insured limits.

NOTE 5 - INVESTMENTS

Summary of Investments

Investments as of June 30, 2018 and 2017, are classified in the accompanying financial statements as follows:

Investment Type	June 30, 2018		June 30, 2017	
	Reported Amount	Fair Market Value	Reported Amount	Fair Market Value
San Diego County Pooled Investment Funds	\$ 62,058	\$ 61,400	\$ 14,476	\$ 14,427

All assets have been valued using a market approach, with quoted market prices.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. MSA San Diego does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. MSA San Diego manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

MSA San Diego monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

MSA San Diego determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Uncategorized - Investments in the San Diego County Treasury Investment Pools are not measured using the input levels above because MSA San Diego's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MSA San Diego's fair value measurements are as follows at June 30, 2018:

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
San Diego County Treasury Investment Pool	Uncategorized	\$ 61,400	370

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MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

MSA San Diego's fair value measurements are as follows at June 30, 2017:

Investment Type	Level	Fair Value	Weighted Average Maturity in Days
San Diego County Treasury Investment Pool	Uncategorized	\$ 14,427	417

NOTE 7 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, consisted of the following:

	2018	2017
State principal apportionment	\$ 158,421	\$ 200,163
Federal receivable	64,072	5,925
State receivable	39,073	8,115
Lottery	10,379	36,459
Total Accounts Receivable	\$ 271,945	\$ 250,662

NOTE 8 - INTRA-COMPANY RECEIVABLE

The intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA San Diego and reimbursement for those resources from MSA San Diego to the Foundation, and cash transfers for cash flow purposes. MSA San Diego and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA San Diego had an intra-company receivable balance of \$0 and \$11,025, respectively, from the Foundation.

NOTE 9 - PREPAID EXPENSES AND SECURITY DEPOSITS

Prepaid expenses at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Prepaid rent, security deposits, insurance, and miscellaneous vendors	\$ 128,519	\$ 246,037

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FIXED ASSETS

Fixed assets at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Computer and equipment	\$ 410,868	\$ 402,163
Work in progress	256,582	247,121
Subtotal	<u>667,450</u>	<u>649,284</u>
Less: accumulated depreciation	<u>(372,561)</u>	<u>(341,993)</u>
Total Fixed Assets	<u>\$ 294,889</u>	<u>\$ 307,291</u>

During the year ended June 30, 2018 and 2017, \$30,567 and \$39,157, respectively, was charged to depreciation expense.

NOTE 11 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries and benefits	\$ 45,626	\$ 7,836
Vendor payables	87,373	115,625
Due to other agencies	4,406	12,968
Total Accounts Payable	<u>\$ 137,405</u>	<u>\$ 136,429</u>

NOTE 12 - INTRA-COMPANY PAYABLE

The intra-company payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA San Diego and reimbursement for those resources from MSA San Diego to the Foundation, and cash transfers for cash flow purposes. MSA San Diego and the Foundation are related because they are the same legal entity; share the same tax identification number, governed by the same board of directors and share key management personnel. At June 30, 2018 and 2017, MSA San Diego had an intra-company payable balance of \$215,638 and \$29,762, respectively, from the Foundation.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - LOANS PAYABLE

Charter School Facilities Program

MSA San Diego has been approved by the State of California's Charter School Facilities Program for \$3,036,122 for constructing a new facility which will cost the same amount. The State will fund 50 percent of the total amount of \$3,036,122; the State will fund 50 percent of the total project cost through a loan in the amount of \$1,518,061 and the other 50 percent through a grant in the amount of \$1,518,061. The loan has an annual interest rate of 2.00 percent and it matures 30 years after the completion of the project, which is estimated to be in the middle of calendar year 2016. The repayment schedule will be determined after completion of the project. The State Controller's Office will deduct the loan payments from MSA San Diego's State School Fund Apportionments. The outstanding loan balance as of June 30, 2018, was \$151,806.

NOTE 14 - FACILITIES USE AGREEMENT

Magnolia Science Academy San Diego renewed a Facilities Use Agreement with SDUSD for the sole purpose of operating MSA San Diego education programs and related Charter School activities. The terms of this agreement are renewed annually and include rental fees shall that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2018, was \$698,460.

NOTE 15 - RELATED PARTY TRANSACTIONS

MSA San Diego is part of the Foundation. MSA San Diego pays the Foundation management fees for services received. The amount is calculated based on management assessment. The amount of management fees paid to the Foundation for fiscal year ended June 30, 2018 and 2017, is \$324,470 and \$377,766, respectively.

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA San Diego chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA San Diego has no plans to withdraw from this multi-employer plan.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

MSA San Diego contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2017, total actuarial value of assets are \$180 billion, the actuarial obligation is \$287 billion, contributions from all employers totaled \$4.0 billion, and the plan is 62.6 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA San Diego contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	9.205%
Required employee contribution rate	14.43%	14.43%
Required employer contribution rate	9.328%	9.328%
Required state contribution rate		

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and MSA San Diego's total contributions were \$201,763.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2016. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	On or before	On or after
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA San Diego is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$28,775.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$102,769 (9.328 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - CONTINGENCIES

Grants

MSA San Diego has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time." Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

MSA San Diego is not currently a party to any legal proceedings.

NOTE 18 - PARTICIPATION IN JOINT POWERS AUTHORITY

MSA San Diego are a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA San Diego and CharterSAFE is such that CharterSAFE is not considered a component unit of MSA San Diego for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and MSA San Diego are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2018 and 2017, MSA San Diego made payments of \$43,695 and \$18,575, respectively, to CharterSAFE for services received. At June 30, 2018 and 2017, respectively, MSA San Diego had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 19 - SUBSEQUENT EVENTS

MSA San Diego's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

Magnolia Science Academy San Diego (Charter Number 0698) was granted on July 1, 2005, by the San Diego Unified School District. MSA San Diego operates one school, grades six through eight.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Saken Sherkhanov	President	December 11, 2018
Rabbi Haim Beliak	Vice-Chair	February 8, 2022
Dr. Charlotte Brimmer	Director	August 10, 2022
Ms. Sandra Covarrubias	Director/Parent	August 10, 2022
Dr. Salih Dikbas	Director	December 10, 2019
Mr. Shahrat Geldiyev	Director	March 11, 2020
Mrs. Diane Gonzalez	Director	December 10, 2019
Mr. Serdar Orazov	Director	September 9, 2020
Dr. Umit Yapanel	Director	October 11, 2022

ADMINISTRATION

Alfredo Rubalcava ¹	Chief Executive Officer, Superintendent
Caprice Young, Ed.D. ²	Chief Executive Officer, Superintendent
Nanie Montijo	Chief Financial Officer

¹ Effective July 1, 2018

² Reassigned June 30, 2018

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Sixth	121.13	120.08
Seventh and eighth	266.85	264.98
Total Regular ADA	<u>387.98</u>	<u>385.06</u>
Classroom based ADA		
Sixth	121.13	120.08
Seventh and eighth	265.83	262.18
Total Classroom based ADA	<u>386.96</u>	<u>382.26</u>

MSA San Diego did operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

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MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		61,392	176	N/A	Complied
Grade 7		61,392	176	N/A	Complied
Grade 8		61,392	176	N/A	Complied

See accompanying note to supplementary information.

DRAFT 11/15/2018

MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018**

Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2018, Unaudited Actuals	\$ 1,165,312
Increase (decrease) in:	
Prepaid expenses and other current assets	(105,636)
Intra-company payable	215,638
(Decrease) in:	
Accounts payable and accruals	(12,228)
Current loan	<u>(110,000)</u>
Balance, June 30, 2018, Audited Financial Statement	<u><u>\$ 1,153,086</u></u>

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA San Diego. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by MSA San Diego and whether MSA San Diego complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Magnolia Science Academy San Diego
(A California Nonprofit Public Benefit Corporation)
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Science Academy San Diego (MSA San Diego) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MSA San Diego's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA San Diego's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA San Diego's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MSA San Diego's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MSA San Diego's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MSA San Diego in a separate letter dated _____, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MSA San Diego's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA San Diego's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Magnolia Science Academy San Diego
(A California Nonprofit Public Benefit Corporation)
San Diego, California

Report on State Compliance

We have audited Magnolia Science Academy's (MSA San Diego) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA San Diego's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of MSA San Diego's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA San Diego's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of MSA San Diego's compliance with those requirements.

Unmodified Opinion

In our opinion, MSA San Diego complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

DRAFT 11/15/2018

In connection with the audit referred to above, we selected and tested transactions and records to determine MSA San Diego's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA San Diego does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

DRAFT 11/15/2018

MSA San Diego does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

MSA San Diego did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

DRAFT 11/15/2018

**MAGNOLIA SCIENCE ACADEMY San Diego
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year.

Governing Board
Magnolia Science Academy San Diego
(A California Nonprofit Public Benefit Corporation)
San Diego, California

In planning and performing our audit of the financial statements of Magnolia Science Academy San Diego (MSA San Diego), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We are pleased to report there are no matters to note for MSA San Diego for the year ended June 30, 2018.

Rancho Cucamonga, California
_____, 2018

Cover Sheet

Approval Recommendation 2018-19 First Interim Financial Reports

Section: II. Recommendation of Action Items
Item: B. Approval Recommendation 2018-19 First Interim Financial Reports
Purpose: Vote
Submitted by:
Related Material:
II B 2018-19 First Interim Reports.pdf
II B UPDATED MPS 2018-19 First Interim Budget FINAL 12-06-18.pdf



Board Agenda Item #	Agenda # II B
Date:	12-5-18
To:	Magnolia Board of Directors- Finance Committee
From:	Alfredo Rubalcava, CEO & Superintendent
Lead:	Nanie Montijo, Chief Finance Officer and Karl Yoder, DMS
RE:	Revised Budgets & 1 st Interim Reports FY 2018-19

Proposed Board Recommendation

I move that the board approve the 2018-19 revised budget and submit the same as First Interim Reports for fiscal year 2018-19.

Background

Local educational agencies (LEAs) are required to file two interim reports during a fiscal year on the status of the LEA's financial condition. The first interim report (July- October) is due every December 15 while the second interim report (July-January) is due every March 15. For LAUSD and LACOE authorized schools, due date is one week earlier.

The revised budget presented today includes the following revisions and assumptions:

- Enrollment is based on actual student count on Census Day (first Wednesday of October); also the official count reported to state
- ADA driven revenues are adjusted accordingly
- Revised budgeted expenditures are based on each principal's proposal.
- ADA rate remains at the board approved rate during Budget Adoption in June 2018

Budget Implications

Budget adjustments and revisions are reflected in the attached schedule comparing FY 2018-19 Adopted Budget vs FY 2018-19 Proposed Budget/First Interim Report.

How Does This Action Relate/Affect/Benefit All MSAs?

All LEAs are required to submit a 1st Interim Report to their authorizers.

Name of Originator:

Nanie Montijo, Chief financial Officer and Karl Yoder, DMS

Attachments

2018-19 Board Adopted Budget vs 2018-19 Proposed Budget/First Interim Report



2018-19 First Interim Budget (Actuals through 10/31/18)

Board Final: 11-30-18



2018-19 First Interim Budget: Executive Summary

Highlights

- First Interim Budget now projects a deficit of \$2.25 million, a \$3.97 million drop from the July Budget
- This is due to two primary factors:
 - \$1.8 million lower revenue from 214 fewer students than projected in July;
 - \$2.1 million more in expenses by deferring the Prop 39 Energy Projects from last year to this year.
- The \$2.1 million increase from the Prop 39 Energy Projects is fully covered by revenues received last year, which are reflected in the beginning balances. As this is a one-time cost, it should not be viewed as a sign of ongoing issues.
- Targeted expenditure reductions have been included across the board to align with the revenue loss from lower enrollment.
- Spending increases in other areas have been entirely offset by corresponding reductions.
- Some areas of spending that are necessary for maintaining student achievement have been preserved, and in some cases increased slightly, in alignment with the School's overall mission and goals.
- When the one-time Prop 39 project cost is excluded, the overall budget is approximately break-even.
- Overall cash balances are stable, and can support interschool advances up to and exceeding \$2 million if required to cover unforeseen cash flow needs in the remainder of the year.

2018-19 First Interim Budget: Revenues

LCFF Entitlement

- Most funding is through the Local Control Funding Formula, which pays approximately \$10k per ADA (average daily attendance) depending on grade level and socioeconomic factors
- Even though per-student LCFF funding is slightly higher than projected in July, a drop of 214 ADA from July Budget (see graph on following page) results in \$1,868,671 less in main Local Control Funding Formula (LCFF) revenues

Federal Revenues

- Final funding rates for "ESSA" (Every Student Succeeds Act) Title I-IV funding result in \$89k higher projected revenues

Other State Revenues

- Two different one-time state block grants have changed since the July Budget:
 - 1) The one-time funding for Mandate reimbursement was reduced from \$344/ADA to \$184/ADA, resulting in a revenue drop of (\$597k); and
 - 2) A new one-time "Low-Performing Students Block Grant" was introduced, adding \$207k in revenue
- Before/After School AESS funding increased by \$326k, Charter School Facility Grant revenue increased by \$173k, and MTSS revenue increased by \$150k

Other Local Revenues

- Most of this is due to a reduction in MSA Santa Ana MERF CMO fee (this is also included as a reduction in Services expenditure for MSA SA)

2018-19 First Interim Budget: Expenditures

Salaries & Benefits

- While staffing costs have been reduced in response to lower enrollment/ADA in many areas, overall staffing costs are approximately 1.5% higher than projected at the time of the July Budget
- Where costs have increased, those increases have been determined as necessary to preserve and improve instructional programs and student achievement

Books & Supplies

- Budget cuts in most Books & Supplies categories to reflect lower ADA, but instructional materials and textbook costs have been increased over July Budget levels, to ensure continuing educational success and improvement throughout

Services & Operations

- \$2.1 million increase in Prop 39 energy project spending – both revenues and expenses for this Prop 39 one-time energy grant are being moved from 2017-18 to 2018-19
- Remaining Services and Operations costs have been reduced by nearly \$700k to reflect across-the-board budget cuts for lower enrollment/ADA

Depreciation, Capital Outlay, and Other Outflows

- Approximately \$150k in fixed asset acquisitions have been added to Capital Outlay (these may be capitalized at year-end and moved to the MPS balance sheet, reducing budget expenses)
- \$278k reduction in special education encroachment expenditures

2018-19 First Interim Budget: State Economic Outlook

- Statewide revenues remain strong on all fronts, although last month's statewide receipts have fallen below projections. Overall, receipts are still over \$1 billion above projections year-to-date
- UCLA predicts overall positive state economic situation with positive projections for budget year. Unemployment rate is holding steady around 4.2%
- One-time discretionary block grant confirmed at \$184/ADA
- \$300 million statewide for low-performing students who are not LCFF unduplicated pupils – about \$2,000/student this year. Estimated grant for all MSA's combined is \$205k and has been added to revenues at First Interim
- At this point, we do not anticipate any other new substantive changes in 2018-19 statewide revenues or grant funding
- Rainy day support at the state level continues to improve, mitigating the impact of a future economic downturn, and means we can rely more on revenue projections in Years 2-5
- Magnolia should be cautious, as always, but can reasonably rely on State revenue projections for the next few years given the "rainy day fund" at the State level

2018-19 First Interim Budget: Executive Summary

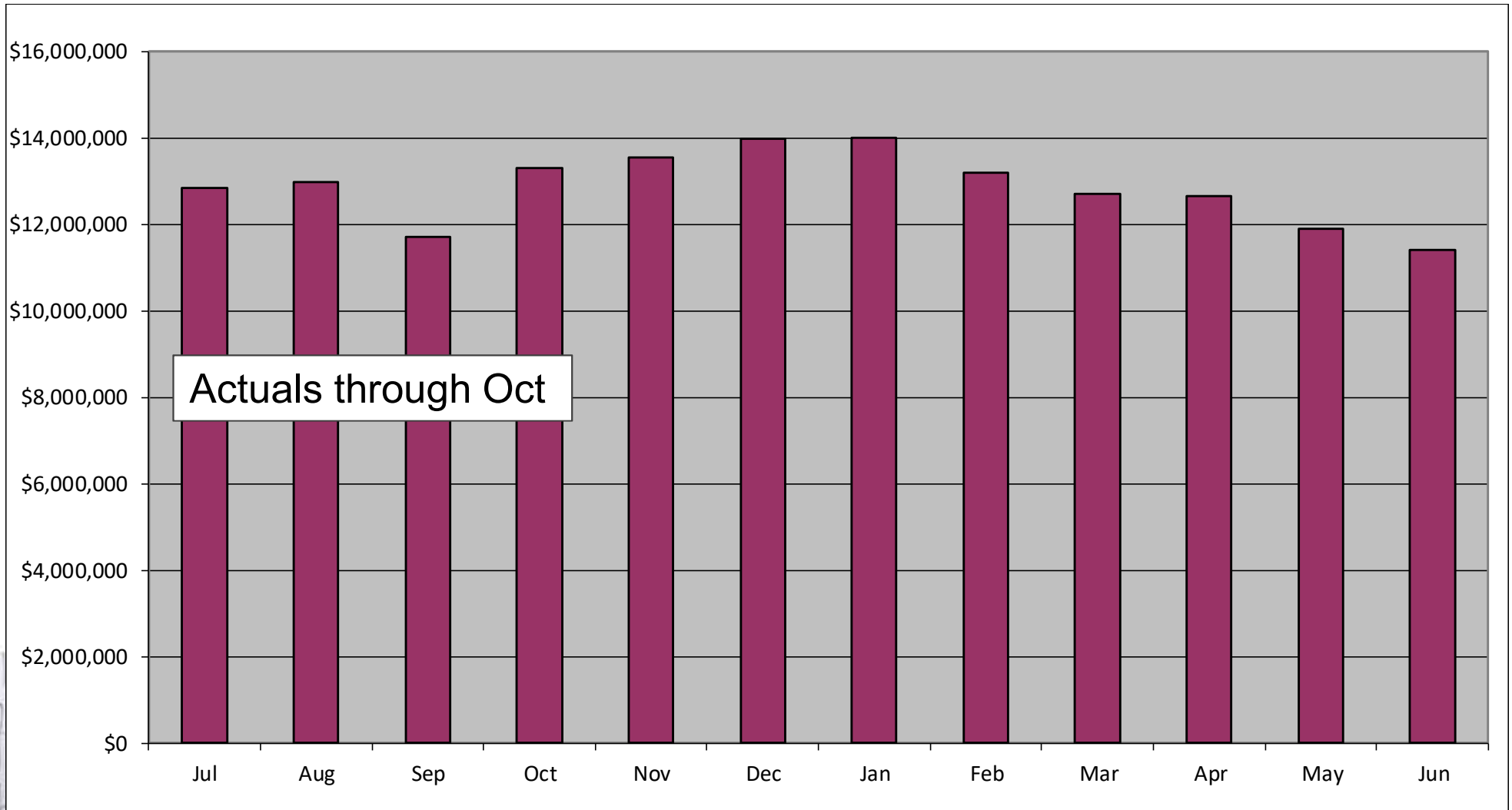
MSA - Consolidated	Adopted (July 1) Budget	Proposed First Interim Budget	Change from July Budget	Primary Reason For Variance (see following page)
SUMMARY				
Revenue				
LCFF Entitlement	41,793,952	39,925,281	(1,868,671)	Drop in ADA from July Budget
Federal Revenue	4,016,521	4,105,502	88,982	Final funding levels slightly higher
Other State Revenues	6,100,356	6,400,884	300,528	Changes in one-time block grants
Other Local Revenues	6,425,437	5,943,068	(482,369)	Reduction in SA MERF Revenue
Total Revenue	58,336,266	56,374,736	(1,961,530)	
Expenses				
Salaries & Benefits	32,052,591	32,531,315	478,724	Increase in overall staffing costs
Books and Supplies	3,462,686	3,743,160	280,475	Increases in program spending
Services and Operating Exp.	19,218,942	20,601,265	1,382,322	Prop 39 Energy + Overall Reductions
Depreciation & Cap Outlay	1,005,243	1,155,455	150,212	Additional fixed asset acquisitions
Other Outflows	873,946	595,203	(278,743)	Adjustments in encroachment exp
Total Expenses	56,613,408	58,626,398	2,012,991	
Operating Income	1,722,858	(2,251,663)	(3,974,521)	

2018-19 First Interim Budget: Summary By Site

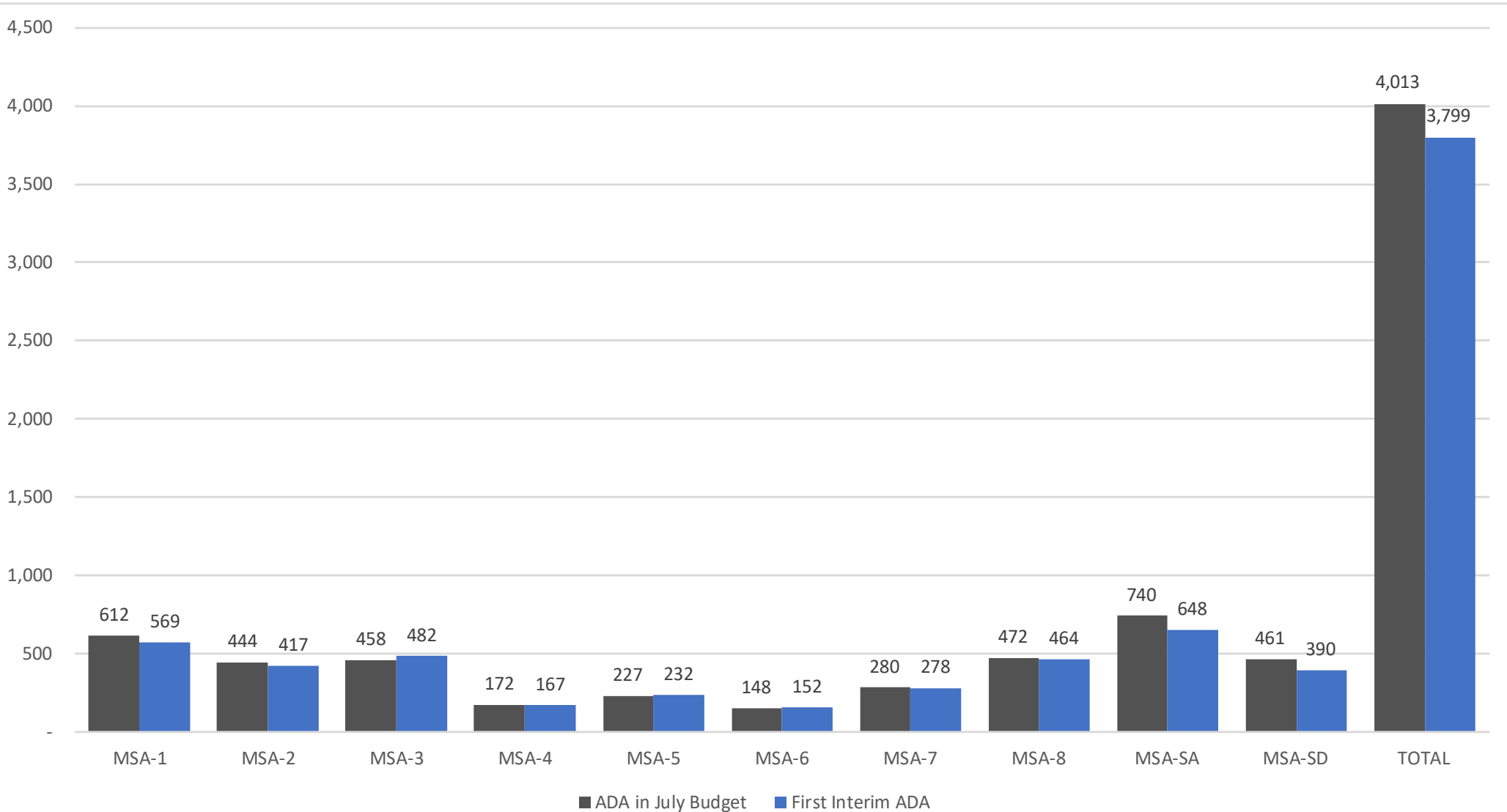
First Interim Budget - BY SITE

	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SD	MERF	TOTAL
Revenue												
LCFF Entitlement	6,399,200	4,627,731	5,259,037	1,874,380	2,479,667	1,510,396	2,771,049	4,785,127	7,047,790	3,170,904	-	39,925,281
Federal Revenue	1,182,980	509,855	477,682	166,148	162,581	175,015	256,696	330,526	699,845	144,175	-	4,105,502
Other State Revenues	1,398,904	471,573	687,648	195,844	240,370	315,139	726,314	638,242	984,889	741,961	-	6,400,884
Other Local Revenues	71,682	36,843	58,869	70,296	1,000	15,000	27,052	4,000	77,199	89,331	5,491,796	5,943,068
Total Revenue	9,052,766	5,646,002	6,483,236	2,306,668	2,883,618	2,015,550	3,781,111	5,757,895	8,809,723	4,146,371	5,491,796	56,374,736
Expenses												
Certificated Salaries	2,661,991	2,043,813	2,130,364	1,023,997	1,149,695	708,967	1,175,864	1,568,476	3,032,689	1,550,529	384,571	17,430,955
Classified Salaries	680,715	582,142	609,042	177,338	214,241	122,294	414,654	446,665	785,325	349,013	2,127,974	6,509,404
Benefits	1,215,108	979,594	959,508	400,044	495,985	341,933	488,526	817,928	1,409,868	709,499	772,961	8,590,955
Books and Supplies	656,236	479,177	418,140	167,276	249,721	163,765	248,289	424,312	675,164	159,098	101,982	3,743,160
Services and Operations	3,616,590	1,854,278	2,479,673	1,070,656	917,789	631,109	1,738,822	2,176,958	1,714,406	1,911,306	2,489,679	20,601,265
Depreciation / Cap Outlay	95,472	69,484	83,804	19,312	17,579	16,557	28,975	111,817	597,067	103,871	11,515	1,155,455
Other Outflows	-	-	-	-	-	-	-	-	595,203	-	-	595,203
Total Expenses	8,926,113	6,008,489	6,680,531	2,858,622	3,045,011	1,984,625	4,095,130	5,546,156	8,809,723	4,783,316	5,888,682	58,626,398
Net Revenue	126,653	(362,487)	(197,295)	(551,954)	(161,393)	30,925	(314,019)	211,738	(0)	(636,945)	(396,886)	(2,251,663)
Fund Balance												
Beginning Balance (Unaud.)	4,811,843	1,255,568	1,071,970	1,493,450	1,935,360	1,603,901	1,498,195	4,083,717	7,502,296	1,165,312	793,959	27,215,571
1st Interim Net Revenue	126,653	(362,487)	(197,295)	(551,954)	(161,393)	30,925	(314,019)	211,738	(0)	(636,945)	(396,886)	(2,251,663)
Projected Ending Balance	4,938,496	893,081	874,675	941,496	1,773,967	1,634,826	1,184,176	4,295,455	7,502,296	528,367	397,073	24,963,908

2018-19 First Interim Budget: Cash Balances (Overall)



2018-19 First Interim Budget: Average Daily Attendance



2018-19 First Interim Budget Actuals through October 31, 2018)	Year To Date					Annual Budget				
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA Consolidated										
SUMMARY										
Revenue										
LCFF Entitlement	736,660	2,830,981	2,348,354	4,047,686	9,963,680	41,793,952	39,925,281	(1,868,671)	29,961,601	25%
Federal Revenue	55,268	4,175	(2,376)	64,799	121,866	4,016,521	4,105,502	88,982	3,983,637	3%
Other State Revenues	105,779	75,608	347,283	594,025	1,122,695	6,100,356	6,400,884	300,528	5,278,188	18%
Other Local Revenues	178,711	1,414,399	142,860	799,627	2,535,598	6,425,437	5,943,068	(482,369)	3,407,470	43%
Total Revenue	1,076,419	4,325,163	2,836,120	5,506,137	13,743,839	58,336,266	56,374,736	(1,961,530)	42,630,896	24%
Expenses										
Certificated Salaries	955,857	1,418,779	1,483,506	1,471,598	5,329,739	18,152,479	17,430,955	(721,523)	12,101,216	31%
Classified Salaries	376,694	478,137	552,036	544,123	1,950,989	5,546,494	6,509,404	962,910	4,558,415	30%
Benefits	229,686	783,285	521,457	667,398	2,201,826	8,353,618	8,590,955	237,337	6,389,129	26%
Books and Supplies	8,535	207,482	335,221	190,825	742,063	3,462,686	3,743,160	280,475	3,001,098	20%
Services and Operating Exp.	355,890	1,601,449	1,325,122	1,370,449	4,652,910	19,218,942	20,601,265	1,382,322	15,948,354	23%
Depreciation & Cap Outlay	-	12,800	5,845	357,314	375,958	1,005,243	1,155,455	150,212	779,497	33%
Other Outflows	43,042	55,165	88,938	58,535	245,679	873,946	595,203	(278,743)	349,524	41%
Total Expenses	1,969,703	4,557,097	4,312,124	4,660,241	15,499,165	56,613,408	58,626,398	2,012,991	43,127,233	26%
Operating Income					(1,755,326)	1,722,858	(2,251,663)	(3,974,521)	(496,337)	
Fund Balance										
Beginning Balance (Unaudited)						27,215,571	27,215,571			
Audit Adjustment						-	-			
Beginning Balance (Audited)						27,215,571	27,215,571			
Operating Income						1,722,858	(2,251,663)			
Ending Fund Balance						28,938,429	24,963,908			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA Consolidated		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	310,853	1,221,512	1,509,258	2,197,183	5,238,807	27,327,807	25,091,170	(2,236,637)	19,852,363	21%
8012	EPA Entitlement	-	-	54,332	633,714	688,046	3,727,777	4,144,939	417,162	3,456,893	17%
8019	Prior Year Adjustments	8	-	(794)	-	(786)	-	-	-	786	-
8096	InLieuPropTaxes	425,799	1,609,468	785,558	1,216,789	4,037,614	10,738,369	10,689,172	(49,197)	6,651,559	38%
SUBTOTAL - LCFF Entitlement		736,660	2,830,981	2,348,354	4,047,686	9,963,680	41,793,952	39,925,281	(1,868,671)	29,961,601	25%
Federal Revenue											
8181	SpEd - Revenue	12,745	25,489	16,993	16,993	72,220	562,031	562,031	-	489,811	13%
8220	SchLunchFederal	42,524	(23,154)	(19,369)	-	-	1,161,078	1,161,078	-	1,161,078	0%
8290	All Other Federal Revenue	-	1,840	-	47,806	49,646	2,293,412	2,382,393	88,982	2,332,747	2%
SUBTOTAL - Federal Revenue		55,268	4,175	(2,376)	64,799	121,866	4,016,521	4,105,502	88,982	3,983,637	3%
Other State Revenue											
8311	SpEd Revenue	99,588	75,608	180,898	164,526	520,621	2,148,623	2,191,348	42,725	1,670,727	24%
8520	SchoolNtrState	-	-	-	-	-	101,077	101,077	-	101,077	0%
8550	MandCstReimburs	-	-	-	-	-	1,377,779	780,238	(597,541)	780,238	0%
8560	StateLotteryRev	-	-	16,384	79,257	95,641	778,564	778,564	-	682,923	12%
8590	AllOthStateRev	6,191	-	150,000	350,242	506,433	1,694,312	2,549,656	855,345	2,043,224	20%
SUBTOTAL - Other State Revenue		105,779	75,608	347,283	594,025	1,122,695	6,100,356	6,400,884	300,528	5,278,188	18%
Local Revenue											
8634	StudentLunchFee	0	-	25,000	(25,000)	0	47,940	47,940	-	47,940	0%
8650	Leases & Rentals	-	-	-	-	-	2,500	2,500	-	2,500	0%
8660	Interest	869	362	1,308	425	2,964	4,376	9,376	5,000	6,412	32%
8698	OthRev-Suspense	2,458	(2,351)	0	-	107	-	-	-	(107)	-
8699	Other Revenue	15,638	447,258	(393,654)	322,827	392,068	362,557	421,457	58,900	29,389	93%
8701	CMO Fee - MSA-1	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%
8702	CMO Fee - MSA-2	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%
8703	CMO Fee - MSA-3	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%
8704	CMO Fee - MSA-4	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%
8705	CMO Fee - MSA-5	8,604	8,604	8,604	8,604	34,418	103,253	103,253	-	68,835	33%
8706	CMO Fee - MSA-6	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%
8707	CMO Fee - MSA-7	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%
8708	CMO Fee - MSA-8	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%
8709	CMO Fee - MSA-SA	-	269,311	89,770	89,770	448,852	997,937	406,668	(591,269)	(42,184)	110%
8712	CMO Fee - MSA-SD	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%
8791	SpEd Revenue (Local)	1,581	4,867	-	-	6,448	-	45,000	45,000	38,552	14%
8999	Revenues-Susp	15,228	2,868	2,926	(5,906)	15,116	-	-	-	(15,116)	-
SUBTOTAL - Local Revenue		178,711	1,414,399	142,860	799,627	2,535,598	6,425,437	5,943,068	(482,369)	3,407,470	43%
TOTAL REVENUE		1,076,419	4,325,163	2,836,120	5,506,137	13,743,839	58,336,266	56,374,736	(1,961,530)	42,630,896	24%

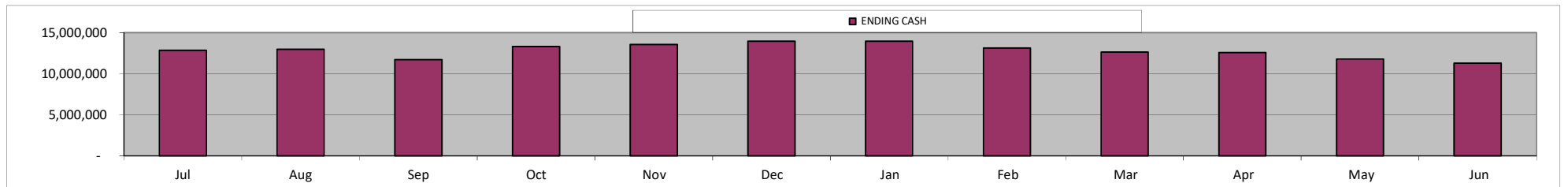
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA Consolidated		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	520,831	1,101,439	1,180,359	1,166,437	3,969,066	14,332,880	13,920,454	(412,425)	9,951,388	29%
1300	Cert Adminis	435,026	317,339	303,147	305,161	1,360,673	3,819,599	3,510,501	(309,098)	2,149,828	39%
SUBTOTAL - Certificated Salaries		955,857	1,418,779	1,483,506	1,471,598	5,329,739	18,152,479	17,430,955	(721,523)	12,101,216	31%
Classified Salaries											
2400	Clerical & Tech	210,709	220,645	249,610	238,966	919,929	3,095,373	3,291,088	195,715	2,371,158	28%
2900	OtherClassStaff	165,985	257,492	302,426	305,157	1,031,060	2,451,121	3,218,317	767,195	2,187,257	32%
SUBTOTAL - Classified Salaries		376,694	478,137	552,036	544,123	1,950,989	5,546,494	6,509,404	962,910	4,558,415	30%
Employee Benefits											
3101	STRS	83,107	236,652	243,964	248,362	812,085	2,796,082	2,847,161	51,080	2,035,076	29%
3202	PERS	35,942	56,990	64,437	63,437	220,806	628,298	695,801	67,503	474,995	32%
3301	OASDI/Med	40,241	54,525	58,959	57,451	211,176	735,007	750,351	15,345	539,175	28%
3401	HlthWelfare	7,024	406,073	127,670	270,932	811,699	3,698,133	3,807,145	109,012	2,995,446	21%
3501	UnemployIns	635	4,130	1,344	2,399	8,508	47,085	48,105	1,020	39,597	18%
3601	WorkersCmp	58,445	19,480	19,482	19,482	116,889	266,854	260,232	(6,622)	143,343	45%
3901	OthBenes	4,292	5,435	5,601	5,335	20,664	182,160	182,160	-	161,496	11%
SUBTOTAL - Employee Benefits		229,686	783,285	521,457	667,398	2,201,826	8,353,618	8,590,955	237,337	6,389,129	26%
Books & Supplies											
4100	Text&CoreCurric	-	121,717	64,408	7,500	193,625	231,530	385,977	154,447	192,352	50%
4200	BooksOthRefMats	-	-	-	-	-	42,582	19,897	(22,685)	19,897	0%
4310	Ins Mats & Sups	-	1,830	14,977	2,806	19,613	335,268	503,923	168,655	484,311	4%
4315	OthrSupplies	-	-	854	1,163	2,016	10,000	17,600	7,600	15,584	11%
4320	Office Supplies	-	(130)	10,488	7,323	17,682	140,335	127,835	(12,500)	110,153	14%
4325	ProfDevMat&Sups	-	-	-	-	-	1,500	1,500	-	1,500	0%
4326	Arts&MusicSupps	-	-	105	-	105	34,960	17,235	(17,725)	17,130	1%
4335	PE Supplies	-	-	-	47	47	42,740	49,340	6,600	49,293	0%
4340	Educat Software	-	18,158	55,884	32,648	106,690	436,955	432,966	(3,988)	326,276	25%
4345	NonInstStdntSup	1,693	616	5,247	2,716	10,272	62,212	50,514	(11,698)	40,242	20%
4346	TeacherSupplies	1,270	-	214	-	1,483	22,875	24,725	1,850	23,242	6%
4350	Cust. Supplies	-	-	4,182	5,780	9,962	67,248	57,248	(10,000)	47,287	17%
4351	Yearbook	-	-	-	-	-	3,828	3,283	(545)	3,283	0%
4390	Uniforms	-	-	-	-	-	3,030	3,030	-	3,030	0%
4400	NonCapEquip-Gen	-	-	5,328	1,334	6,661	66,579	67,838	1,259	61,176	10%
4410	ClssrmFrnEqp<5k	-	(396)	-	-	(396)	17,714	17,714	-	18,110	-2%
4430	OfceFurnEqp<5k	-	-	12	685	697	50,422	38,434	(11,988)	37,736	2%
4440	Computers <\$5k	2,485	-	174	1,110	3,770	82,332	103,642	21,310	99,873	4%
4460	Fixed Asset Suspense	-	-	-	-	-	-	17,000	17,000	17,000	0%
4710	Food	-	(11)	-	-	(11)	1,719,453	1,709,453	(10,000)	1,709,464	0%
4720	Food:Other Food	-	(413)	5,104	3,550	8,241	91,123	88,005	(3,118)	79,764	9%
4990	Prior Year Exp	-	-	-	-	-	-	6,000	6,000	6,000	0%
4999	Misc Exp-Suspense	3,087	66,112	168,244	124,164	361,606	-	-	-	(361,606)	-
SUBTOTAL - Books and Supplies		8,535	207,482	335,221	190,825	742,063	3,462,686	3,743,160	280,475	3,001,098	20%

2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA Consolidated						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
Services & Other Operating Expenses													(684,546)		
5101	CMO Fees	142,938	961,395	507,281	507,281	2,118,895	6,008,065	5,416,796	(591,269)	3,297,901	39%				
5205	Conference Fees	678	-	-	-	678	89,070	60,109	(28,960)	59,431	1%				
5210	MilesParkTolls	2,178	4,267	2,991	5,830	15,266	142,425	132,425	(10,000)	117,160	12%				
5215	TravConferences	-	-	-	-	-	6,061	25,061	19,000	25,061	0%				
5220	TraLodging	-	20	879	1,839	2,737	119,485	125,701	6,215	122,963	2%				
5300	DuesMemberships	75	6,913	10,258	75	17,321	107,349	131,304	23,955	113,983	13%				
5450	Other Insurance	54,193	18,066	21,740	28,795	122,794	274,731	274,731	-	151,937	45%				
5500	OpsHousekeeping	2,270	5,079	6,554	13,802	27,704	270,376	232,321	(38,055)	204,617	12%				
5510	Gas & Electric	3,689	30,166	25,902	31,000	90,758	317,926	287,926	(30,000)	197,169	32%				
5610	Rent & Leases	79,609	264,984	311,101	354,695	1,010,388	3,904,429	3,882,374	(22,055)	2,871,986	26%				
5620	EquipmentLeases	8,296	14,730	18,004	16,715	57,745	210,739	210,739	-	152,993	27%				
5630	Reps&MaintBldng	-	33,577	26,679	11,078	71,334	275,114	194,114	(81,000)	122,780	37%				
5800	ProfessServices	10,284	51,034	90,685	68,447	220,450	2,112,509	1,162,778	(949,730)	942,328	19%				
5810	Legal	1,919	15,775	44,678	85,539	147,911	518,899	757,181	238,282	609,270	20%				
5811	Property Tax	-	-	-	-	-	-	3,393	3,393	3,393	0%				
5813	SchPrgAftSchool	-	2,250	61,386	61,304	124,940	648,393	415,082	(233,311)	290,142	30%				
5814	SchPrgAcadComps	-	694	225	2,100	3,019	62,253	55,253	(7,000)	52,234	5%				
5819	SchlProgs-Other	-	7,600	6,873	1,421	15,894	92,983	100,404	7,421	84,510	16%				
5820	Audit & CPA	-	875	-	148	1,023	152,716	152,716	-	151,693	1%				
5825	DMSBusinessSvcs	-	103,404	-	69,130	172,534	500,000	500,000	-	327,466	35%				
5835	Field Trips	2,885	718	6,302	27,299	37,204	203,840	159,468	(44,372)	122,264	23%				
5836	FieldTrip Trans	-	9,579	6,386	6,386	22,351	63,860	95,600	31,740	73,249	23%				
5840	MarkngStdtRecrt	-	270	16,898	14,536	31,704	191,799	174,646	(17,153)	142,942	18%				
5850	Oversight Fees	6,161	18,806	54,840	(36,377)	43,430	418,674	418,674	-	375,244	10%				
5857	Payroll Fees	-	1,873	-	-	1,873	208,366	208,366	-	206,494	1%				
5860	Service Fees	7,910	307	(5,160)	3,704	6,761	33,492	33,492	-	26,732	20%				
5863	Prof Developmnt	-	465	4,499	7,333	12,296	224,534	228,591	4,058	216,295	5%				
5864	Prof Dev-Other	-	1,677	11,016	10,094	22,787	420,692	378,252	(42,440)	355,465	6%				
5869	SpEd Ctrct Inst	12,337	750	5,444	6,646	25,176	-	840,623	840,623	815,447	3%				
5872	SpEd Fees	10,110	10,110	6,740	(0)	26,959	-	278,743	278,743	251,783	10%				
5875	StaffRecruiting	-	1,223	173	3,288	4,684	15,309	15,309	-	10,625	31%				
5884	Substitutes	-	10,257	59,732	32,855	102,843	480,700	454,141	(26,559)	351,298	23%				
5890	OthSvcsNon-Inst	3,388	-	5,815	2,197	11,400	231,904	2,298,772	2,066,868	2,287,372	0%				
5900	Communications	655	1,732	145	2,556	5,088	108,733	108,733	-	103,644	5%				
5920	TelecomInternet	6,317	8,598	11,005	6,218	32,138	502,422	478,422	(24,000)	446,284	7%				
5930	PostageDelivery	-	6,460	652	3,354	10,466	84,330	84,330	-	73,864	12%				
5940	Technology	-	7,796	5,400	21,164	34,360	216,765	224,694	7,929	190,334	15%				
SUBTOTAL - Services & Operations						355,890	1,601,449	1,325,122	1,370,449	4,652,910	19,218,942	20,601,265	1,382,322	15,948,354	23%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA Consolidated											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	12,800	-	-	12,800	-	29,224	29,224	16,424	44%
6400	EquipFixed	-	-	5,845	22,233	28,077	-	120,988	120,988	92,911	23%
6900	Depreciation	-	-	-	335,081	335,081	1,005,243	1,005,243	-	670,162	33%
SUBTOTAL - Cap Outlay & Depreciation		-	12,800	5,845	357,314	375,958	1,005,243	1,155,455	150,212	779,497	33%
Other Outflows											
7299	Encroachment	-	10,110	(40,996)	13,479	(17,407)	278,743	-	(278,743)	17,407	0%
7438	InterestExpense	43,042	45,056	129,934	45,056	263,087	595,203	595,203	-	332,117	44%
SUBTOTAL - Other Outflows		43,042	55,165	88,938	58,535	245,679	873,946	595,203	(278,743)	349,524	41%
TOTAL EXPENSES		1,969,703	4,557,097	4,312,124	4,660,241	15,499,165	56,613,408	58,626,398	2,012,991	43,127,233	26%

Monthly Cash Flow (Actuals + Projections)

All MPS	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	13,516,040	12,837,464	12,981,579	11,714,543	13,319,225	13,536,848	13,940,068	13,954,298	13,127,215	12,626,446	12,570,212	11,778,280		
Revenue														
LCFF Entitlement	736,660	2,830,981	2,348,354	4,047,686	2,892,902	2,947,234	3,784,013	2,892,902	3,567,647	3,690,868	2,857,507	2,880,582	4,447,948	39,925,281
Federal Revenue	55,268	4,175	(2,376)	64,799	465,350	108,960	188,725	536,248	203,829	304,698	624,730	332,398	1,218,700	4,105,502
Other State Revenues	105,779	75,608	347,283	594,025	977,659	768,617	679,062	355,152	464,786	572,250	363,834	735,713	361,116	6,400,884
Other Local Revenues	178,711	1,414,399	142,860	799,627	430,697	444,653	412,106	438,292	420,794	421,458	407,508	413,107	18,856	5,943,068
Total Revenue	1,076,419	4,325,163	2,836,120	5,506,137	4,766,607	4,269,463	5,063,906	4,222,593	4,657,056	4,989,275	4,253,578	4,361,799	6,046,620	56,374,736
Expenses														
Certificated Salaries	955,857	1,418,779	1,483,506	1,471,598	1,466,814	1,466,814	1,466,814	1,466,814	1,466,814	1,466,814	1,466,814	1,466,814	366,704	17,430,955
Classified Salaries	376,694	478,137	552,036	544,123	555,904	555,904	555,904	555,904	555,904	555,904	555,904	555,904	111,181	6,509,404
Benefits	229,686	783,285	521,457	667,398	751,662	751,662	751,662	751,662	751,662	751,662	751,662	751,662	375,831	8,590,955
Books and Supplies	8,535	207,482	335,221	190,825	273,172	383,846	383,846	383,846	383,846	383,846	383,846	383,846	41,003	3,743,160
Services and Operations	355,890	1,601,449	1,325,122	1,370,449	1,866,313	1,866,313	1,866,313	1,866,313	1,866,313	1,866,313	1,866,313	1,866,313	1,017,853	20,601,265
Depreciation / Cap Outlay	-	12,800	5,845	357,314	97,437	97,437	97,437	97,437	97,437	97,437	97,437	97,437	-	1,155,455
Other Outflows	43,042	55,165	88,938	58,535	44,285	44,285	44,285	44,285	44,285	44,285	44,285	44,285	(4,756)	595,203
Total Expenses	1,969,703	4,557,097	4,312,124	4,660,241	5,055,587	5,166,262	5,166,262	5,166,262	5,166,262	5,166,262	5,166,262	5,166,262	1,907,815	58,626,398
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	1,696,073	621,302	148,515	248,634	381,835	1,183,432	-	-	-	-	-	-	-	4,279,792
Accounts Receivable - Current Year	-	-	(585,395)	-	-	-	-	-	-	-	-	-	-	(585,395)
Other Assets	(18,371)	13,497	-	2,890	8,182	-	-	-	-	-	-	-	-	6,198
Fixed Assets	-	-	-	335,527	83,774	83,774	83,774	83,774	83,774	83,774	83,774	83,774	83,774	1,005,716
Due To (From)	(102,094)	(46,305)	406,014	7,665	-	-	-	-	-	-	-	186,486	-	451,766
Expenses - Prior Year Accruals	(1,324,833)	(229,733)	3,497	(1,098)	-	-	-	-	-	-	-	-	-	(1,552,167)
Accounts Payable - Current Year	(75,475)	(22,120)	303,062	120,689	-	-	-	-	-	-	-	-	-	326,155
Summerholdback for Teachers	39,408	39,408	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	523,606
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	(111,204)	-	(11,667)	(11,667)	(11,667)	(11,667)	(119,816)	(7,500)	(7,500)	(7,500)	-	(300,187)
Total Other Transactions	214,708	376,049	208,968	758,786	506,603	1,300,018	116,586	116,586	8,436	120,753	120,753	307,239		4,155,484
Total Change in Cash	(678,576)	144,115	(1,267,036)	1,604,681	217,623	403,220	14,230	(827,083)	(500,770)	(56,234)	(791,931)	(497,224)		1,903,822
ENDING CASH	12,837,464	12,981,579	11,714,543	13,319,225	13,536,848	13,940,068	13,954,298	13,127,215	12,626,446	12,570,212	11,778,280	11,281,056		



MSA-1 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$126,653.

This is an decrease of (\$540,527) from the original July 1 Budget projected surplus of \$667,180.

This will allow MSA-1 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$457,840), or -4.8% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$479,859) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 45.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$4,566 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$9,953 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: This category is primarily fundraising revenue, but includes any non-LCFF local revenue sources.

Other Local Revenues are projected at \$7,500 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$82,687, or 0.9% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$28,555) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$78,465 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$24,271 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$8,506 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA 1	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY										
Revenue										
LCFF Entitlement	75,698	343,603	293,142	657,398	1,369,842	6,879,059	6,399,200	(479,859)	5,029,358	21%
Federal Revenue	-	1,840	-	-	1,840	1,178,414	1,182,980	4,566	1,181,140	0%
Other State Revenues	12,965	-	86,302	23,337	122,604	1,388,951	1,398,904	9,953	1,276,300	9%
Other Local Revenues	6,000	-	2,278	7,435	15,713	64,182	71,682	7,500	55,969	22%
Total Revenue	94,663	345,443	381,722	688,171	1,510,000	9,510,606	9,052,766	(457,840)	7,542,766	17%
Expenses										
Certificated Salaries	154,335	268,954	231,137	222,475	876,901	2,788,888	2,661,991	(126,897)	1,785,091	33%
Classified Salaries	42,241	44,889	60,287	58,361	205,778	610,005	680,715	70,710	474,937	30%
Benefits	28,667	107,975	89,460	56,165	282,267	1,187,476	1,215,108	27,632	932,841	23%
Books and Supplies	1,270	66,710	39,854	74,467	182,300	577,771	656,236	78,465	473,936	28%
Services and Operating Exp.	11,951	325,251	240,732	239,711	817,645	3,592,319	3,616,590	24,271	2,798,945	23%
Depreciation & Cap Outlay	-	-	5,845	23,824	29,669	71,472	95,472	24,000	65,804	31%
Other Outflows	-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
Total Expenses	238,463	813,779	663,795	675,003	2,391,040	8,843,426	8,926,113	82,687	6,535,073	27%
Operating Income					(881,040)	667,180	126,653	(540,527)	1,007,693	
Fund Balance										
Beginning Balance (Unaudited)						4,811,843	4,811,843			
Operating Income						667,180	126,653			
Ending Fund Balance						5,479,023	4,938,496			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget					
MSA 1						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		First Interim Remaining	Actuals as % of First Interim
REVENUE DETAIL																
LCFF Entitlement																
8011	State Aid	-	192,222	192,222	345,999	730,443	4,740,643	4,184,085	(556,558)	3,453,642	17%					
8012	EPA Entitlement	-	-	-	210,479	210,479	788,145	842,791	54,646	632,312	25%					
8019	Prior Year Adjustments	8	-	-	-	8	-	-	-	(8)	-					
8096	InLieuPropTaxes	75,690	151,381	100,920	100,920	428,912	1,350,271	1,372,324	22,053	943,412	31%					
SUBTOTAL - LCFF Entitlement		75,698	343,603	293,142	657,398	1,369,842	6,879,059	6,399,200	(479,859)	5,029,358	21%					
Federal Revenue																
8181	SpEd - Revenue	-	-	-	-	-	67,875	67,875	-	67,875	0%					
8220	SchLunchFederal	-	-	-	-	-	271,704	271,704	-	271,704	0%					
8290	All Other Federal Revenue	-	1,840	-	-	1,840	838,835	843,401	4,566	841,561	0%					
SUBTOTAL - Federal Revenue		-	1,840	-	-	1,840	1,178,414	1,182,980	4,566	1,181,140	0%					
Other State Revenue																
8311	SpEd Revenue	12,965	-	36,302	23,337	72,604	319,485	319,485	-	246,881	23%					
8520	SchoolNutrState	-	-	-	-	-	22,737	22,737	-	22,737	0%					
8550	MandCstReimburs	-	-	-	-	-	195,780	112,699	(83,081)	112,699	0%					
8560	StateLotteryRev	-	-	-	-	-	118,736	118,736	-	118,736	0%					
8590	AllOthStateRev	-	-	50,000	-	50,000	732,213	825,247	93,034	775,247	6%					
SUBTOTAL - Other State Revenue		12,965	-	86,302	23,337	122,604	1,388,951	1,398,904	9,953	1,276,300	9%					
Local Revenue																
8634	StudentLunchFee	-	-	-	-	-	9,183	9,183	-	9,183	0%					
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-					
8660	Interest	-	-	-	-	-	-	-	-	-	-					
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-					
8699	Other Revenue	6,000	-	2,278	7,435	15,713	55,000	62,500	7,500	46,786	25%					
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-					
8999	Revenues-Susp	-	-	-	(0)	(0)	-	-	-	0	-					
SUBTOTAL - Local Revenue		6,000	-	2,278	7,435	15,713	64,182	71,682	7,500	55,969	22%					
TOTAL REVENUE		94,663	345,443	385,241	688,171	1,510,000	9,510,606	9,052,766	(457,840)	7,542,766	17%					

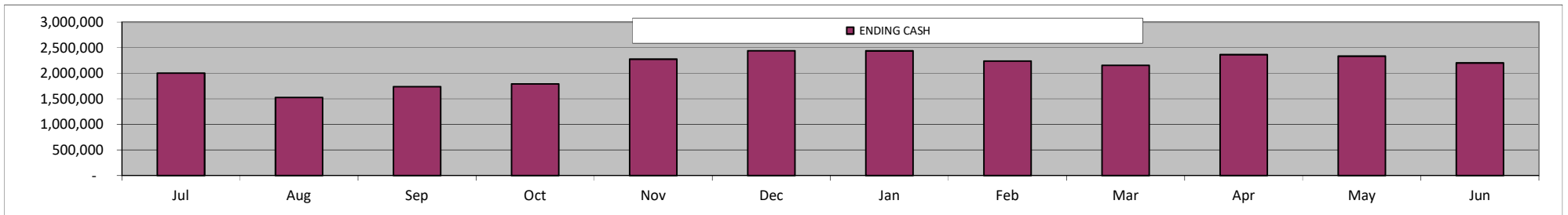
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 1											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	98,617	181,471	196,238	187,001	663,326	2,234,641	2,229,303	(5,338)	1,565,977	30%
1300	Cert Adminis	55,718	87,483	34,899	35,474	213,575	554,247	432,688	(121,559)	219,113	49%
SUBTOTAL - Certificated Salaries		154,335	268,954	231,137	222,475	876,901	2,788,888	2,661,991	(126,897)	1,785,091	33%
Classified Salaries											
2400	Clerical & Tech	10,965	7,988	11,455	11,301	41,709	191,328	125,712	(65,616)	84,003	33%
2900	OtherClassStaff	31,276	36,900	48,832	47,060	164,069	418,677	555,003	136,326	390,934	30%
SUBTOTAL - Classified Salaries		42,241	44,889	60,287	58,361	205,778	610,005	680,715	70,710	474,937	30%
Employee Benefits											
3101	STRS	12,993	35,703	36,381	37,077	122,154	421,268	420,944	(324)	298,789	29%
3202	PERS	3,982	7,274	9,416	9,143	29,816	110,179	125,944	15,765	96,128	24%
3301	OASDI/Med	5,210	6,178	7,597	7,323	26,308	99,582	102,930	3,349	76,622	26%
3401	HlthWelfare	-	55,041	32,530	-	87,571	493,740	504,484	10,744	416,912	17%
3501	UnemployIns	-	1,591	1,344	450	3,384	24,436	24,436	-	21,052	14%
3601	WorkersCmp	6,482	2,161	2,161	2,161	12,965	38,272	36,371	(1,901)	23,406	36%
3901	OthBenes	-	26	30	12	68	-	-	-	(68)	-
SUBTOTAL - Employee Benefits		28,667	107,975	89,460	56,165	282,267	1,187,476	1,215,108	27,632	932,841	23%
Books & Supplies											
4100	Text&CoreCurric	-	61,672	13,807	300	75,779	10,000	110,000	100,000	34,221	69%
4200	BooksOthRefMats	-	-	-	-	-	15,000	315	(14,685)	315	0%
4310	Ins Mats & Sups	-	-	4,940	198	5,138	75,000	93,109	18,109	87,971	6%
4315	OthrSupplies	-	-	854	550	1,404	10,000	9,600	(400)	8,196	15%
4320	Office Supplies	-	-	564	171	735	10,000	5,000	(5,000)	4,265	15%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	105	-	105	15,000	3,000	(12,000)	2,895	3%
4335	PE Supplies	-	-	-	-	-	5,000	5,000	-	5,000	0%
4340	Educat Software	-	5,024	-	3,157	8,181	51,130	78,424	27,294	70,243	10%
4345	NonInstStdntSup	-	71	-	-	71	15,000	5,000	(10,000)	4,929	1%
4346	TeacherSupplies	1,270	-	-	-	1,270	-	-	-	(1,270)	-
4350	Cust. Supplies	-	-	2,400	1,678	4,078	30,000	20,000	(10,000)	15,922	20%
4430	OfficeFurnEqp<5k	-	-	-	-	-	20,600	8,100	(12,500)	8,100	0%
4440	Computers <\$5k	-	-	-	-	-	15,000	10,000	(5,000)	10,000	0%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	294,005	294,005	-	294,005	0%
4720	Food:Other Food	-	-	3,201	336	3,537	12,036	14,683	2,647	11,146	24%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	(58)	13,984	68,078	82,004	-	-	-	(82,004)	-
SUBTOTAL - Books and Supplies		1,270	66,710	39,854	74,467	182,300	577,771	656,236	78,465	473,936	28%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA 1	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals							
Services & Other Operating Expenses											
5101	CMO Fees	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%
5205	Conference Fees	-	-	-	-	-	15,000	-	(15,000)	-	-
5210	MilesParkTolls	-	-	194	660	853	5,000	-	(5,000)	(853)	-
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	2,000	-	(2,000)	-	-
5300	DuesMemberships	-	1,728	(352)	-	1,377	10,688	10,688	-	9,312	13%
5450	Other Insurance	8,241	2,747	2,747	2,747	16,482	33,449	33,449	-	16,967	49%
5500	OpsHousekeeping	546	2,683	2,453	6,868	12,551	75,000	60,000	(15,000)	47,449	21%
5510	Gas & Electric	-	8,223	4,976	6,796	19,995	100,000	70,000	(30,000)	50,005	29%
5610	Rent & Leases	-	127,658	117,658	117,658	362,975	1,387,132	1,387,132	-	1,024,157	26%
5620	EquipmentLeases	1,139	5,800	2,912	3,942	13,792	29,025	29,025	-	15,233	48%
5630	Reps&MaintBldng	-	2,700	14,749	1,520	18,969	69,540	44,540	(25,000)	25,571	43%
5800	ProfessServices	-	4,518	2,280	2,308	9,106	226,297	131,228	(95,069)	122,122	7%
5810	Legal	-	-	275	5,900	6,175	20,059	20,059	-	13,884	31%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	109,513	9,237	(100,276)	9,237	0%
5814	SchPrgAcadComps	-	-	-	335	335	15,000	10,000	(5,000)	9,665	3%
5819	SchlProgs-Other	-	-	288	-	288	35,000	35,000	-	34,713	1%
5820	Audit & CPA	-	-	-	-	-	13,749	13,749	-	13,749	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	604	604	30,000	30,000	-	29,397	2%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	45	2,483	-	2,528	15,059	15,059	-	12,531	17%
5850	Oversight Fees	-	-	-	-	-	68,791	68,791	-	68,791	0%
5857	Payroll Fees	-	-	-	-	-	25,750	25,750	-	25,750	0%
5860	Service Fees	2,025	-	(1,993)	(0)	32	2,318	2,318	-	2,286	1%
5863	Prof Developmnt	-	-	235	-	235	20,000	20,666	666	20,431	1%
5864	Prof Dev-Other	-	1,377	-	-	1,377	58,000	54,939	(3,061)	53,562	3%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	101,900	101,900	101,900	0%
5872	SpEd Fees	-	-	-	-	-	-	15,494	15,494	15,494	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	6,412	6,554	12,966	30,900	30,900	-	17,934	42%
5890	OthSvcsNon-Inst	-	-	2,025	-	2,025	116,809	318,426	201,617	316,401	1%
5900	Communications	-	-	-	46	46	5,000	5,000	-	4,954	1%
5920	TelecomInternet	-	958	487	367	1,812	63,405	63,405	-	61,593	3%
5930	PostageDelivery	-	1,009	-	504	1,512	15,000	15,000	-	13,488	10%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,951	325,251	240,732	239,711	817,645	3,592,319	3,616,590	24,271	2,798,945	23%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 1											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	5,845	-	5,845	-	24,000	24,000	18,155	24%
6900	Depreciation	-	-	-	23,824	23,824	71,472	71,472	-	47,648	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	5,845	23,824	29,669	71,472	95,472	24,000	65,804	31%
Other Outflows											
7299	Encroachment	-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
TOTAL EXPENSES		238,463	813,779	667,314	675,003	2,391,040	8,843,426	8,926,113	82,687	6,535,073	27%

Monthly Cash Flow (Actuals + Projections)

MSA-1	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	2,044,087	2,000,927	1,528,532	1,736,888	1,792,194	2,275,958	2,438,801	2,435,126	2,238,855	2,152,299	2,362,592	2,331,996	2,202,914	
Revenue														
LCFF Entitlement	75,698	343,603	293,142	657,398	446,919	446,919	628,110	446,919	593,839	732,612	503,884	503,884	726,270	6,399,200
Federal Revenue	-	1,840	-	-	104,206	27,170	55,832	104,206	27,170	61,108	104,206	27,170	670,069	1,182,980
Other State Revenues	12,965	-	86,302	23,337	351,164	56,763	86,858	27,079	66,911	191,048	135,789	114,339	246,351	1,398,904
Other Local Revenues	6,000	-	2,278	7,435	6,319	6,319	6,319	6,319	6,319	6,319	6,319	6,319	5,417	71,682
Total Revenue	94,663	345,443	381,722	688,171	908,609	537,171	777,119	584,524	694,239	991,087	750,198	651,712	1,648,107	9,052,766
Expenses														
Certificated Salaries	154,335	268,954	231,137	222,475	216,375	216,375	216,375	216,375	216,375	216,375	216,375	216,375	54,094	2,661,991
Classified Salaries	42,241	44,889	60,287	58,361	57,919	57,919	57,919	57,919	57,919	57,919	57,919	57,919	11,584	680,715
Benefits	28,667	107,975	89,460	56,165	109,746	109,746	109,746	109,746	109,746	109,746	109,746	109,746	54,873	1,215,108
Books and Supplies	1,270	66,710	39,854	74,467	64,047	64,047	64,047	64,047	64,047	64,047	64,047	64,047	(38,441)	656,236
Services and Operations	11,951	325,251	240,732	239,711	328,388	328,388	328,388	328,388	328,388	328,388	328,388	328,388	171,840	3,616,590
Depreciation / Cap Outlay	-	-	5,845	23,824	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	-	95,472
Other Outflows	-	-	(3,519)	-	440	440	440	440	440	440	440	440	-	0
Total Expenses	238,463	813,779	663,795	675,003	785,140	785,140	785,140	785,140	785,140	785,140	785,140	785,140	253,949	8,926,113
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	394,636	143,578	7,398	41,149	355,950	406,466	-	-	-	-	-	-	-	1,349,177
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	23,824	-	-	-	-	-	-	-	-	-	23,824
Due To (From)	(115,465)	(46,305)	406,014	-	-	-	-	-	-	-	-	-	-	244,244
Expenses - Prior Year Accruals	(182,877)	(105,679)	-	-	-	-	-	-	-	-	-	-	-	(288,556)
Accounts Payable - Current Year	-	-	72,671	(27,181)	-	-	-	-	-	-	-	-	-	45,490
Summer Holdback for Teachers	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	52,152
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	100,640	(4,060)	490,429	42,138	360,296	410,812	4,346	4,346	4,346	4,346	4,346	4,346	4,346	1,426,332
Total Change in Cash	(43,160)	(472,396)	208,356	55,306	483,764	162,843	(3,676)	(196,271)	(86,555)	210,293	(30,596)	(129,082)		1,552,984
ENDING CASH	2,000,927	1,528,532	1,736,888	1,792,194	2,275,958	2,438,801	2,435,126	2,238,855	2,152,299	2,362,592	2,331,996	2,202,914		



MSA-2 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$362,487).

This is an decrease of (\$521,901) from the original July 1 Budget projected surplus of \$159,414.

This will allow MSA-2 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$343,280), or -5.7% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$289,171) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 28.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$10,474 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$68,083) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: This category is primarily fundraising revenue, but includes any non-LCFF local revenue sources.

Other Local Revenues are projected at \$3,500 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$178,621, or 3.1% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$21,957 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$52,229 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$116,582 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$12,147) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA 2	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY										
Revenue										
LCFF Entitlement	63,824	283,685	241,136	539,504	1,128,148	4,916,902	4,627,731	(289,171)	3,499,583	24%
Federal Revenue	-	-	-	-	-	499,381	509,855	10,474	509,855	0%
Other State Revenues	10,929	-	30,601	19,672	61,202	539,656	471,573	(68,083)	410,371	13%
Other Local Revenues	0	3,736	1,341	4,874	9,951	33,343	36,843	3,500	26,892	27%
Total Revenue	74,753	287,421	273,078	564,050	1,199,301	5,989,282	5,646,002	(343,280)	4,446,701	21%
Expenses										
Certificated Salaries	112,754	172,654	190,660	179,910	655,978	2,166,303	2,043,813	(122,490)	1,387,835	32%
Classified Salaries	14,755	58,550	39,473	38,824	151,601	438,606	582,142	143,536	430,541	26%
Benefits	18,329	94,916	72,329	43,738	229,312	978,684	979,594	910	750,283	23%
Books and Supplies	1,246	76,776	14,451	48,086	140,559	426,947	479,177	52,229	338,618	29%
Services and Operating Exp.	23,426	168,091	97,766	140,986	430,270	1,737,696	1,854,278	116,582	1,424,008	23%
Depreciation & Cap Outlay	-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
Other Outflows	-	-	-	-	-	12,147	-	(12,147)	-	-
Total Expenses	170,510	570,987	414,679	474,705	1,630,881	5,829,868	6,008,489	178,621	4,377,608	27%
Operating Income					(431,580)	159,414	(362,487)	(521,901)	69,093	
Fund Balance										
Beginning Balance (Unaudited)						1,255,568	1,255,568			
Operating Income						159,414	(362,487)			
Ending Fund Balance						1,414,982	893,081			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	156,037	156,037	280,866	592,940	3,378,044	3,016,096	(361,948)	2,423,156	20%
8012	EPA Entitlement	-	-	-	173,539	173,539	559,149	604,674	45,525	431,135	29%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	63,824	127,648	85,099	85,099	361,669	979,709	1,006,961	27,252	645,292	36%
SUBTOTAL - LCFF Entitlement		63,824	283,685	241,136	539,504	1,128,148	4,916,902	4,627,731	(289,171)	3,499,583	24%
Federal Revenue											
8181	SpEd - Revenue	-	-	-	-	-	58,875	58,875	-	58,875	0%
8220	SchLunchFederal	-	-	-	-	-	202,266	202,266	-	202,266	0%
8290	All Other Federal Revenue	-	-	-	-	-	238,240	248,714	10,474	248,714	0%
SUBTOTAL - Federal Revenue		-	-	-	-	-	499,381	509,855	10,474	509,855	0%
Other State Revenue											
8311	SpEd Revenue	10,929	-	30,601	19,672	61,202	231,807	231,807	-	170,605	26%
8520	SchoolNtrState	-	-	-	-	-	19,867	19,867	-	19,867	0%
8550	MandCstReimburs	-	-	-	-	-	163,554	93,495	(70,059)	93,495	0%
8560	StateLotteryRev	-	-	-	-	-	86,151	86,151	-	86,151	0%
8590	AllOthStateRev	-	-	-	-	-	38,277	40,253	1,976	40,253	0%
SUBTOTAL - Other State Revenue		10,929	-	30,601	19,672	61,202	539,656	471,573	(68,083)	410,371	13%
Local Revenue											
8634	StudentLunchFee	0	-	-	-	0	3,208	3,208	-	3,208	0%
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	-	-	-	6,215	6,215	30,135	33,635	3,500	27,420	18%
8791	SpEd Revenue (Local)	-	3,736	-	-	3,736	-	-	-	(3,736)	-
8999	Revenues-Susp	-	-	1,341	(1,341)	-	-	-	-	-	-
SUBTOTAL - Local Revenue		0	3,736	1,341	4,874	9,951	33,343	36,843	3,500	26,892	27%
TOTAL REVENUE		74,753	287,421	273,078	564,050	1,199,301	5,989,282	5,646,002	(343,280)	4,446,701	21%

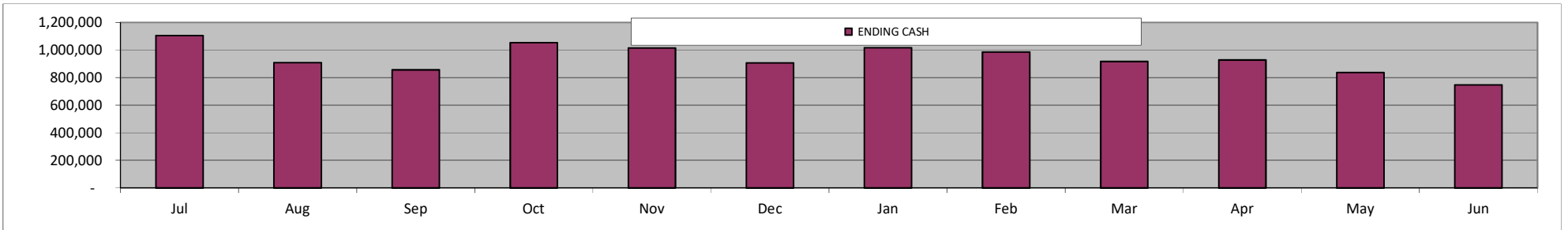
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	72,261	145,044	163,050	151,600	531,955	1,740,983	1,770,925	29,942	1,238,970	30%
1300	Cert Adminis	40,493	27,610	27,610	28,310	124,023	425,320	272,888	(152,432)	148,865	45%
SUBTOTAL - Certificated Salaries		112,754	172,654	190,660	179,910	655,978	2,166,303	2,043,813	(122,490)	1,387,835	32%
Classified Salaries											
2400	Clerical & Tech	10,583	34,933	11,678	11,429	68,623	167,840	236,710	68,870	168,087	29%
2900	OtherClassStaff	4,172	23,616	27,794	27,396	82,978	270,766	345,432	74,666	262,454	24%
SUBTOTAL - Classified Salaries		14,755	58,550	39,473	38,824	151,601	438,606	582,142	143,536	430,541	26%
Employee Benefits											
3101	STRS	7,689	28,059	29,110	29,241	94,099	330,913	326,152	(4,761)	232,054	29%
3202	PERS	2,546	6,361	7,010	6,863	22,780	79,221	79,221	-	56,441	29%
3301	OASDI/Med	2,756	5,231	5,769	5,573	19,329	73,252	70,219	(3,033)	50,889	28%
3401	HlthWelfare	-	53,200	28,661	-	81,861	464,124	474,517	10,393	392,656	17%
3501	UnemployIns	-	285	-	282	567	1,533	1,533	-	966	37%
3601	WorkersCmp	5,338	1,779	1,779	1,779	10,675	29,331	27,642	(1,689)	16,967	39%
3901	OthBenes	-	-	-	-	-	310	310	-	310	0%
SUBTOTAL - Employee Benefits		18,329	94,916	72,329	43,738	229,312	978,684	979,594	910	750,283	23%
Books & Supplies											
4100	Text&CoreCurric	-	50,219	(617)	7,032	56,634	25,000	81,500	56,500	24,866	69%
4200	BooksOthRefMats	-	-	-	-	-	5,000	-	(5,000)	-	-
4310	Ins Mats & Sups	-	1,742	533	2,142	4,417	30,000	54,658	24,658	50,241	8%
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-
4320	Office Supplies	-	-	309	156	464	10,000	9,000	(1,000)	8,536	5%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	-	-	-	-	-	-	-	-
4335	PE Supplies	-	-	-	-	-	-	-	-	-	-
4340	Educat Software	-	-	7,598	2,572	10,170	57,982	43,668	(14,314)	33,498	23%
4345	NonInstStdntSup	1,246	545	-	-	1,791	10,000	10,000	-	8,209	18%
4430	OfficeFurnEqp<5k	-	-	-	-	-	6,000	6,000	-	6,000	0%
4440	Computers <\$5k	-	-	-	-	-	15,625	15,625	-	15,625	0%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	(11)	-	-	(11)	247,340	247,340	-	247,351	0%
4720	Food:Other Food	-	(578)	-	203	(375)	10,000	1,385	(8,615)	1,760	-27%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	25,256	6,628	35,121	67,005	-	-	-	(67,005)	-
SUBTOTAL - Books and Supplies		1,246	76,776	14,451	48,086	140,559	426,947	479,177	52,229	338,618	29%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
Services & Other Operating Expenses											
5101	CMO Fees	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%
5205	Conference Fees	-	-	-	-	-	6,000	3,000	(3,000)	3,000	0%
5210	MilesParkTolls	-	-	-	-	-	-	-	-	-	-
5215	TravConferences	-	-	-	-	-	2,500	1,500	(1,000)	1,500	0%
5220	TraLodging	-	-	-	-	-	-	-	-	-	-
5300	DuesMemberships	-	1,020	-	-	1,020	6,000	6,000	-	4,980	17%
5450	Other Insurance	5,816	1,939	1,939	2,143	11,837	27,746	27,746	-	15,909	43%
5500	OpsHousekeeping	-	-	-	3,994	3,994	17,510	16,000	(1,510)	12,006	25%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	-	41,944	41,944	164,833	125,833	(39,000)	83,889	33%
5620	EquipmentLeases	1,081	1,162	1,290	2,346	5,879	20,000	20,000	-	14,121	29%
5630	Reps&MaintBldng	-	(742)	-	4,995	4,253	28,749	28,749	-	24,496	15%
5800	ProfessServices	-	2,775	5,863	2,280	10,919	165,215	46,076	(119,139)	35,158	24%
5810	Legal	-	9,278	2,860	-	12,138	20,000	20,000	-	7,863	61%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	2,000	2,000	-	2,000	0%
5814	SchPrgAcadComps	-	694	-	-	694	12,000	12,000	-	11,306	6%
5819	SchlProgs-Other	-	(50)	3,990	-	3,940	10,000	10,000	-	6,060	39%
5820	Audit & CPA	-	-	-	-	-	10,000	10,000	-	10,000	0%
5825	DMSBusiness Svcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	805	1,332	2,137	20,000	10,000	(10,000)	7,864	21%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	-	-	-	20,000	10,000	(10,000)	10,000	0%
5850	Oversight Fees	-	-	-	-	-	49,169	49,169	-	49,169	0%
5857	Payroll Fees	-	-	-	-	-	21,000	21,000	-	21,000	0%
5860	Service Fees	1,820	-	(1,809)	142	153	1,500	1,500	-	1,347	10%
5863	Prof Developmnt	-	-	-	1,135	1,135	11,442	11,442	-	10,307	10%
5864	Prof Dev-Other	-	(1,077)	-	-	(1,077)	75,500	55,000	(20,500)	56,077	-2%
5869	SpEd Ctrct Inst	12,337	750	-	1,589	14,675	-	74,175	74,175	59,500	20%
5872	SpEd Fees	-	-	-	-	-	-	12,147	12,147	12,147	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	5,321	2,408	7,729	76,000	76,000	-	68,271	10%
5890	Oth SvcsNon-Inst	-	-	1,820	-	1,820	23,405	257,814	234,409	255,994	1%
5900	Communications	-	-	-	-	-	4,635	4,635	-	4,635	0%
5920	TelecomInternet	2,372	958	780	166	4,277	36,600	36,600	-	32,323	12%
5930	PostageDelivery	-	1,569	-	1,604	3,173	7,000	7,000	-	3,827	45%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		23,426	168,091	97,766	140,986	430,270	1,737,696	1,854,278	116,582	1,424,008	23%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
Other Outflows											
7299	Encroachment	-	-	-	-	-	12,147	-	(12,147)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	12,147	-	(12,147)	-	-
TOTAL EXPENSES		170,510	570,987	414,679	474,705	1,630,881	5,829,868	6,008,489	178,621	4,377,608	27%

Monthly Cash Flow (Actuals + Projections)

MSA-2	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,094,844	1,105,744	907,929	856,871	1,052,502	1,014,933	906,969	1,017,353	985,892	916,406	927,723	836,841	747,356	
Revenue														
LCFF Entitlement	63,824	283,685	241,136	539,504	365,965	365,965	515,355	365,965	361,571	431,335	310,755	310,755	471,919	4,627,731
Federal Revenue	-	-	-	-	53,650	-	37,651	91,301	37,651	67,088	91,301	37,651	93,562	509,855
Other State Revenues	10,929	-	30,601	19,672	34,714	43,919	79,169	28,761	51,338	29,800	29,800	82,094	30,776	471,573
Other Local Revenues	0	3,736	1,341	4,874	1,590	4,682	740	5,042	2,484	5,624	(208)	2,546	4,392	36,843
Total Revenue	74,753	287,421	273,078	564,050	455,919	414,566	632,915	491,069	453,043	533,848	431,648	433,045	600,648	5,646,002
Expenses														
Certificated Salaries	112,754	172,654	190,660	179,910	168,222	168,222	168,222	168,222	168,222	168,222	168,222	168,222	42,056	2,043,813
Classified Salaries	14,755	58,550	39,473	38,824	52,505	52,505	52,505	52,505	52,505	52,505	52,505	52,505	10,501	582,142
Benefits	18,329	94,916	72,329	43,738	88,269	88,269	88,269	88,269	88,269	88,269	88,269	88,269	44,134	979,594
Books and Supplies	1,246	76,776	14,451	48,086	46,623	46,623	46,623	46,623	46,623	46,623	46,623	46,623	(34,368)	479,177
Services and Operations	23,426	168,091	97,766	140,986	169,706	169,706	169,706	169,706	169,706	169,706	169,706	169,706	66,359	1,854,278
Depreciation / Cap Outlay	-	-	-	23,161	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	-	69,484
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	170,510	570,987	414,679	474,705	531,116	531,116	531,116	531,116	531,116	531,116	531,116	531,116	128,682	6,008,489
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	322,166	109,405	26,315	34,925	29,042	-	-	-	-	-	-	-	-	521,853
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	23,161	2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374	42,151
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(221,720)	(29,866)	-	-	-	-	-	-	-	-	-	-	-	(251,586)
Accounts Payable - Current Year	-	-	58,016	41,988	-	-	-	-	-	-	-	-	-	100,004
Summer Holdback for Teachers	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	74,544
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	106,658	85,751	90,543	106,286	37,628	8,586	8,586	8,586	8,586	8,586	8,586	8,586	8,586	486,966
Total Change in Cash	10,900	(197,815)	(51,058)	195,631	(37,569)	(107,964)	110,385	(31,461)	(69,487)	11,318	(90,882)	(89,485)		124,478
ENDING CASH	1,105,744	907,929	856,871	1,052,502	1,014,933	906,969	1,017,353	985,892	916,406	927,723	836,841	747,356		



MSA-3 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$197,295).

This is an decrease of (\$301,548) from the original July 1 Budget projected surplus of \$104,253.

This will allow MSA-3 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$386,887, or 6.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$351,707 higher than in the July Budget, due to average daily attendance (ADA) increasing by 26.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$3,959 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$31,221 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$688,435, or 11.5% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$298,925 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$31,576 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$349,653 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$8,280 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA 3	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
						1) Budget	Budget	Proposed 1st Interim	First Interim Remaining	
SUMMARY										
Revenue										
LCFF Entitlement	63,914	279,907	237,298	530,517	1,111,637	4,907,330	5,259,037	351,707	4,147,400	21%
Federal Revenue	-	-	-	1,036	1,036	473,723	477,682	3,959	476,646	0%
Other State Revenues	10,948	-	80,655	19,707	111,310	656,427	687,648	31,221	576,338	16%
Other Local Revenues	500	1,072	1,490	1,201	4,263	58,869	58,869	-	54,606	7%
Total Revenue	75,362	280,979	319,443	552,462	1,228,246	6,096,349	6,483,236	386,887	5,254,990	19%
Expenses										
Certificated Salaries	102,550	171,817	163,609	167,236	605,211	2,018,348	2,130,364	112,016	1,525,152	28%
Classified Salaries	50,923	49,722	54,572	63,889	219,106	493,048	609,042	115,994	389,936	36%
Benefits	29,878	85,914	46,486	100,737	263,014	888,593	959,508	70,915	696,494	27%
Books and Supplies	2,932	355	29,129	24,920	57,337	386,564	418,140	31,576	360,803	14%
Services and Operating Exp.	101,302	106,848	275,002	180,154	663,305	2,130,019	2,479,673	349,653	1,816,367	27%
Depreciation & Cap Outlay	-	-	-	33,098	33,098	63,804	83,804	20,000	50,707	39%
Other Outflows	-	-	-	-	-	11,720	-	(11,720)	-	-
Total Expenses	287,585	414,655	568,798	570,033	1,841,071	5,992,096	6,680,531	688,435	4,839,459	28%
Operating Income					(612,826)	104,253	(197,295)	(301,548)	415,531	
Fund Balance										
Beginning Balance (Unaudited)						1,071,970	1,071,970			
Operating Income						104,253	(197,295)			
Ending Fund Balance						1,176,223	874,675			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	152,080	152,080	272,707	576,867	3,324,404	3,402,268	77,864	2,825,401	17%
8012	EPA Entitlement	-	-	-	172,592	172,592	572,645	693,655	121,010	521,063	25%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	63,914	127,827	85,218	85,218	362,178	1,010,281	1,163,114	152,833	800,936	31%
SUBTOTAL - LCFF Entitlement		63,914	279,907	237,298	530,517	1,111,637	4,907,330	5,259,037	351,707	4,147,400	21%
Federal Revenue											
8181	SpEd - Revenue	-	-	-	-	-	56,875	56,875	-	56,875	0%
8220	SchLunchFederal	-	-	-	-	-	210,830	210,830	-	210,830	0%
8290	All Other Federal Revenue	-	-	-	1,036	1,036	206,018	209,977	3,959	208,941	0%
SUBTOTAL - Federal Revenue		-	-	-	1,036	1,036	473,723	477,682	3,959	476,646	0%
Other State Revenue											
8311	SpEd Revenue	10,948	-	30,655	19,707	61,310	239,041	239,041	-	177,731	26%
8520	SchoolNutrState	-	-	-	-	-	19,643	19,643	-	19,643	0%
8550	MandCstReimburs	-	-	-	-	-	163,990	93,834	(70,156)	93,834	0%
8560	StateLotteryRev	-	-	-	-	-	88,839	88,839	-	88,839	0%
8590	AllOthStateRev	-	-	50,000	-	50,000	144,914	246,291	101,377	196,291	20%
SUBTOTAL - Other State Revenue		10,948	-	80,655	19,707	111,310	656,427	687,648	31,221	576,338	16%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	4,270	4,270	-	4,270	0%
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	500	1,072	-	2,691	4,263	54,599	54,599	-	50,336	8%
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	-	-	1,490	(1,490)	-	-	-	-	-	-
SUBTOTAL - Local Revenue		500	1,072	1,490	1,201	4,263	58,869	58,869	-	54,606	7%
TOTAL REVENUE		75,362	282,777	319,443	552,462	1,228,246	6,096,349	6,483,236	386,887	5,254,990	19%

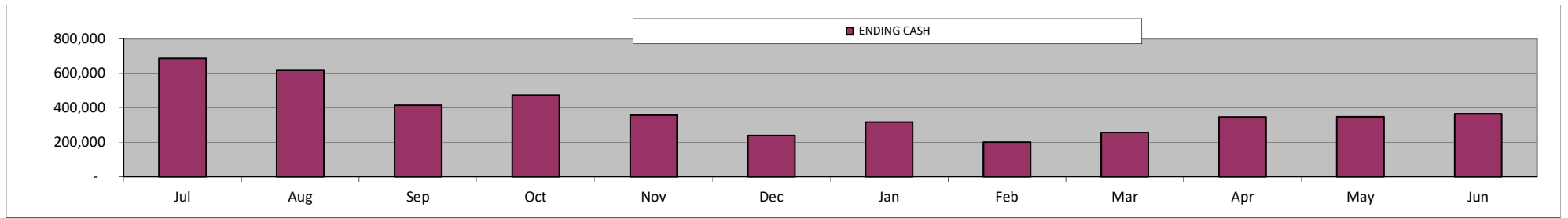
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	51,469	125,909	129,197	130,424	436,998	1,681,876	1,709,420	27,544	1,272,421	26%
1300	Cert Adminis	51,081	45,908	34,412	36,812	168,213	336,472	420,944	84,472	252,731	40%
SUBTOTAL - Certificated Salaries		102,550	171,817	163,609	167,236	605,211	2,018,348	2,130,364	112,016	1,525,152	28%
Classified Salaries											
2400	Clerical & Tech	20,247	16,615	18,944	23,500	79,305	164,833	186,361	21,528	107,056	43%
2900	OtherClassStaff	30,677	33,107	35,629	40,389	139,801	328,215	422,681	94,466	282,880	33%
SUBTOTAL - Classified Salaries		50,923	49,722	54,572	63,889	219,106	493,048	609,042	115,994	389,936	36%
Employee Benefits											
3101	STRS	10,231	26,112	26,587	27,924	90,853	308,115	338,550	30,435	247,696	27%
3202	PERS	8,135	8,539	8,802	9,222	34,698	89,054	101,534	12,480	66,836	34%
3301	OASDI/Med	5,380	6,925	6,533	6,995	25,834	74,781	74,781	-	48,947	35%
3401	HlthWelfare	-	41,889	2,509	54,252	98,651	386,892	414,892	28,000	316,241	24%
3501	UnemplpyIns	-	383	-	296	679	1,473	2,473	1,000	1,794	27%
3601	WorkersCmp	6,132	2,044	2,044	2,044	12,264	28,278	27,278	(1,000)	15,014	45%
3901	OthBenes	-	22	10	3	35	-	-	-	(35)	-
SUBTOTAL - Employee Benefits		29,878	85,914	46,486	100,737	263,014	888,593	959,508	70,915	696,494	27%
Books & Supplies											
4100	Text&CoreCurric	-	-	416	-	416	25,000	25,744	744	25,328	2%
4200	BooksOthRefMats	-	-	-	-	-	4,000	4,000	-	4,000	0%
4310	Ins Mats & Sups	-	-	4,229	28	4,257	26,500	54,009	27,509	49,752	8%
4320	Office Supplies	-	(1,978)	153	1,524	(301)	11,000	11,000	-	11,301	-3%
4325	ProfDevMat&Sups	-	-	-	-	-	500	500	-	500	0%
4326	Arts&MusicSupps	-	-	-	-	-	1,500	1,500	-	1,500	0%
4335	PE Supplies	-	-	-	-	-	2,000	2,000	-	2,000	0%
4340	Educat Software	-	563	14,049	12,383	26,994	54,310	57,633	3,323	30,639	47%
4345	NonInstStdntSup	447	-	2,332	2,694	5,473	7,000	7,000	-	1,527	78%
4346	TeacherSupplies	-	-	168	-	168	1,000	1,000	-	832	17%
4350	Cust. Supplies	-	-	197	-	197	300	300	-	103	66%
4390	Uniforms	-	-	-	-	-	500	500	-	500	0%
4400	NonCapEquip-Gen	-	-	-	-	-	7,120	7,120	-	7,120	0%
4440	Computers <\$5k	2,485	-	-	-	2,485	6,602	6,602	-	4,117	38%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	230,992	230,992	-	230,992	0%
4720	Food:Other Food	-	-	-	361	361	8,240	8,240	-	7,879	4%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	1,771	7,587	7,931	17,288	-	-	-	(17,288)	-
SUBTOTAL - Books and Supplies		2,932	355	29,129	24,920	57,337	386,564	418,140	31,576	360,803	14%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
Services & Other Operating Expenses											
5101	CMO Fees	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%
5205	Conference Fees	-	-	-	-	-	-	-	-	-	-
5210	MilesParkTolls	-	-	30	-	30	2,244	2,244	-	2,214	1%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	515	515	-	515	0%
5300	DuesMemberships	-	-	3,273	-	3,273	10,300	10,300	-	7,027	32%
5450	Other Insurance	5,553	1,851	1,851	1,851	11,106	27,808	27,808	-	16,702	40%
5500	OpsHousekeeping	-	-	112	-	112	5,150	5,150	-	5,038	2%
5510	Gas & Electric	1,102	-	(1,102)	-	-	-	-	-	-	-
5610	Rent & Leases	2,101	-	82,392	26,061	110,554	405,200	405,200	-	294,646	27%
5620	EquipmentLeases	2,237	1,413	1,045	2,793	7,488	16,068	16,068	-	8,580	47%
5630	Reps&MaintBldng	-	-	-	1,921	1,921	13,905	7,905	(6,000)	5,984	24%
5800	ProfessServices	-	10,000	5,535	11,268	26,802	167,268	111,605	(55,664)	84,802	24%
5810	Legal	1,919	-	2,408	66,500	70,827	35,000	98,972	63,972	28,145	72%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	22,647	22,647	45,294	113,234	113,234	-	67,940	40%
5814	SchPrgAcadComps	-	-	225	500	725	2,000	2,000	-	1,275	36%
5819	SchlProgs-Other	-	7,650	2,595	-	10,245	20,000	16,000	(4,000)	5,755	64%
5820	Audit & CPA	-	-	-	-	-	10,313	10,313	-	10,313	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	2,885	-	986	1,767	5,638	20,000	16,028	(3,972)	10,391	35%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtrRecrt	-	225	1,064	(520)	769	10,000	10,000	-	9,231	8%
5850	Oversight Fees	-	-	44,591	(44,591)	-	49,073	49,073	-	49,073	0%
5857	Payroll Fees	-	-	-	-	-	25,714	25,714	-	25,714	0%
5860	Service Fees	1,970	-	(1,959)	1,076	1,087	515	515	-	(572)	211%
5863	Prof Developmnt	-	-	2,200	610	2,810	15,000	30,666	15,666	27,856	9%
5864	Prof Dev-Other	-	-	3,500	(3,160)	340	30,000	30,000	-	29,660	1%
5869	SpEd Ctrct Inst	-	-	1,133	-	1,133	-	74,592	74,592	73,459	2%
5872	SpEd Fees	-	-	-	-	-	-	11,720	11,720	11,720	0%
5875	StaffRecruiting	-	-	-	-	-	309	309	-	309	0%
5884	Substitutes	-	-	12,787	5,716	18,503	77,000	77,000	-	58,497	24%
5890	OthSvcsNon-Inst	-	-	1,970	972	2,942	15,450	268,790	253,340	265,848	1%
5900	Communications	-	1,075	-	-	1,075	9,962	9,962	-	8,887	11%
5920	TelecomInternet	944	2,042	4,584	2,151	9,721	49,991	49,991	-	40,270	19%
5930	PostageDelivery	-	-	543	-	543	6,896	6,896	-	6,353	8%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		101,302	106,848	275,002	180,154	663,305	2,130,019	2,479,673	349,653	1,816,367	27%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	11,829	11,829	-	20,000	20,000	8,171	59%
6900	Depreciation	-	-	-	21,268	21,268	63,804	63,804	-	42,536	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	33,098	33,098	63,804	83,804	20,000	50,707	39%
Other Outflows											
7299	Encroachment	-	-	-	-	-	11,720	-	(11,720)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	11,720	-	(11,720)	-	-
TOTAL EXPENSES		287,585	414,655	568,798	570,033	1,841,071	5,992,096	6,680,531	688,435	4,839,459	28%

Monthly Cash Flow (Actuals + Projections)

MSA-3	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	740,137	685,675	618,049	414,669	473,249	356,965	239,549	317,782	201,364	256,842	346,768	347,545	364,697	
Revenue														
LCFF Entitlement	63,914	279,907	237,298	530,517	357,925	357,925	506,500	357,925	500,269	555,925	423,592	423,592	663,746	5,259,037
Federal Revenue	-	-	-	1,036	47,565	13,720	14,209	59,804	18,723	42,784	115,729	79,277	84,836	477,682
Other State Revenues	10,948	-	80,655	19,707	290,923	47,238	123,006	25,028	97,160	55,759	27,450	80,461	(170,686)	687,648
Other Local Revenues	500	1,072	1,490	1,201	10,013	6,851	3,888	10,195	8,696	4,829	3,375	3,193	3,565	58,869
Total Revenue	75,362	280,979	319,443	552,462	706,426	425,734	647,604	452,952	624,848	659,297	570,146	586,522	581,461	6,483,236
Expenses														
Certificated Salaries	102,550	171,817	163,609	167,236	184,867	184,867	184,867	184,867	184,867	184,867	184,867	184,867	46,217	2,130,364
Classified Salaries	50,923	49,722	54,572	63,889	47,553	47,553	47,553	47,553	47,553	47,553	47,553	47,553	9,511	609,042
Benefits	29,878	85,914	46,486	100,737	81,940	81,940	81,940	81,940	81,940	81,940	81,940	81,940	40,970	959,508
Books and Supplies	2,932	355	29,129	24,920	43,363	43,363	43,363	43,363	43,363	43,363	43,363	43,363	13,899	418,140
Services and Operations	101,302	106,848	275,002	180,154	215,423	215,423	215,423	215,423	215,423	215,423	215,423	215,423	92,982	2,479,673
Depreciation / Cap Outlay	-	-	-	33,098	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	-	83,804
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	287,585	414,655	568,798	570,033	579,485	579,485	579,485	579,485	579,485	579,485	579,485	579,485	203,578	6,680,531
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	259,541	92,029	21,780	41,178	(253,340)	26,220	-	-	-	-	-	-	-	187,408
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	21,715	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	64,251
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(106,577)	(30,777)	-	-	-	-	-	-	-	-	-	-	-	(137,354)
Accounts Payable - Current Year	-	-	19,396	8,461	-	-	-	-	-	-	-	-	-	27,857
Summer Holdback for Teachers	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	57,576
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	157,762	66,050	45,974	76,152	(243,225)	36,335	10,115	10,115	10,115	10,115	10,115	10,115	10,115	199,738
Total Change in Cash	(54,462)	(67,626)	(203,380)	58,580	(116,284)	(117,416)	78,234	(116,418)	55,478	89,927	776	17,152		2,443
ENDING CASH	685,675	618,049	414,669	473,249	356,965	239,549	317,782	201,364	256,842	346,768	347,545	364,697		



MSA-4 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$551,954).

This is an decrease of (\$472,216) from the original July 1 Budget projected deficit of (\$79,738).

This will allow MSA-4 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$25,843, or 1.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$45,798) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 5.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$10,744 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$2,003) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$62,900 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$498,059, or 21.1% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$227,007 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$23,801 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$273,616 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$26,365) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 4		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		24,302	108,269	92,068	139,300	363,940	1,920,178	1,874,380	(45,798)	1,510,440	19%
Federal Revenue		25,153	(19,158)	2,664	2,664	11,324	155,404	166,148	10,744	154,824	7%
Other State Revenues		5,928	11,855	7,903	87,163	112,850	197,847	195,844	(2,003)	82,994	58%
Other Local Revenues		7,700	375	-	1,022	9,097	7,396	70,296	62,900	61,199	13%
Total Revenue		63,082	101,342	102,636	230,150	497,210	2,280,825	2,306,668	25,843	1,809,458	22%
Expenses											
Certificated Salaries		31,346	74,448	79,878	79,104	264,776	949,845	1,023,997	74,152	759,221	26%
Classified Salaries		3,331	9,549	14,696	14,806	42,382	69,781	177,338	107,557	134,957	24%
Benefits		6,976	32,437	21,668	32,686	93,767	354,746	400,044	45,298	306,277	23%
Books and Supplies		1,469	5,148	24,002	6,426	37,046	143,475	167,276	23,801	130,230	22%
Services and Operating Exp.		11,950	21,134	62,299	18,672	114,054	797,040	1,070,656	273,616	956,602	11%
Depreciation & Cap Outlay		-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
Other Outflows		-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
Total Expenses		55,071	144,301	203,600	160,245	563,217	2,360,563	2,858,622	498,059	2,295,405	20%
Operating Income						(66,007)	(79,738)	(551,954)	(472,216)	(485,947)	
Fund Balance											
Beginning Balance (Unaudited)							1,493,450	1,493,450			
Operating Income							(79,738)	(551,954)			
Ending Fund Balance							1,413,712	941,496			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 4						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	59,666	59,666	106,898	226,230	1,317,941	1,222,758	(95,183)	996,528	19%				
8012	EPA Entitlement	-	-	-	-	-	223,524	249,634	26,110	249,634	0%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	24,302	48,603	32,402	32,402	137,710	378,713	401,988	23,275	264,278	34%				
SUBTOTAL - LCFF Entitlement		24,302	108,269	92,068	139,300	363,940	1,920,178	1,874,380	(45,798)	1,510,440	19%				
Federal Revenue															
8181	SpEd - Revenue	1,998	3,997	2,664	2,664	11,324	33,606	33,606	-	22,282	34%				
8220	SchLunchFederal	23,154	(23,154)	-	-	-	35,688	35,688	-	35,688	0%				
8290	All Other Federal Revenue	-	-	-	-	-	86,110	96,854	10,744	96,854	0%				
SUBTOTAL - Federal Revenue		25,153	(19,158)	2,664	2,664	11,324	155,404	166,148	10,744	154,824	7%				
Other State Revenue															
8311	SpEd Revenue	5,928	11,855	7,903	7,903	33,590	98,217	105,102	6,885	71,512	32%				
8520	SchoolNutrState	-	-	-	-	-	2,481	2,481	-	2,481	0%				
8550	MandCstReimburs	-	-	-	-	-	63,847	37,175	(26,672)	37,175	0%				
8560	StateLotteryRev	-	-	-	68,334	68,334	33,302	33,302	-	(35,032)	205%				
8590	AllOthStateRev	-	-	-	10,926	10,926	-	17,784	17,784	6,858	61%				
SUBTOTAL - Other State Revenue		5,928	11,855	7,903	87,163	112,850	197,847	195,844	(2,003)	82,994	58%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	1,487	1,487	-	1,487	0%				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	-	(0)	-	-	(0)	-	-	-	0	-				
8699	Other Revenue	7,700	-	-	1,397	9,097	5,909	23,809	17,900	14,712	38%				
8791	SpEd Revenue (Local)	-	-	-	-	-	-	45,000	45,000	45,000	0%				
8999	Revenues-Susp	-	375	-	(375)	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		7,700	375	-	1,022	9,097	7,396	70,296	62,900	61,199	13%				
TOTAL REVENUE		63,082	101,342	102,636	230,150	497,210	2,280,825	2,306,668	25,843	1,809,458	22%				

2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 4						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
EXPENSES DETAIL															
Certificated Salaries															
1100	TeacherSalaries	16,075	56,867	65,452	64,678	203,072	776,333	850,485	74,152	647,413	24%				
1300	Cert Adminis	15,271	17,581	14,426	14,426	61,704	173,512	173,512	-	111,808	36%				
SUBTOTAL - Certificated Salaries		31,346	74,448	79,878	79,104	264,776	949,845	1,023,997	74,152	759,221	26%				
Classified Salaries															
2400	Clerical & Tech	3,331	5,177	5,887	6,012	20,407	41,998	59,259	17,261	38,853	34%				
2900	OtherClassStaff	-	4,372	8,809	8,794	21,975	27,783	118,079	90,296	96,104	19%				
SUBTOTAL - Classified Salaries		3,331	9,549	14,696	14,806	42,382	69,781	177,338	107,557	134,957	24%				
Employee Benefits															
3101	STRS	3,044	11,485	12,844	12,874	40,247	147,744	164,542	16,798	124,295	24%				
3202	PERS	575	958	1,207	1,239	3,979	12,604	12,604	-	8,625	32%				
3301	OASDI/Med	802	2,071	2,501	2,477	7,851	21,735	22,235	500	14,384	35%				
3401	HlthWelfare	-	16,961	4,264	15,140	36,365	160,358	188,358	28,000	151,993	19%				
3501	UnemployIns	-	110	-	104	214	615	615	-	401	35%				
3601	WorkersCmp	2,555	852	852	852	5,111	11,481	11,481	-	6,370	45%				
3901	OthBenes	-	-	-	-	-	209	209	-	209	0%				
SUBTOTAL - Employee Benefits		6,976	32,437	21,668	32,686	93,767	354,746	400,044	45,298	306,277	23%				
Books & Supplies															
4100	Text&CoreCurric	-	-	5,445	-	5,445	17,118	17,118	-	11,673	32%				
4200	BooksOthRefMats	-	-	-	-	-	-	-	-	-	-				
4310	Ins Mats & Sups	-	-	-	-	-	25,000	46,015	21,015	46,015	0%				
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-				
4320	Office Supplies	-	201	578	1,072	1,851	11,000	11,000	-	9,149	17%				
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-				
4326	Arts&MusicSupps	-	-	-	-	-	-	-	-	-	-				
4335	PE Supplies	-	-	-	-	-	1,000	1,000	-	1,000	0%				
4340	Educat Software	-	375	6,281	2,411	9,067	33,228	30,396	(2,832)	21,329	30%				
4345	NonInstStdntSup	-	-	40	-	40	5,000	5,000	-	4,960	1%				
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-				
4710	Food	-	-	-	-	-	49,129	49,129	-	49,129	0%				
4720	Food:Other Food	-	-	-	-	-	2,000	2,000	-	2,000	0%				
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-				
4999	Misc Exp-Suspense	1,469	4,572	9,954	2,944	18,939	-	-	-	(18,939)	-				
SUBTOTAL - Books and Supplies		1,469	5,148	24,002	6,426	37,046	143,475	167,276	23,801	130,230	22%				

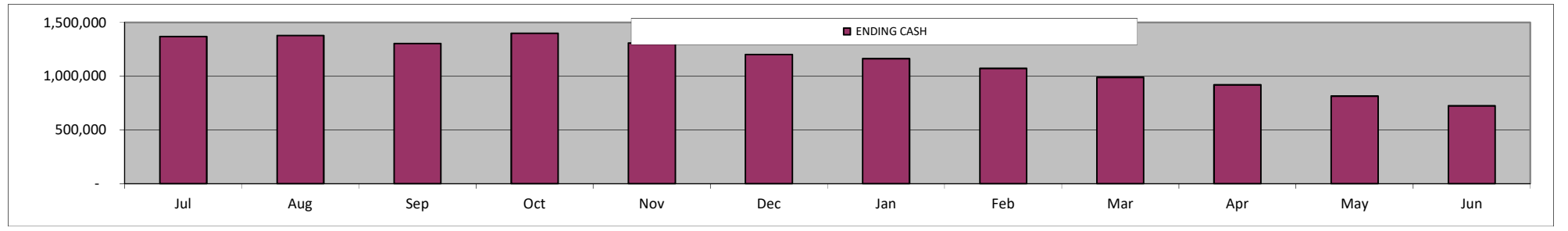
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 4											
Services & Other Operating Expenses											
5101	CMO Fees	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%
5205	Conference Fees	-	-	-	-	-	2,000	2,000	-	2,000	0%
5210	MilesParkTolls	-	-	-	-	-	-	-	-	-	-
5215	TravConferences	-	-	-	-	-	2,000	14,500	12,500	14,500	0%
5220	TraLodging	-	-	-	-	-	-	11,715	11,715	11,715	0%
5300	DuesMemberships	-	-	1,020	-	1,020	4,567	4,567	-	3,547	22%
5450	Other Insurance	2,133	711	711	711	4,266	11,273	11,273	-	7,007	38%
5500	OpsHousekeeping	-	-	-	-	-	656	656	-	656	0%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	4,155	-	4,155	172,340	187,740	15,400	183,585	2%
5620	EquipmentLeases	377	377	4,665	840	6,259	22,134	22,134	-	15,874	28%
5630	Reps&MaintBldng	-	-	-	-	-	7,000	7,000	-	7,000	0%
5800	ProfessServices	-	-	9,380	484	9,864	186,833	91,913	(94,920)	82,049	11%
5810	Legal	-	-	612	-	612	25,000	25,000	-	24,388	2%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	1,000	1,000	-	1,000	0%
5814	SchPrgAcadComps	-	-	-	450	450	5,000	5,000	-	4,550	9%
5819	SchlProgs-Other	-	-	-	-	-	1,000	1,000	-	1,000	0%
5820	Audit & CPA	-	-	-	-	-	10,850	10,850	-	10,850	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	2,150	370	2,520	5,000	7,200	2,200	4,680	35%
5836	FieldTrip Trans	-	9,579	6,386	6,386	22,351	63,860	63,860	-	41,509	35%
5840	MarkngStdtrcrt	-	-	-	-	-	10,000	10,000	-	10,000	0%
5850	Oversight Fees	1,028	2,056	1,371	1,371	5,826	19,202	19,202	-	13,376	30%
5857	Payroll Fees	-	-	-	-	-	10,044	10,044	-	10,044	0%
5860	Service Fees	-	-	(22)	-	(22)	546	546	-	568	-4%
5863	Prof Developmnt	-	-	250	890	1,140	29,865	29,865	-	28,725	4%
5864	Prof Dev-Other	-	-	5,914	341	6,255	20,000	20,000	-	13,745	31%
5869	SpEd Ctrct Inst	-	-	1,569	-	1,569	-	54,470	54,470	52,902	3%
5872	SpEd Fees	1,585	1,585	1,057	-	4,227	-	26,365	26,365	22,137	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	16,253	-	16,253	34,705	34,705	-	18,452	47%
5890	OthSvcsNon-Inst	-	-	-	-	-	11,596	257,482	245,886	257,482	0%
5900	Communications	-	-	-	-	-	4,450	4,450	-	4,450	0%
5920	TelecomInternet	355	354	356	358	1,423	55,750	55,750	-	54,327	3%
5930	PostageDelivery	-	-	-	-	-	2,713	2,713	-	2,713	0%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,950	21,134	62,299	18,672	114,054	797,040	1,070,656	273,616	956,602	11%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 4											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
Other Outflows											
7299	Encroachment	-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
TOTAL EXPENSES		55,071	144,301	203,600	160,245	563,217	2,360,563	2,858,622	498,059	2,295,405	20%

Monthly Cash Flow (Actuals + Projections)

MSA-4	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,336,770	1,368,119	1,378,127	1,304,746	1,397,922	1,307,355	1,201,372	1,163,778	1,072,457	988,113	918,482	813,914	724,360	
Revenue														
LCFF Entitlement	24,302	108,269	92,068	139,300	139,300	139,300	198,125	139,300	158,677	186,226	136,232	136,232	277,048	1,874,380
Federal Revenue	25,153	(19,158)	2,664	2,664	21,816	9,264	6,198	25,765	12,124	5,993	22,924	17,391	33,350	166,148
Other State Revenues	5,928	11,855	7,903	87,163	14,199	16,257	27,125	14,418	15,658	7,333	7,333	27,373	(46,702)	195,844
Other Local Revenues	7,700	375	-	1,022	889	149	1,910	149	149	1,770	(105)	403	55,887	70,296
Total Revenue	63,082	101,342	102,636	230,150	176,205	164,970	233,358	179,632	186,608	201,321	166,384	181,398	319,583	2,306,668
Expenses														
Certificated Salaries	31,346	74,448	79,878	79,104	92,027	92,027	92,027	92,027	92,027	92,027	92,027	92,027	23,007	1,023,997
Classified Salaries	3,331	9,549	14,696	14,806	16,458	16,458	16,458	16,458	16,458	16,458	16,458	16,458	3,292	177,338
Benefits	6,976	32,437	21,668	32,686	36,033	36,033	36,033	36,033	36,033	36,033	36,033	36,033	18,016	400,044
Books and Supplies	1,469	5,148	24,002	6,426	17,146	17,146	17,146	17,146	17,146	17,146	17,146	17,146	(6,937)	167,276
Services and Operations	11,950	21,134	62,299	18,672	110,475	110,475	110,475	110,475	110,475	110,475	110,475	110,475	72,802	1,070,656
Depreciation / Cap Outlay	-	-	-	6,437	1,609	1,609	1,609	1,609	1,609	1,609	1,609	1,609	-	19,312
Other Outflows	-	1,585	1,057	2,114	-	-	-	-	-	-	-	-	(4,756)	-
Total Expenses	55,071	144,301	203,600	160,245	273,748	273,748	273,748	273,748	273,748	273,748	273,748	273,748	105,425	2,858,622
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	73,015	65,278	-	14,184	4,180	-	-	-	-	-	-	-	-	156,657
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	6,437	609	609	609	609	609	609	609	609	609	11,311
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(51,863)	(14,497)	-	-	-	-	-	-	-	-	-	-	-	(66,360)
Accounts Payable - Current Year	-	-	25,396	465	-	-	-	-	-	-	-	-	-	25,861
Summer Holdback for Teachers	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	26,232
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	23,338	52,967	27,582	23,272	6,975	2,795	2,795	2,795	2,795	2,795	2,795	2,795	2,795	153,702
Total Change in Cash	31,349	10,008	(73,382)	93,177	(90,568)	(105,982)	(37,595)	(91,321)	(84,344)	(69,631)	(104,568)	(89,554)		(398,252)

ENDING CASH	1,368,119	1,378,127	1,304,746	1,397,922	1,307,355	1,201,372	1,163,778	1,072,457	988,113	918,482	813,914	724,360
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MSA-5 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$161,393).

This is an decrease of (\$192,529) from the original July 1 Budget projected surplus of \$31,136.

This will allow MSA-5 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$31,504, or 1.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$48,500 higher than in the July Budget, due to average daily attendance (ADA) increasing by 6.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$6,512 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$23,508) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$224,033, or 7.9% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$35,903 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$11,081 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$220,047 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$42,998) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 5		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		28,614	123,047	141,604	233,731	526,997	2,431,167	2,479,667	48,500	1,952,670	21%
Federal Revenue		-	-	-	-	-	156,069	162,581	6,512	162,581	0%
Other State Revenues		6,191	-	-	6,206	12,397	263,878	240,370	(23,508)	227,973	5%
Other Local Revenues		2,458	(1,219)	0	28	1,267	1,000	1,000	-	(267)	127%
Total Revenue		37,263	121,828	141,604	239,966	540,661	2,852,114	2,883,618	31,504	2,342,957	19%
Expenses											
Certificated Salaries		43,901	92,783	99,488	98,991	335,162	1,171,673	1,149,695	(21,978)	814,533	29%
Classified Salaries		16,335	357	23,531	24,338	64,562	157,231	214,241	57,010	149,680	30%
Benefits		12,463	47,959	36,694	43,426	140,541	495,114	495,985	871	355,444	28%
Books and Supplies		-	3,644	35,184	3,316	42,144	238,640	249,721	11,081	207,577	17%
Services and Operating Exp.		14,397	10,376	24,415	80,125	129,313	697,742	917,789	220,047	788,476	14%
Depreciation & Cap Outlay		-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
Other Outflows		-	-	-	-	-	42,998	-	(42,998)	-	-
Total Expenses		87,096	155,119	219,312	256,055	717,582	2,820,978	3,045,011	224,033	2,327,429	24%
Operating Income						(176,921)	31,136	(161,393)	(192,529)	15,528	
Fund Balance											
Beginning Balance (Unaudited)							1,935,360	1,935,360			
Operating Income							31,136	(161,393)			
Ending Fund Balance							1,966,496	1,773,967			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 5											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	65,819	103,452	118,475	287,746	1,648,493	1,585,991	(62,502)	1,298,245	18%
8012	EPA Entitlement	-	-	-	77,104	77,104	282,755	333,412	50,657	256,308	23%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	28,614	57,228	38,152	38,152	162,147	499,919	560,264	60,345	398,117	29%
SUBTOTAL - LCFF Entitlement		28,614	123,047	141,604	233,731	526,997	2,431,167	2,479,667	48,500	1,952,670	21%
Federal Revenue											
8181	SpEd - Revenue	-	-	-	-	-	26,250	26,250	-	26,250	0%
8220	SchLunchFederal	-	-	-	-	-	-	-	-	-	-
8290	All Other Federal Revenue	-	-	-	-	-	129,819	136,331	6,512	136,331	0%
SUBTOTAL - Federal Revenue		-	-	-	-	-	156,069	162,581	6,512	162,581	0%
Other State Revenue											
8311	SpEd Revenue	-	-	-	-	-	118,285	118,285	-	118,285	0%
8520	SchoolNtrState	-	-	-	-	-	-	-	-	-	-
8550	MandCstReimburs	-	-	-	-	-	72,149	40,737	(31,412)	40,737	0%
8560	StateLotteryRev	-	-	-	-	-	43,960	43,960	-	43,960	0%
8590	AllOthStateRev	6,191	-	-	6,206	12,397	29,484	37,388	7,904	24,991	33%
SUBTOTAL - Other State Revenue		6,191	-	-	6,206	12,397	263,878	240,370	(23,508)	227,973	5%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	2,458	(2,351)	0	-	107	-	-	-	(107)	-
8699	Other Revenue	-	-	-	28	28	1,000	1,000	-	972	3%
8791	SpEd Revenue (Local)	-	1,131	-	-	1,131	-	-	-	(1,131)	-
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Local Revenue		2,458	(1,219)	0	28	1,267	1,000	1,000	-	(267)	127%
TOTAL REVENUE		37,263	121,828	141,604	239,966	540,661	2,852,114	2,883,618	31,504	2,342,957	19%

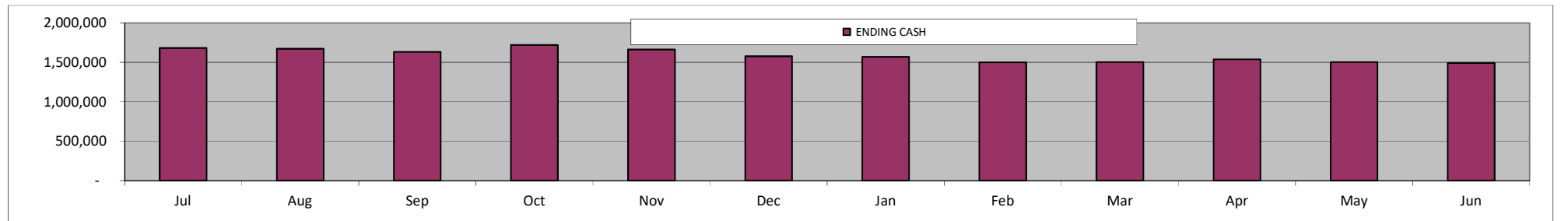
2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 5						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
EXPENSES DETAIL															
Certificated Salaries															
1100	TeacherSalaries	22,511	77,393	84,098	83,279	267,280	982,993	961,015	(21,978)	693,735	28%				
1300	Cert Adminis	21,390	15,390	15,390	15,712	67,882	188,680	188,680	-	120,798	36%				
SUBTOTAL - Certificated Salaries		43,901	92,783	99,488	98,991	335,162	1,171,673	1,149,695	(21,978)	814,533	29%				
Classified Salaries															
2400	Clerical & Tech	11,197	(10,286)	11,197	11,197	23,306	86,990	93,184	6,194	69,879	25%				
2900	OtherClassStaff	5,138	10,644	12,334	13,141	41,256	70,241	121,057	50,816	79,801	34%				
SUBTOTAL - Classified Salaries		16,335	357	23,531	24,338	64,562	157,231	214,241	57,010	149,680	30%				
Employee Benefits															
3101	STRS	4,234	15,081	16,172	16,116	51,603	180,567	180,967	400	129,365	29%				
3202	PERS	2,864	3,519	3,676	3,698	13,757	28,226	28,226	-	14,469	49%				
3301	OASDI/Med	1,885	3,110	3,240	3,295	11,530	32,895	33,366	471	21,836	35%				
3401	HlthWelfare	1,013	25,283	12,783	19,346	58,425	237,664	237,664	-	179,239	25%				
3501	UnemployIns	-	144	-	149	293	799	799	-	505	37%				
3601	WorkersCmp	2,467	822	822	822	4,933	14,963	14,963	-	10,030	33%				
3901	OthBenes	-	-	-	-	-	-	-	-	-	-				
SUBTOTAL - Employee Benefits		12,463	47,959	36,694	43,426	140,541	495,114	495,985	871	355,444	28%				
Books & Supplies															
4100	Text&CoreCurric	-	-	26,545	-	26,545	20,000	30,000	10,000	3,455	88%				
4200	BooksOthRefMats	-	-	-	-	-	5,000	5,000	-	5,000	0%				
4310	Ins Mats & Sups	-	-	999	-	999	13,446	18,777	5,331	17,778	5%				
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-				
4320	Office Supplies	-	60	79	191	329	12,500	11,500	(1,000)	11,171	3%				
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-				
4340	Educat Software	-	750	4,540	-	5,290	43,865	43,813	(52)	38,523	12%				
4345	NonInstStdntSup	-	-	2,801	-	2,801	2,000	2,802	802	1	100%				
4350	Cust. Supplies	-	-	-	-	-	1,000	1,000	-	1,000	0%				
4400	NonCapEquip-Gen	-	-	-	-	-	11,329	11,329	-	11,329	0%				
4430	OfficeFurnEqp<5k	-	-	-	-	-	5,000	5,000	-	5,000	0%				
4440	Computers <\$5k	-	-	-	-	-	5,000	5,000	-	5,000	0%				
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-				
4710	Food	-	-	-	-	-	115,000	105,000	(10,000)	105,000	0%				
4720	Food:Other Food	-	-	-	-	-	2,000	2,000	-	2,000	0%				
4990	Prior Year Exp	-	-	-	-	-	-	6,000	6,000	6,000	0%				
4999	Misc Exp-Suspense	-	2,834	220	3,125	6,179	-	-	-	(6,179)	-				
SUBTOTAL - Books and Supplies		-	3,644	35,184	3,316	42,144	238,640	249,721	11,081	207,577	17%				

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 5											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
Other Outflows											
7299	Encroachment	-	-	-	-	-	42,998	-	(42,998)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	42,998	-	(42,998)	-	-
TOTAL EXPENSES		87,096	155,119	219,312	256,055	717,582	2,820,978	3,045,011	224,033	2,327,429	24%

Monthly Cash Flow (Actuals + Projections)

MSA-5	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,731,955	1,683,567	1,674,062	1,633,348	1,720,819	1,664,605	1,578,410	1,571,136	1,500,583	1,505,982	1,537,674	1,506,555	1,492,806	
Revenue														
LCFF Entitlement	28,614	123,047	141,604	233,731	156,627	156,627	223,002	156,627	246,705	285,104	205,787	205,787	316,403	2,479,667
Federal Revenue	-	-	-	-	27,283	7,339	8,276	25,456	9,122	634	23,979	16,637	43,855	162,581
Other State Revenues	6,191	-	-	6,206	13,399	20,037	31,647	17,564	19,772	16,153	8,782	33,558	67,062	240,370
Other Local Revenues	2,458	(1,219)	0	28	0	0	0	0	0	0	532	468	(1,267)	1,000
Total Revenue	37,263	121,828	141,604	239,966	197,309	184,004	262,925	199,647	275,598	301,891	239,080	256,450	426,054	2,883,618
Expenses														
Certificated Salaries	43,901	92,783	99,488	98,991	98,731	98,731	98,731	98,731	98,731	98,731	98,731	98,731	24,683	1,149,695
Classified Salaries	16,335	357	23,531	24,338	18,254	18,254	18,254	18,254	18,254	18,254	18,254	18,254	3,651	214,241
Benefits	12,463	47,959	36,694	43,426	41,817	41,817	41,817	41,817	41,817	41,817	41,817	41,817	20,908	495,985
Books and Supplies	-	3,644	35,184	3,316	24,570	24,570	24,570	24,570	24,570	24,570	24,570	24,570	11,020	249,721
Services and Operations	14,397	10,376	24,415	80,125	91,322	91,322	91,322	91,322	91,322	91,322	91,322	91,322	57,902	917,789
Depreciation / Cap Outlay	-	-	-	5,860	1,465	1,465	1,465	1,465	1,465	1,465	1,465	1,465	-	17,579
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	87,096	155,119	219,312	256,055	276,158	276,158	276,158	276,158	276,158	276,158	276,158	276,158	118,164	3,045,011
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	74,941	40,102	-	25,903	16,677	-	-	-	-	-	-	-	-	157,623
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,860	1,465	1,465	1,465	1,465	1,465	1,465	1,465	1,465	-	17,579
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(77,989)	(20,810)	-	-	-	-	-	-	-	-	-	-	-	(98,800)
Accounts Payable - Current Year	-	-	32,499	67,304	-	-	-	-	-	-	-	-	-	99,803
Summer Holdback for Teachers	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	-	53,928
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	1,446	23,786	36,993	103,561	22,636	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	230,134
Total Change in Cash	(48,388)	(9,505)	(40,714)	87,471	(56,214)	(86,195)	(7,274)	(70,553)	5,399	31,692	(31,119)	(13,749)		68,741

ENDING CASH	1,683,567	1,674,062	1,633,348	1,720,819	1,664,605	1,578,410	1,571,136	1,500,583	1,505,982	1,537,674	1,506,555	1,492,806
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MSA-6 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$30,925.

This is an decrease of (\$26,866) from the original July 1 Budget projected surplus of \$57,791.

This will allow MSA-6 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$119,670, or 6.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$45,650 higher than in the July Budget, due to average daily attendance (ADA) increasing by 4.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$8,549 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$65,471 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$146,536, or 8.0% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$2,918) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$14,175 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$157,969 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$22,690) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 6		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		22,456	92,814	77,843	116,164	309,277	1,464,746	1,510,396	45,650	1,201,119	20%
Federal Revenue		1,847	3,693	2,462	2,462	10,464	166,466	175,015	8,549	164,551	6%
Other State Revenues		5,477	10,955	-	65,004	81,436	249,668	315,139	65,471	233,703	26%
Other Local Revenues		-	-	-	0	0	15,000	15,000	-	15,000	0%
Total Revenue		29,780	107,462	80,305	183,631	401,178	1,895,880	2,015,550	119,670	1,614,373	20%
Expenses											
Certificated Salaries		37,902	59,182	63,807	60,015	220,906	723,179	708,967	(14,212)	488,061	31%
Classified Salaries		3,601	8,533	9,361	9,485	30,980	111,000	122,294	11,294	91,315	25%
Benefits		5,601	25,830	15,462	31,292	78,185	341,933	341,933	-	263,748	23%
Books and Supplies		1,520	7,166	18,437	4,667	31,790	149,590	163,765	14,175	131,975	19%
Services and Operating Exp.		8,918	37,457	19,254	28,732	94,361	473,140	631,109	157,969	536,748	15%
Depreciation & Cap Outlay		-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
Other Outflows		-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
Total Expenses		57,542	139,634	118,278	141,663	457,116	1,838,089	1,984,625	146,536	1,527,509	23%
Operating Income						(55,939)	57,791	30,925	(26,866)	86,864	
Fund Balance											
Beginning Balance (Unaudited)							1,603,901	1,603,901			
Operating Income							57,791	30,925			
Ending Fund Balance							1,661,692	1,634,826			



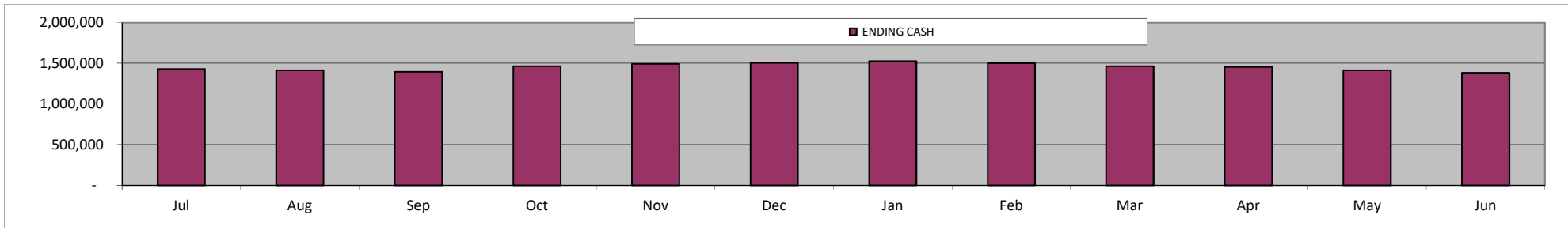
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 6											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	47,902	47,902	86,223	182,027	963,048	937,018	(26,030)	754,991	19%
8012	EPA Entitlement	-	-	-	-	-	175,782	207,581	31,799	207,581	0%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	22,456	44,912	29,941	29,941	127,250	325,916	365,797	39,881	238,547	35%
SUBTOTAL - LCFF Entitlement		22,456	92,814	77,843	116,164	309,277	1,464,746	1,510,396	45,650	1,201,119	20%
Federal Revenue											
8181	SpEd - Revenue	1,847	3,693	2,462	2,462	10,464	28,921	28,921	-	18,457	36%
8220	SchLunchFederal	-	-	-	-	-	50,307	50,307	-	50,307	0%
8290	All Other Federal Revenue	-	-	-	-	-	87,238	95,787	8,549	95,787	0%
SUBTOTAL - Federal Revenue		1,847	3,693	2,462	2,462	10,464	166,466	175,015	8,549	164,551	6%
Other State Revenue											
8311	SpEd Revenue	5,477	10,955	-	7,303	23,735	84,525	91,190	6,665	67,455	26%
8520	SchoolNtrState	-	-	-	-	-	3,800	3,800	-	3,800	0%
8550	MandCstReimburs	-	-	-	-	-	55,735	31,083	(24,652)	31,083	0%
8560	StateLotteryRev	-	-	-	-	-	28,658	28,658	-	28,658	0%
8590	AllOthStateRev	-	-	-	57,701	57,701	76,950	160,409	83,459	102,708	36%
SUBTOTAL - Other State Revenue		5,477	10,955	-	65,004	81,436	249,668	315,139	65,471	233,703	26%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	-	-	-	0	0	15,000	15,000	-	15,000	0%
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	-	-	-	0	0	-	-	-	(0)	-
SUBTOTAL - Local Revenue		-	-	-	0	0	15,000	15,000	-	15,000	0%
TOTAL REVENUE		29,780	107,462	80,305	183,631	401,178	1,895,880	2,015,550	119,670	1,614,373	20%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 6											
Services & Other Operating Expenses											
5101	CMO Fees	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%
5205	Conference Fees	-	-	-	-	-	-	-	-	-	-
5210	MilesParkTolls	-	-	84	198	283	1,545	1,545	-	1,262	18%
5215	TravConferences	-	-	-	-	-	561	561	-	561	0%
5220	TraLodging	-	-	-	-	-	1,000	1,000	-	1,000	0%
5300	DuesMemberships	-	970	900	-	1,870	1,937	1,937	-	67	97%
5450	Other Insurance	1,553	518	518	518	3,107	10,771	10,771	-	7,664	29%
5500	OpsHousekeeping	-	-	-	312	312	2,000	2,000	-	1,688	16%
5510	Gas & Electric	317	57	21	570	965	7,931	7,931	-	6,966	12%
5610	Rent & Leases	-	19,000	9,500	9,500	38,000	114,000	114,000	-	76,000	33%
5620	EquipmentLeases	-	-	419	437	856	5,092	5,092	-	4,236	17%
5630	Reps&MaintBldng	-	-	-	-	-	2,000	2,000	-	2,000	0%
5800	ProfessServices	-	6,825	907	4,828	12,560	86,753	49,188	(37,565)	36,628	26%
5810	Legal	-	-	83	568	651	20,000	20,000	-	19,350	3%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	3,000	3,000	-	3,000	0%
5814	SchPrgAcadComps	-	-	-	-	-	1,000	1,000	-	1,000	0%
5819	SchlProgs-Other	-	-	-	-	-	10,000	10,000	-	10,000	0%
5820	Audit & CPA	-	875	-	148	1,023	4,774	4,774	-	3,751	21%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	1,368	1,368	10,000	13,000	3,000	11,632	11%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	-	1,317	1,317	18,000	15,000	(3,000)	13,683	9%
5850	Oversight Fees	870	1,480	1,160	1,160	4,669	15,756	15,756	-	11,087	30%
5857	Payroll Fees	-	-	-	-	-	10,844	10,844	-	10,844	0%
5860	Service Fees	-	-	3	1,148	1,152	530	530	-	(622)	217%
5863	Prof Developmnt	-	-	-	-	-	2,000	5,000	3,000	5,000	0%
5864	Prof Dev-Other	-	-	-	-	-	23,000	20,000	(3,000)	20,000	0%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	62,547	62,547	62,547	0%
5872	SpEd Fees	1,465	1,465	977	(0)	3,906	-	22,690	22,690	18,784	17%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	1,614	-	-	1,614	16,000	16,000	-	14,386	10%
5890	OthSvcsNon-Inst	-	-	-	-	-	10,943	121,240	110,297	121,240	0%
5900	Communications	-	-	-	1,575	1,575	3,090	3,090	-	1,515	51%
5920	TelecomInternet	842	784	811	812	3,248	39,161	39,161	-	35,913	8%
5930	PostageDelivery	-	-	-	403	403	5,000	5,000	-	4,598	8%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		8,918	37,457	19,254	28,732	94,361	473,140	631,109	157,969	536,748	15%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 6											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
SUBTOTAL - Cap Outlay & Dep.		-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
Other Outflows											
7299	Encroachment	-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
TOTAL EXPENSES		57,542	139,634	118,278	141,663	457,116	1,838,089	1,984,625	146,536	1,527,509	23%

Monthly Cash Flow (Actuals + Projections)

MSA-6	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,442,531	1,431,964	1,415,240	1,396,392	1,464,610	1,490,759	1,505,034	1,525,705	1,501,036	1,464,384	1,453,217	1,415,513	1,381,543	
Revenue														
LCFF Entitlement	22,456	92,814	77,843	116,164	116,164	116,164	165,836	116,164	121,614	134,310	101,817	101,817	227,233	1,510,396
Federal Revenue	1,847	3,693	2,462	2,462	20,299	7,018	7,642	27,328	8,240	5,057	36,877	19,900	32,190	175,015
Other State Revenues	5,477	10,955	-	65,004	48,484	14,645	25,216	11,396	13,052	25,125	5,888	23,872	66,026	315,139
Other Local Revenues	-	-	-	0	1,522	3,571	1,534	0	0	3,898	(2,728)	0	7,202	15,000
Total Revenue	29,780	107,462	80,305	183,631	186,469	141,398	200,228	154,888	142,906	168,390	141,854	145,588	332,651	2,015,550
Expenses														
Certificated Salaries	37,902	59,182	63,807	60,015	59,159	59,159	59,159	59,159	59,159	59,159	59,159	59,159	14,790	708,967
Classified Salaries	3,601	8,533	9,361	9,485	11,136	11,136	11,136	11,136	11,136	11,136	11,136	11,136	2,227	122,294
Benefits	5,601	25,830	15,462	31,292	31,029	31,029	31,029	31,029	31,029	31,029	31,029	31,029	15,515	341,933
Books and Supplies	1,520	7,166	18,437	4,667	16,991	16,991	16,991	16,991	16,991	16,991	16,991	16,991	(3,952)	163,765
Services and Operations	8,918	37,457	19,254	28,732	62,007	62,007	62,007	62,007	62,007	62,007	62,007	62,007	40,695	631,109
Depreciation / Cap Outlay	-	-	-	5,519	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	-	16,557
Other Outflows	-	1,465	(8,042)	1,953	578	578	578	578	578	578	578	578	-	0
Total Expenses	57,542	139,634	118,278	141,663	182,279	182,279	182,279	182,279	182,279	182,279	182,279	182,279	69,274	1,984,625
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	55,255	24,396	-	11,190	19,238	52,435	-	-	-	-	-	-	-	162,513
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,519	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	-	16,557
Due To (From)	-	-	-	7,665	-	-	-	-	-	-	-	-	-	7,665
Expenses - Prior Year Accruals	(39,402)	(10,291)	-	-	-	-	-	-	-	-	-	-	-	(49,693)
Accounts Payable - Current Year	-	-	17,784	534	-	-	-	-	-	-	-	-	-	18,318
Summer Holdback for Teachers	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	-	16,104
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	17,195	15,447	19,126	26,250	21,959	55,156	2,722	2,722	2,722	2,722	2,722	2,722	2,722	171,464
Total Change in Cash	(10,567)	(16,725)	(18,847)	68,218	26,149	14,275	20,670	(24,669)	(36,651)	(11,167)	(37,704)	(33,970)		202,389
ENDING CASH	1,431,964	1,415,240	1,396,392	1,464,610	1,490,759	1,505,034	1,525,705	1,501,036	1,464,384	1,453,217	1,415,513	1,381,543		



MSA-7 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$314,019).

This is an decrease of (\$413,767) from the original July 1 Budget projected surplus of \$99,749.

This will allow MSA-7 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$74,401, or 2.0% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$13,286 higher than in the July Budget, due to average daily attendance (ADA) decreasing by 2.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$7,676 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$53,439 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$488,169, or 13.5% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$200,629 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$20,996 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$296,543 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$29,999) lower than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	83,987	83,987	151,176	319,150	1,817,619	1,731,650	(85,969)	1,412,500	18%
8012	EPA Entitlement	-	-	-	-	-	322,659	368,727	46,068	368,727	0%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	39,774	79,549	53,032	53,032	225,387	617,485	670,672	53,187	445,285	34%
SUBTOTAL - LCFF Entitlement		39,774	163,536	137,019	204,208	544,537	2,757,763	2,771,049	13,286	2,226,512	20%
Federal Revenue											
8181	SpEd - Revenue	3,271	6,541	4,361	4,361	18,534	54,794	54,794	-	36,260	34%
8220	SchLunchFederal	19,369	-	(19,369)	-	-	80,273	80,273	-	80,273	0%
8290	All Other Federal Revenue	-	-	-	-	-	113,953	121,629	7,676	121,629	0%
SUBTOTAL - Federal Revenue		22,640	6,541	(15,009)	4,361	18,534	249,020	256,696	7,676	238,162	7%
Other State Revenue											
8311	SpEd Revenue	9,702	19,403	-	12,935	42,040	160,141	171,416	11,275	129,376	25%
8520	SchoolNtrState	-	-	-	-	-	6,152	6,152	-	6,152	0%
8550	MandCstReimburs	-	-	-	-	-	98,718	55,053	(43,665)	55,053	0%
8560	StateLotteryRev	-	-	-	-	-	54,298	54,298	-	54,298	0%
8590	AllOthStateRev	-	-	-	99,015	99,015	353,566	439,395	85,829	340,380	23%
SUBTOTAL - Other State Revenue		9,702	19,403	-	111,950	141,055	672,875	726,314	53,439	585,259	19%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	10,560	10,560	-	10,560	0%
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	90	646	-	5,264	6,000	16,492	16,492	-	10,492	36%
8791	SpEd Revenue (Local)	1,581	-	-	-	1,581	-	-	-	(1,581)	-
8999	Revenues-Susp	-	-	95	(95)	-	-	-	-	-	-
SUBTOTAL - Local Revenue		1,671	646	95	5,169	7,581	27,052	27,052	-	19,471	28%
TOTAL REVENUE		73,787	190,126	122,106	325,689	711,707	3,706,710	3,781,111	74,401	3,069,404	19%

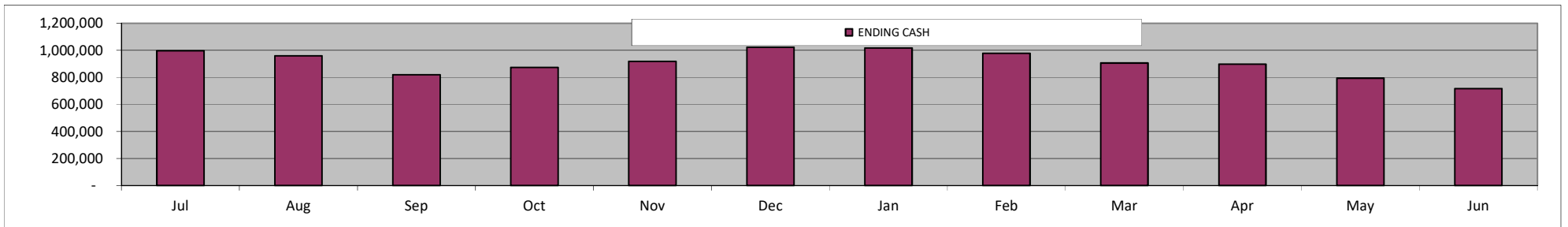
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	50,150	76,481	77,224	76,746	280,601	951,321	991,808	40,487	711,207	28%
1300	Cert Adminis	28,845	14,838	14,838	14,838	73,359	184,056	184,056	-	110,697	40%
SUBTOTAL - Certificated Salaries		78,995	91,319	92,062	91,584	353,960	1,135,377	1,175,864	40,487	821,904	30%
Classified Salaries											
2400	Clerical & Tech	8,368	10,211	14,097	14,176	46,852	83,167	116,841	33,674	69,989	40%
2900	OtherClassStaff	8,281	9,377	15,851	16,896	50,405	186,444	297,813	111,369	247,407	17%
SUBTOTAL - Classified Salaries		16,649	19,588	29,948	31,072	97,258	269,611	414,654	145,043	317,396	23%
Employee Benefits											
3101	STRS	6,689	15,177	15,256	15,318	52,441	170,885	175,785	4,900	123,344	30%
3202	PERS	1,523	3,386	4,445	4,560	13,913	48,036	55,030	6,994	41,117	25%
3301	OASDI/Med	2,417	2,814	3,509	3,536	12,276	42,403	45,588	3,185	33,311	27%
3401	HlthWelfare	-	25,203	2,059	27,757	55,019	195,412	195,412	-	140,393	28%
3501	UnemployIns	-	166	-	164	330	872	892	20	562	37%
3601	WorkersCmp	3,594	1,198	1,198	1,198	7,188	15,820	15,820	-	8,632	45%
3901	OthBenes	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Employee Benefits		14,223	47,944	26,467	52,533	141,167	473,427	488,526	15,099	347,359	29%
Books & Supplies											
4100	Text&CoreCurric	-	-	13,270	28	13,297	28,840	24,840	(4,000)	11,543	54%
4200	BooksOthRefMats	-	-	-	-	-	1,030	1,030	-	1,030	0%
4310	Ins Mats & Sups	-	-	371	146	518	6,369	35,978	29,609	35,460	1%
4320	Office Supplies	-	-	1,915	1,081	2,996	12,000	9,000	(3,000)	6,004	33%
4325	ProfDevMat&Sups	-	-	-	-	-	1,000	1,000	-	1,000	0%
4326	Arts&MusicSupps	-	-	-	-	-	3,090	3,090	-	3,090	0%
4335	PE Supplies	-	-	-	-	-	2,060	2,060	-	2,060	0%
4340	Educat Software	-	375	2,851	3,985	7,210	19,248	19,623	375	12,413	37%
4345	NonInstStdntSup	-	-	-	22	22	1,545	1,545	-	1,523	1%
4346	TeacherSupplies	-	-	-	-	-	2,472	2,472	-	2,472	0%
4350	Cust. Supplies	-	-	1,585	775	2,360	8,240	8,240	-	5,880	29%
4351	Yearbook	-	-	-	-	-	783	783	-	783	0%
4400	NonCapEquip-Gen	-	-	-	-	-	10,300	10,300	-	10,300	0%
4430	OffceFurnEqp<5k	-	-	12	685	697	5,056	4,068	(988)	3,371	17%
4440	Computers <\$5k	-	-	-	-	-	12,000	3,000	(9,000)	3,000	0%
4710	Food	-	-	-	-	-	108,016	108,016	-	108,016	0%
4720	Food:Other Food	-	-	768	-	768	2,060	2,060	-	1,292	37%
4999	Misc Exp-Suspense	-	1,890	20,229	(11,577)	10,543	-	-	-	(10,543)	-
SUBTOTAL - Books and Supplies		-	2,265	41,000	(4,242)	39,024	227,293	248,289	20,996	209,265	16%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
Services & Other Operating Expenses											
5101	CMO Fees	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%
5205	Conference Fees	-	-	-	-	-	1,030	1,030	-	1,030	0%
5210	MilesParkTolls	-	-	139	-	139	2,060	2,060	-	1,921	7%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	1,310	1,310	-	1,310	0%
5300	DuesMemberships	-	-	1,650	-	1,650	8,240	8,240	-	6,590	20%
5450	Other Insurance	5,099	1,700	1,700	1,700	10,199	18,102	18,102	-	7,903	56%
5500	OpsHousekeeping	-	300	1,498	525	2,323	10,300	10,300	-	7,977	23%
5510	Gas & Electric	1,970	6,166	3,144	5,909	17,189	59,995	59,995	-	42,806	29%
5610	Rent & Leases	23,390	23,390	23,390	23,390	93,559	281,134	281,134	-	187,576	33%
5620	EquipmentLeases	370	603	1,359	1,200	3,532	8,652	8,652	-	5,120	41%
5630	Reps&MaintBldng	-	7,351	2,430	(1,500)	8,281	11,330	11,330	-	3,049	73%
5800	ProfessServices	-	-	6,775	270	7,045	159,113	54,360	(104,754)	47,314	13%
5810	Legal	-	-	-	4,764	4,764	15,000	12,700	(2,300)	7,936	38%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	32,760	32,760	65,520	168,714	168,714	-	103,194	39%
5814	SchPrgAcadComps	-	-	-	-	-	6,000	6,000	-	6,000	0%
5819	SchlProgs-Other	-	-	-	-	-	4,120	4,120	-	4,120	0%
5820	Audit & CPA	-	-	-	-	-	6,489	6,489	-	6,489	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	426	973	1,399	8,240	8,240	-	6,842	17%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	-	1,092	1,092	10,000	10,000	-	8,908	11%
5850	Oversight Fees	1,540	2,755	2,053	2,053	8,401	27,578	27,578	-	19,177	30%
5857	Payroll Fees	-	-	-	-	-	14,891	14,891	-	14,891	0%
5860	Service Fees	-	-	-	-	-	2,963	2,963	-	2,963	0%
5863	Prof Developmnt	-	315	-	1,005	1,320	7,900	7,900	-	6,580	17%
5864	Prof Dev-Other	-	1,377	-	45	1,422	14,200	24,200	10,000	22,778	6%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	113,048	113,048	113,048	0%
5872	SpEd Fees	2,594	2,594	1,730	-	6,919	-	42,987	42,987	36,068	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	723	3,847	4,570	46,350	29,350	(17,000)	24,780	16%
5890	OthSvcsNon-Inst	1,616	-	-	1,225	2,841	11,092	265,654	254,562	262,813	1%
5900	Communications	-	-	45	-	45	4,120	4,120	-	4,075	1%
5920	TelecomInternet	278	-	-	-	278	32,863	32,863	-	32,585	1%
5930	PostageDelivery	-	-	25	-	25	3,708	3,708	-	3,683	1%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		78,255	87,950	121,244	120,656	408,106	1,442,279	1,738,822	296,543	1,330,716	23%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	12,988	12,988	12,988	0%
6900	Depreciation	-	-	-	5,329	5,329	15,987	15,987	-	10,658	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	5,329	5,329	15,987	28,975	12,988	23,646	18%
Other Outflows											
7299	Encroachment	-	2,594	(11,206)	3,459	(5,152)	42,987	-	(42,987)	5,152	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	2,594	(11,206)	3,459	(5,152)	42,987	-	(42,987)	5,152	-
TOTAL EXPENSES		188,123	251,661	299,516	300,392	1,039,692	3,606,961	4,095,130	488,169	3,055,438	25%

Monthly Cash Flow (Actuals + Projections)

MSA-7	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,269,979	997,385	958,746	819,831	873,406	919,193	1,022,001	1,016,797	976,900	905,549	897,454	794,672	716,836	
Revenue														
LCFF Entitlement	39,774	163,536	137,019	204,208	204,208	204,208	289,445	204,208	239,278	271,939	200,418	200,418	412,388	2,771,049
Federal Revenue	22,640	6,541	(15,009)	4,361	36,590	12,330	15,150	42,972	14,779	14,779	39,039	14,779	47,744	256,696
Other State Revenues	9,702	19,403	-	111,950	112,553	133,236	44,604	64,553	25,684	59,551	12,109	61,225	71,744	726,314
Other Local Revenues	1,671	646	95	5,169	2,047	3,745	1,310	4,083	4,622	1,350	1,364	1,453	(503)	27,052
Total Revenue	73,787	190,126	122,106	325,689	355,397	353,520	350,509	315,816	284,362	347,618	252,931	277,877	531,373	3,781,111
Expenses														
Certificated Salaries	78,995	91,319	92,062	91,584	99,625	99,625	99,625	99,625	99,625	99,625	99,625	99,625	24,906	1,175,864
Classified Salaries	16,649	19,588	29,948	31,072	38,707	38,707	38,707	38,707	38,707	38,707	38,707	38,707	7,741	414,654
Benefits	14,223	47,944	26,467	52,533	40,866	40,866	40,866	40,866	40,866	40,866	40,866	40,866	20,433	488,526
Books and Supplies	-	2,265	41,000	(4,242)	24,981	24,981	24,981	24,981	24,981	24,981	24,981	24,981	9,416	248,289
Services and Operations	78,255	87,950	121,244	120,656	156,287	156,287	156,287	156,287	156,287	156,287	156,287	156,287	80,422	1,738,822
Depreciation / Cap Outlay	-	-	-	5,329	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	-	28,975
Other Outflows	-	2,594	(11,206)	3,459	644	644	644	644	644	644	644	644	(0)	-
Total Expenses	188,123	251,661	299,516	300,392	364,065	364,065	364,065	364,065	364,065	364,065	364,065	364,065	142,918	4,095,130
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	78,791	47,901	19,369	21,074	46,103	105,001	-	-	-	-	-	-	-	318,239
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,329	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	28,975
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(242,445)	(30,401)	-	-	-	-	-	-	-	-	-	-	-	(272,846)
Accounts Payable - Current Year	-	-	13,730	(3,520)	-	-	-	-	-	-	-	-	-	10,210
Summer Holdback for Teachers	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	64,752
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	(158,258)	22,896	38,495	28,279	54,455	113,353	8,352	8,352	8,352	8,352	8,352	8,352	8,352	149,330
Total Change in Cash	(272,594)	(38,639)	(138,915)	53,575	45,787	102,808	(5,204)	(39,897)	(71,351)	(8,095)	(102,782)	(77,837)		(164,689)
ENDING CASH	997,385	958,746	819,831	873,406	919,193	1,022,001	1,016,797	976,900	905,549	897,454	794,672	716,836		



MSA-8 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$211,738.

This is an decrease of (\$32,421) from the original July 1 Budget projected surplus of \$244,159.

This will allow MSA-8 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$73,684), or -1.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$52,032) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 8.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$7,938 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$29,590) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = decrease of (\$41,263), or -0.7% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$159,554) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at (\$5,096) lower than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$172,014 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$48,628) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 8		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		68,456	289,065	243,427	365,148	966,097	4,837,159	4,785,127	(52,032)	3,819,030	20%
Federal Revenue		5,629	11,258	7,506	54,276	78,669	322,588	330,526	7,938	251,857	24%
Other State Revenues		16,698	33,395	-	201,567	251,660	667,832	638,242	(29,590)	386,582	39%
Other Local Revenues		973	0	(0)	1,425	2,399	4,000	4,000	-	1,601	60%
Total Revenue		91,756	333,719	250,933	622,416	1,298,824	5,831,579	5,757,895	(73,684)	4,459,070	23%
Expenses											
Certificated Salaries		90,436	127,473	139,322	145,261	502,492	1,867,308	1,568,476	(298,832)	1,065,984	32%
Classified Salaries		23,349	39,194	41,901	43,612	148,055	346,000	446,665	100,665	298,610	33%
Benefits		20,408	65,313	37,822	95,103	218,646	779,314	817,928	38,613	599,282	27%
Books and Supplies		11	15,885	45,796	(17,306)	44,386	429,408	424,312	(5,096)	379,927	10%
Services and Operating Exp.		15,063	197,627	109,956	109,599	432,244	2,004,944	2,176,958	172,014	1,744,714	20%
Depreciation & Cap Outlay		-	-	-	29,272	29,272	87,817	111,817	24,000	82,544	26%
Other Outflows		-	4,465	(19,287)	5,954	(8,867)	72,628	-	(72,628)	8,867	-
Total Expenses		149,267	449,957	355,510	411,494	1,366,228	5,587,420	5,546,156	(41,263)	4,179,928	25%
Operating Income						(67,404)	244,159	211,738	(32,421)	279,142	
Fund Balance											
Beginning Balance (Unaudited)							4,083,717	4,083,717			
Operating Income							244,159	211,738			
Ending Fund Balance							4,327,876	4,295,455			



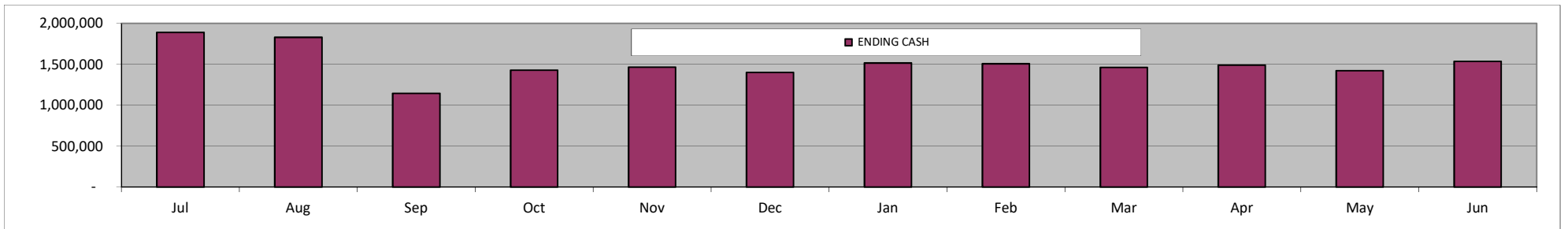
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 8											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	152,152	152,152	273,873	578,177	3,233,832	3,029,327	(204,505)	2,451,150	19%
8012	EPA Entitlement	-	-	-	-	-	562,787	636,791	74,004	636,791	0%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	68,456	136,913	91,275	91,275	387,920	1,040,540	1,119,009	78,469	731,089	35%
SUBTOTAL - LCFF Entitlement		68,456	289,065	243,427	365,148	966,097	4,837,159	4,785,127	(52,032)	3,819,030	20%
Federal Revenue											
8181	SpEd - Revenue	5,629	11,258	7,506	7,506	31,899	92,335	92,335	-	60,436	35%
8220	SchLunchFederal	-	-	-	-	-	-	-	-	-	-
8290	All Other Federal Revenue	-	-	-	46,770	46,770	230,253	238,191	7,938	191,421	20%
SUBTOTAL - Federal Revenue		5,629	11,258	7,506	54,276	78,669	322,588	330,526	7,938	251,857	24%
Other State Revenue											
8311	SpEd Revenue	16,698	33,395	-	25,173	75,266	269,858	287,758	17,900	212,492	26%
8520	SchoolNutrState	-	-	-	-	-	-	-	-	-	-
8550	MandCstReimburs	-	-	-	-	-	169,906	94,752	(75,154)	94,752	0%
8560	StateLotteryRev	-	-	-	-	-	91,500	91,500	-	91,500	0%
8590	AllOthStateRev	-	-	-	176,394	176,394	136,568	164,232	27,664	(12,162)	107%
SUBTOTAL - Other State Revenue		16,698	33,395	-	201,567	251,660	667,832	638,242	(29,590)	386,582	39%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	973	0	(0)	1,426	2,399	4,000	4,000	-	1,601	60%
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	0	-	-	(0)	-	-	-	-	-	-
SUBTOTAL - Local Revenue		973	0	(0)	1,425	2,399	4,000	4,000	-	1,601	60%
TOTAL REVENUE		91,756	333,719	250,933	622,416	1,298,824	5,831,579	5,757,895	(73,684)	4,459,070	23%

2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 8						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
EXPENSES DETAIL															
Certificated Salaries															
1100	TeacherSalaries	45,234	106,977	118,416	124,175	394,802	1,529,852	1,303,324	(226,528)	908,522	30%				
1300	Cert Adminis	45,202	20,496	20,906	21,086	107,690	337,456	265,152	(72,304)	157,462	41%				
SUBTOTAL - Certificated Salaries		90,436	127,473	139,322	145,261	502,492	1,867,308	1,568,476	(298,832)	1,065,984	32%				
Classified Salaries															
2400	Clerical & Tech	10,367	15,256	20,386	21,026	67,035	120,411	185,786	65,374	118,751	36%				
2900	OtherClassStaff	12,982	23,938	21,515	22,585	81,021	225,589	260,880	35,291	179,859	31%				
SUBTOTAL - Classified Salaries		23,349	39,194	41,901	43,612	148,055	346,000	446,665	100,665	298,610	33%				
Employee Benefits															
3101	STRS	7,359	20,630	22,608	23,447	74,043	278,507	285,900	7,393	211,856	26%				
3202	PERS	4,014	6,538	6,963	6,595	24,110	62,495	72,460	9,965	48,350	33%				
3301	OASDI/Med	3,086	4,808	5,216	5,155	18,264	63,253	68,450	5,197	50,186	27%				
3401	HlthWelfare	-	31,360	1,052	57,693	90,105	348,355	364,413	16,058	274,307	25%				
3501	UnemployIns	-	(6)	-	230	225	1,295	1,295	-	1,070	17%				
3601	WorkersCmp	5,949	1,983	1,983	1,983	11,898	24,922	24,922	-	13,024	48%				
3901	OthBenes	-	-	-	-	-	489	489	-	489	0%				
SUBTOTAL - Employee Benefits		20,408	65,313	37,822	95,103	218,646	779,314	817,928	38,613	599,282	27%				
Books & Supplies															
4100	Text&CoreCurric	-	9,826	(473)	-	9,354	51,500	36,500	(15,000)	27,146	26%				
4200	BooksOthRefMats	-	-	-	-	-	1,030	1,030	-	1,030	0%				
4310	Ins Mats & Sups	-	-	2,886	140	3,026	46,268	58,147	11,879	55,122	5%				
4320	Office Supplies	-	305	2,980	178	3,464	6,901	6,901	-	3,437	50%				
4326	Arts&MusicSupps	-	-	-	-	-	7,725	5,000	(2,725)	5,000	0%				
4335	PE Supplies	-	-	-	-	-	2,575	1,500	(1,075)	1,500	0%				
4340	Educat Software	-	4,608	6,950	-	11,558	51,974	51,974	-	40,416	22%				
4345	NonInstStdntSup	-	-	-	-	-	5,150	5,150	-	5,150	0%				
4346	TeacherSupplies	-	-	-	-	-	5,150	5,000	(150)	5,000	0%				
4351	Yearbook	-	-	-	-	-	1,545	1,000	(545)	1,000	0%				
4390	Uniforms	-	-	-	-	-	530	530	-	530	0%				
4400	NonCapEquip-Gen	-	-	3,624	-	3,624	11,330	9,500	(1,830)	5,876	38%				
4430	OfficeFurnEqp<5k	-	-	-	-	-	5,150	5,150	-	5,150	0%				
4440	Computers <\$5k	-	-	-	-	-	15,450	15,450	-	15,450	0%				
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-				
4710	Food	-	-	-	-	-	210,950	210,950	-	210,950	0%				
4720	Food:Other Food	-	-	369	224	593	5,150	9,500	4,350	8,907	6%				
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-				
4999	Misc Exp-Suspense	11	1,146	29,460	(17,848)	12,769	-	-	-	(12,769)	-				
SUBTOTAL - Books and Supplies		11	15,885	45,796	(17,306)	44,386	429,408	424,312	(5,096)	379,927	10%				

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 8											
Services & Other Operating Expenses											
5101	CMO Fees	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%
5205	Conference Fees	-	-	-	-	-	10,300	10,300	-	10,300	0%
5210	MilesParkTolls	-	-	-	-	-	5,150	5,150	-	5,150	0%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	10,300	10,300	-	10,300	0%
5300	DuesMemberships	-	3,045	-	-	3,045	7,725	7,725	-	4,680	39%
5450	Other Insurance	5,870	1,957	1,957	1,957	11,741	31,196	31,196	-	19,455	38%
5500	OpsHousekeeping	37	37	37	295	405	36,050	36,050	-	35,645	1%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	-	-	-	304,830	304,830	-	304,830	0%
5620	EquipmentLeases	196	1,491	1,018	196	2,901	17,441	17,441	-	14,540	17%
5630	Reps&MaintBldng	-	-	-	-	-	3,090	3,090	-	3,090	0%
5800	ProfessServices	-	3,225	2,125	1,625	6,975	101,281	44,631	(56,650)	37,657	16%
5810	Legal	-	-	-	-	-	13,390	10,000	(3,390)	10,000	0%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	2,250	83	-	2,333	136,568	3,533	(133,035)	1,200	66%
5814	SchPrgAcadComps	-	-	-	-	-	618	618	-	618	0%
5819	SchlProgs-Other	-	-	-	-	-	1,030	1,030	-	1,030	0%
5820	Audit & CPA	-	-	-	-	-	15,914	15,914	-	15,914	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	718	1,489	-	2,207	20,600	20,000	(600)	17,793	11%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	-	-	-	8,240	8,240	-	8,240	0%
5850	Oversight Fees	2,723	5,446	3,631	3,631	15,431	48,017	48,017	-	32,586	32%
5857	Payroll Fees	-	-	-	-	-	17,741	17,741	-	17,741	0%
5860	Service Fees	-	-	5	990	995	515	515	-	(480)	193%
5863	Prof Developmnt	-	-	250	1,020	1,270	8,549	8,549	-	7,279	15%
5864	Prof Dev-Other	-	-	225	2,040	2,265	43,000	33,000	(10,000)	30,735	7%
5869	SpEd Ctrct Inst	-	-	2,448	3,384	5,831	-	54,150	54,150	48,319	11%
5872	SpEd Fees	4,465	4,465	2,977	-	11,908	-	72,628	72,628	60,720	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	8,502	11,093	11,633	31,228	69,059	69,059	-	37,831	45%
5890	OthSvcsNon-Inst	1,772	-	-	-	1,772	13,390	286,301	272,911	284,529	1%
5900	Communications	-	-	-	-	-	3,000	3,000	-	3,000	0%
5920	TelecomInternet	-	-	-	-	-	74,154	50,154	(24,000)	50,154	0%
5930	PostageDelivery	-	1,251	-	209	1,460	12,360	12,360	-	10,900	12%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		15,063	197,627	109,956	109,599	432,244	2,004,944	2,176,958	172,014	1,744,714	20%

Monthly Cash Flow (Actuals + Projections)

MSA-8	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,907,434	1,890,678	1,830,388	1,144,937	1,428,879	1,466,544	1,400,032	1,516,559	1,506,209	1,463,888	1,490,230	1,421,599	1,537,744	
Revenue														
LCFF Entitlement	68,456	289,065	243,427	365,148	365,148	365,148	516,996	365,148	393,128	450,524	332,130	332,130	698,678	4,785,127
Federal Revenue	5,629	11,258	7,506	54,276	64,969	7,406	7,406	70,443	6,440	6,440	64,003	6,440	18,309	330,526
Other State Revenues	16,698	33,395	-	201,567	29,353	44,520	75,711	37,644	41,697	52,964	18,822	74,675	11,196	638,242
Other Local Revenues	973	0	(0)	1,425	333	333	333	333	333	333	333	333	(1,065)	4,000
Total Revenue	91,756	333,719	250,933	622,416	459,804	417,408	600,447	473,569	441,598	510,262	415,288	413,578	727,117	5,757,895
Expenses														
Certificated Salaries	90,436	127,473	139,322	145,261	129,210	129,210	129,210	129,210	129,210	129,210	129,210	129,210	32,303	1,568,476
Classified Salaries	23,349	39,194	41,901	43,612	36,416	36,416	36,416	36,416	36,416	36,416	36,416	36,416	7,283	446,665
Benefits	20,408	65,313	37,822	95,103	70,504	70,504	70,504	70,504	70,504	70,504	70,504	70,504	35,252	817,928
Books and Supplies	11	15,885	45,796	(17,306)	44,563	44,563	44,563	44,563	44,563	44,563	44,563	44,563	23,425	424,312
Services and Operations	15,063	197,627	109,956	109,599	207,189	207,189	207,189	207,189	207,189	207,189	207,189	207,189	87,199	2,176,958
Depreciation / Cap Outlay	-	-	-	29,272	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	-	111,817
Other Outflows	-	4,465	(19,287)	5,954	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	0	-
Total Expenses	149,267	449,957	355,510	411,494	499,308	499,308	499,308	499,308	499,308	499,308	499,308	499,308	185,462	5,546,156
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	186,633	95,118	-	41,872	61,780	-	-	-	-	-	-	-	-	385,404
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	29,272	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	111,817
Due To (From)	-	-	(600,000)	-	-	-	-	-	-	-	-	186,486	-	(413,514)
Expenses - Prior Year Accruals	(70,404)	(17,049)	-	-	-	-	-	-	-	-	-	-	-	(87,454)
Accounts Payable - Current Year	(75,475)	(22,120)	14,055	(3,195)	-	-	-	-	-	-	-	-	-	(86,736)
Summer Holdback for Teachers	-	-	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	50,710
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	40,754	55,949	(580,874)	73,020	77,169	15,389	15,389	15,389	15,389	15,389	15,389	201,875		(39,773)
Total Change in Cash	(16,756)	(60,289)	(685,451)	283,942	37,665	(66,512)	116,527	(10,350)	(42,321)	26,342	(68,631)	116,145		171,965
ENDING CASH	1,890,678	1,830,388	1,144,937	1,428,879	1,466,544	1,400,032	1,516,559	1,506,209	1,463,888	1,490,230	1,421,599	1,537,744		



MSA-SA Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$0).

This is an decrease of (\$188,691) from the original July 1 Budget projected surplus of \$188,691.

This will allow MSA-SA to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$775,369), or -8.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$907,186) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 96.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$19,167 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$112,650 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = decrease of (\$586,678), or -6.2% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$142,779) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$17,794 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$441,985) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$19,709) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA SA	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY										
Revenue										
LCFF Entitlement	270,445	971,094	521,735	1,007,872	2,771,146	7,954,976	7,047,790	(907,186)	4,276,644	39%
Federal Revenue	-	-	-	-	-	680,678	699,845	19,167	699,845	0%
Other State Revenues	17,322	-	114,885	31,179	163,386	872,239	984,889	112,650	821,503	17%
Other Local Revenues	369	362	2,272	12,645	15,649	77,199	77,199	-	61,550	20%
Total Revenue	288,136	971,457	638,893	1,051,696	2,950,181	9,585,092	8,809,723	(775,369)	5,859,542	33%
Expenses										
Certificated Salaries	161,885	238,767	246,746	248,060	895,457	3,288,170	3,032,689	(255,480)	2,137,232	30%
Classified Salaries	42,260	69,536	77,165	75,986	264,947	697,489	785,325	87,836	520,378	34%
Benefits	35,166	133,866	83,777	118,097	370,906	1,385,003	1,409,868	24,866	1,038,963	26%
Books and Supplies	87	13,835	13,072	17,374	44,369	657,369	675,164	17,794	630,795	7%
Services and Operating Exp.	11,222	316,712	169,341	128,517	625,792	2,156,391	1,714,406	(441,985)	1,088,614	37%
Depreciation & Cap Outlay	-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
Other Outflows	43,042	45,056	129,934	45,056	263,087	614,912	595,203	(19,709)	332,116	44%
Total Expenses	293,661	817,772	720,036	832,112	2,663,580	9,396,401	8,809,723	(586,678)	6,146,143	30%
Operating Income					286,601	188,691	(0)	(188,691)	(286,601)	
Fund Balance										
Beginning Balance (Unaudited)						7,502,296	7,502,296			
Operating Income						188,691	(0)			
Ending Fund Balance						7,690,987	7,502,296			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget					
MSA SA						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		First Interim Remaining	Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining		
REVENUE DETAIL																
LCFF Entitlement																
8011	State Aid	270,445	270,445	486,802	486,802	1,514,495	5,887,539	5,148,956	(738,583)	3,634,461	29%					
8012	EPA Entitlement	-	-	34,933	-	34,933	148,032	129,600	(18,432)	94,667	27%					
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-					
8096	InLieuPropTaxes	-	700,649	-	521,070	1,221,719	1,919,405	1,769,234	(150,171)	547,515	69%					
SUBTOTAL - LCFF Entitlement		270,445	971,094	521,735	1,007,872	2,771,146	7,954,976	7,047,790	(907,186)	4,276,644	39%					
Federal Revenue																
8181	SpEd - Revenue	-	-	-	-	-	92,000	92,000	-	92,000	0%					
8220	SchLunchFederal	-	-	-	-	-	276,286	276,286	-	276,286	0%					
8290	All Other Federal Revenue	-	-	-	-	-	312,392	331,559	19,167	331,559	0%					
SUBTOTAL - Federal Revenue		-	-	-	-	-	680,678	699,845	19,167	699,845	0%					
Other State Revenue																
8311	SpEd Revenue	17,322	-	48,501	31,179	97,002	386,364	386,364	-	289,362	25%					
8520	SchoolNutrState	-	-	-	-	-	24,225	24,225	-	24,225	0%					
8550	MandCstReimburs	-	-	-	-	-	254,699	143,669	(111,030)	143,669	0%					
8560	StateLotteryRev	-	-	16,384	-	16,384	143,591	143,591	-	127,207	11%					
8590	AllOthStateRev	-	-	50,000	-	50,000	63,360	287,040	223,680	237,040	17%					
SUBTOTAL - Other State Revenue		17,322	-	114,885	31,179	163,386	872,239	984,889	112,650	821,503	17%					
Local Revenue																
8634	StudentLunchFee	-	-	0	-	0	19,232	19,232	-	19,232	0%					
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-					
8660	Interest	369	362	479	374	1,584	4,376	4,376	-	2,792	36%					
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-					
8699	Other Revenue	-	-	1,793	12,271	14,064	53,591	53,591	-	39,527	26%					
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-					
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-					
SUBTOTAL - Local Revenue		369	362	2,272	12,645	15,649	77,199	77,199	-	61,550	20%					
TOTAL REVENUE		288,136	971,457	638,893	1,051,696	2,950,181	9,585,092	8,809,723	(775,369)	5,859,542	33%					

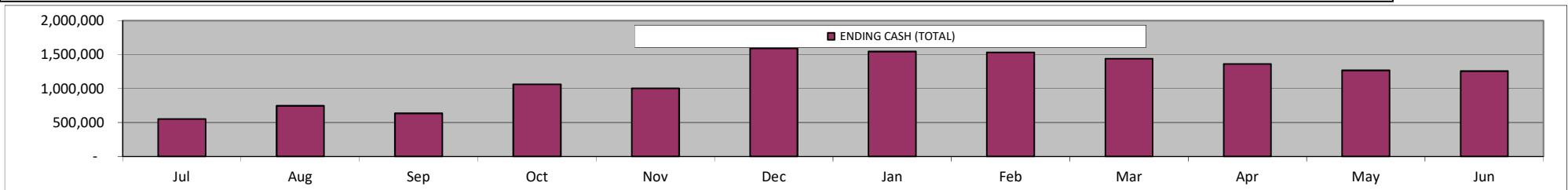
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Year To Date											
						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	102,215	192,299	201,592	204,220	700,325	2,646,248	2,430,091	(216,156)	1,729,766	29%
1300	Cert Adminis	59,670	46,468	45,154	43,840	195,132	641,922	602,598	(39,324)	407,466	32%
SUBTOTAL - Certificated Salaries		161,885	238,767	246,746	248,060	895,457	3,288,170	3,032,689	(255,480)	2,137,232	30%
Classified Salaries											
2400	Clerical & Tech	16,403	21,644	20,892	20,492	79,431	278,368	245,391	(32,977)	165,960	32%
2900	OtherClassStaff	25,856	47,892	56,273	55,494	185,515	419,121	539,934	120,813	354,419	34%
SUBTOTAL - Classified Salaries		42,260	69,536	77,165	75,986	264,947	697,489	785,325	87,836	520,378	34%
Employee Benefits											
3101	STRS	10,429	40,315	40,770	41,032	132,546	505,321	501,560	(3,761)	369,014	26%
3202	PERS	5,263	10,171	12,243	11,642	39,319	92,125	114,423	22,299	75,105	34%
3301	OASDI/Med	5,436	8,319	9,022	8,950	31,727	112,459	118,135	5,676	86,408	27%
3401	HlthWelfare	2,985	70,908	18,060	54,692	146,645	607,060	609,744	2,684	463,099	24%
3501	UnemployIns	-	472	-	417	888	2,502	2,502	-	1,614	35%
3601	WorkersCmp	11,052	3,682	3,683	1,364	19,781	44,879	42,847	(2,032)	23,066	46%
3901	OthBenes	-	-	-	-	-	20,658	20,658	-	20,658	0%
SUBTOTAL - Employee Benefits		35,166	133,866	83,777	118,097	370,906	1,385,003	1,409,868	24,866	1,038,963	26%
Books & Supplies											
4100	Text&CoreCurric	-	-	-	-	-	22,121	28,324	6,203	28,324	0%
4200	BooksOthRefMats	-	-	-	-	-	5,311	5,311	-	5,311	0%
4310	Ins Mats & Sups	-	87	179	16	282	70,000	61,124	(8,876)	60,842	0%
4320	Office Supplies	-	975	1,994	545	3,514	13,664	13,664	-	10,150	26%
4326	Arts&MusicSupps	-	-	-	-	-	5,311	2,311	(3,000)	2,311	0%
4335	PE Supplies	-	-	-	47	47	25,000	35,000	10,000	34,953	0%
4340	Educat Software	-	5,714	10,333	4,172	20,220	80,648	62,115	(18,533)	41,896	33%
4345	NonInstStdntSup	-	-	-	-	-	7,500	5,000	(2,500)	5,000	0%
4346	TeacherSupplies	-	-	-	-	-	10,621	10,621	-	10,621	0%
4350	Cust. Supplies	-	-	-	2,466	2,466	21,343	21,343	-	18,877	12%
4400	NonCapEquip-Gen	-	-	-	-	-	25,000	15,000	(10,000)	15,000	0%
4430	OfficeFurnEqp<5k	-	-	-	-	-	2,648	4,148	1,500	4,148	0%
4440	Computers <\$5k	-	-	174	-	174	2,655	32,655	30,000	32,481	1%
4460	Fixed Asset Suspense	-	-	-	-	-	-	17,000	17,000	17,000	0%
4710	Food	-	-	-	-	-	357,547	357,547	-	357,547	0%
4720	Food:Other Food	-	-	392	-	392	8,000	4,000	(4,000)	3,608	10%
4999	Misc Exp-Suspense	87	7,060	(0)	10,127	17,274	-	-	-	(17,274)	-
SUBTOTAL - Books and Supplies		87	13,835	13,072	17,374	44,369	657,369	675,164	17,794	630,795	7%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	First Interim Remaining		
Services & Other Operating Expenses											
5101	CMO Fees	-	269,311	89,770	89,770	448,852	997,937	406,668	(591,269)	(42,184)	110%
5205	Conference Fees	-	-	-	-	-	10,000	-	(10,000)	-	-
5210	MilesParkTolls	-	-	179	195	373	3,000	3,000	-	2,627	12%
5215	TravConferences	-	-	-	-	-	-	7,500	7,500	7,500	0%
5220	TraLodging	-	-	-	-	-	5,000	5,000	-	5,000	0%
5300	DuesMemberships	-	-	450	-	450	36,263	36,118	(145)	35,668	1%
5450	Other Insurance	7,460	2,486	2,485	1,675	14,106	40,000	40,000	-	25,894	35%
5500	OpsHousekeeping	1,317	1,317	1,317	1,317	5,267	40,000	40,000	-	34,733	13%
5510	Gas & Electric	-	11,726	11,090	9,602	32,417	120,000	120,000	-	87,583	27%
5610	Rent & Leases	-	-	-	-	-	-	-	-	-	-
5620	EquipmentLeases	2,214	2,532	3,207	3,127	11,080	50,286	50,286	-	39,206	22%
5630	Reps&MaintBldng	-	24,268	9,400	1,755	35,424	85,000	50,000	(35,000)	14,576	71%
5800	ProfessServices	-	-	16,752	1,476	18,228	269,267	49,240	(220,027)	31,012	37%
5810	Legal	-	1,791	21,966	-	23,756	15,000	195,000	180,000	171,244	12%
5811	Property Tax	-	-	-	-	-	-	3,393	3,393	3,393	0%
5813	SchPrgAftSchool	-	-	-	-	-	5,500	5,500	-	5,500	0%
5814	SchPrgAcadComps	-	-	-	815	815	11,000	11,000	-	10,185	7%
5819	SchIProgs-Other	-	-	-	1,421	1,421	7,100	18,521	11,421	17,100	8%
5820	Audit & CPA	-	-	-	-	-	11,684	11,684	-	11,684	0%
5835	Field Trips	-	-	-	450	450	35,000	-	(35,000)	(450)	-
5836	FieldTrip Trans	-	-	-	-	-	-	31,740	31,740	31,740	0%
5840	MarkngStdtdRecrt	-	-	8,860	10,610	19,471	20,000	20,000	-	529	97%
5850	Oversight Fees	-	-	-	-	-	79,550	79,550	-	79,550	0%
5857	Payroll Fees	-	1,873	-	-	1,873	35,900	35,900	-	34,028	5%
5860	Service Fees	231	307	577	201	1,317	2,932	2,932	-	1,615	45%
5863	Prof Developmnt	-	-	604	2,365	2,969	30,418	19,044	(11,374)	16,075	16%
5864	Prof Dev-Other	-	-	-	85	85	70,682	73,803	3,121	73,718	0%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	213,505	213,505	213,505	0%
5872	SpEd Fees	-	-	-	-	-	-	19,709	19,709	19,709	0%
5884	Substitutes	-	-	2,120	2,060	4,180	85,000	75,441	(9,559)	71,261	6%
5890	OthSvcsNon-Inst	-	-	-	-	-	3,000	3,000	-	3,000	0%
5900	Communications	-	-	-	-	-	3,090	3,090	-	3,090	0%
5920	TelecomInternet	-	-	479	958	1,437	73,161	73,161	-	71,724	2%
5930	PostageDelivery	-	1,101	85	635	1,821	10,621	10,621	-	8,800	17%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,222	316,712	169,341	128,517	625,792	2,156,391	1,714,406	(441,985)	1,088,614	37%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining		
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	
6400	EquipFixed	-	-	-	-	-	-	-	-	-	
6900	Depreciation	-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
Other Outflows											
7299	Encroachment	-	-	-	-	19,709	-	(19,709)	-	-	
7438	InterestExpense	43,042	45,056	129,934	45,056	263,087	595,203	595,203	-	332,116	44%
SUBTOTAL - Other Outflows		43,042	45,056	129,934	45,056	263,087	614,912	595,203	(19,709)	332,116	44%
TOTAL EXPENSES		293,574	788,551	765,092	832,112	2,663,580	9,396,401	8,809,723	(586,678)	6,146,143	30%

Monthly Cash Flow (Actuals + Projections)

MSA-SA	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	708,858	351,947	412,369	317,183	433,476	679,316	1,335,086	1,287,011	1,273,433	1,182,102	1,105,356	1,011,100	998,402	
Revenue														
LCFF Entitlement	270,445	971,094	521,735	1,007,872	486,802	521,735	486,802	486,802	554,889	428,703	428,703	428,703	453,504	7,047,790
Federal Revenue	-	-	-	-	74,712	20,464	32,113	74,712	65,332	71,317	112,411	108,905	139,879	699,845
Other State Revenues	17,322	-	114,885	31,179	55,081	135,204	119,903	99,307	81,371	104,757	45,473	130,101	50,306	984,889
Other Local Revenues	369	362	2,272	12,645	15,278	7,814	3,365	15,859	5,485	4,569	5,247	5,685	(1,751)	77,199
Total Revenue	288,136	971,457	638,893	1,051,696	631,873	685,217	642,183	676,680	707,076	609,346	591,834	673,394	641,939	8,809,723
Expenses														
Certificated Salaries	161,885	238,767	246,746	248,060	259,058	259,058	259,058	259,058	259,058	259,058	259,058	259,058	64,765	3,032,689
Classified Salaries	42,260	69,536	77,165	75,986	63,461	63,461	63,461	63,461	63,461	63,461	63,461	63,461	12,692	785,325
Benefits	35,166	133,866	83,777	118,097	122,231	122,231	122,231	122,231	122,231	122,231	122,231	122,231	61,115	1,409,868
Books and Supplies	87	13,835	13,072	17,374	73,270	73,270	73,270	73,270	73,270	73,270	73,270	73,270	44,636	675,164
Services and Operations	11,222	316,712	169,341	128,517	124,704	124,704	124,704	124,704	124,704	124,704	124,704	124,704	90,984	1,714,406
Depreciation / Cap Outlay	-	-	-	199,022	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	-	597,067
Other Outflows	43,042	45,056	129,934	45,056	41,515	41,515	41,515	41,515	41,515	41,515	41,515	41,515	-	595,203
Total Expenses	293,661	817,772	720,036	832,112	733,994	733,994	733,994	733,994	733,994	733,994	733,994	733,994	274,192	8,809,723
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	95,827	3,847	57,262	5,356	-	593,311	-	-	-	-	-	-	-	755,603
Accounts Receivable - Bond Project	-	-	(585,395)	-	-	-	-	-	-	-	-	-	-	(585,395)
Other Assets	(14)	14	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	199,022	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	597,067
Due To (From)	-	-	600,000	-	-	-	-	-	-	-	-	-	-	600,000
Expenses - Prior Year Accruals	(252,716)	30,254	3,497	(1,098)	-	-	-	-	-	-	-	-	-	(220,063)
Accounts Payable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Summer Holdback for Teachers	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	67,764
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	(111,204)	-	(11,667)	(11,667)	(11,667)	(11,667)	(119,816)	(7,500)	(7,500)	(7,500)	-	(300,187)
Total Other Transactions	(151,256)	39,762	(30,193)	208,927	43,736	637,047	43,736	43,736	(64,414)	47,903	47,903	47,903	47,903	914,790
Total Change in Cash	(156,780)	193,447	(111,336)	428,512	(58,385)	588,270	(48,075)	(13,578)	(91,331)	(76,745)	(94,257)	(12,698)		914,789
ENDING CASH (Local Bank 9120)	351,947	412,369	317,183	433,476	679,316	1,335,086	1,287,011	1,273,433	1,182,102	1,105,356	1,011,100	998,402		
ENDING CASH (County Treas. & Other)	200,131	333,156	317,006	629,225	325,000	257,500	257,500	257,500	257,500	257,500	257,500	257,500		
ENDING CASH (TOTAL)	552,078	745,525	634,189	1,062,701	1,004,316	1,592,586	1,544,511	1,530,933	1,439,602	1,362,856	1,268,600	1,255,902		



MSA-SD Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$636,945).

This is an decrease of (\$637,168) from the original July 1 Budget projected surplus of \$223.

This will allow MSA-SD to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$383,393), or -8.5% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$553,768) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 74.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$9,397 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$150,978 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$10,000 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$253,775, or 5.6% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$9,692 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$22,671 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$175,194 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$46,218 higher than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget				
MSA SD	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining	
SUMMARY										
Revenue										
LCFF Entitlement	79,176	175,960	363,080	253,842	872,058	3,724,672	3,170,904	(553,768)	2,298,846	28%
Federal Revenue	-	-	-	-	-	134,778	144,175	9,397	144,175	0%
Other State Revenues	9,620	-	26,936	28,239	64,795	590,983	741,961	150,978	677,166	9%
Other Local Revenues	500	-	828	6,544	7,873	79,331	89,331	10,000	81,458	9%
Total Revenue	89,296	175,960	390,844	288,625	944,726	4,529,764	4,146,371	(383,393)	3,201,645	23%
Expenses										
Certificated Salaries	94,940	127,178	128,586	131,584	482,288	1,664,407	1,550,529	(113,878)	1,068,241	31%
Classified Salaries	25,053	27,475	29,806	28,011	110,345	238,576	349,013	110,437	238,668	32%
Benefits	19,286	67,724	55,169	34,341	176,521	696,366	709,499	13,133	532,978	25%
Books and Supplies	-	13,908	19,806	27,488	61,202	136,427	159,098	22,671	97,896	38%
Services and Operating Exp.	49,780	162,068	117,439	116,944	446,231	1,736,112	1,911,306	175,194	1,465,075	23%
Depreciation & Cap Outlay	-	12,800	-	15,216	28,016	45,647	103,871	58,224	75,855	27%
Other Outflows	-	-	-	-	(0)	12,006	-	(12,006)	0	-
Total Expenses	189,058	411,153	350,807	353,584	1,304,601	4,529,541	4,783,316	253,775	3,478,714	27%
Operating Income					(359,876)	223	(636,945)	(637,168)	(277,069)	
Fund Balance										
Beginning Balance (Unaudited)						1,165,312	1,165,312			
Operating Income						223	(636,945)			
Ending Fund Balance						1,165,535	528,367			



2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Year To Date						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD							
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	40,408	41,202	74,958	74,164	230,732	1,016,244	833,021	(183,223)	602,289	28%
8012	EPA Entitlement	-	-	19,399	-	19,399	92,299	78,074	(14,225)	58,675	25%
8019	Prior Year Adjustments	-	-	(794)	-	(794)	-	-	-	794	-
8096	InLieuPropTaxes	38,768	134,758	269,517	179,678	622,721	2,616,129	2,259,809	(356,320)	1,637,088	28%
SUBTOTAL - LCFF Entitlement		79,176	175,960	363,080	253,842	872,058	3,724,672	3,170,904	(553,768)	2,298,846	28%
Federal Revenue											
8181	SpEd - Revenue	-	-	-	-	-	50,500	50,500	-	50,500	0%
8220	SchLunchFederal	-	-	-	-	-	33,724	33,724	-	33,724	0%
8290	All Other Federal Revenue	-	-	-	-	-	50,554	59,951	9,397	59,951	0%
SUBTOTAL - Federal Revenue		-	-	-	-	-	134,778	144,175	9,397	144,175	0%
Other State Revenue											
8311	SpEd Revenue	9,620	-	26,936	17,316	53,872	240,900	240,900	-	187,028	22%
8520	SchoolNtrState	-	-	-	-	-	2,172	2,172	-	2,172	0%
8550	MandCstReimburs	-	-	-	-	-	139,401	77,741	(61,660)	77,741	0%
8560	StateLotteryRev	-	-	-	10,923	10,923	89,530	89,530	-	78,607	12%
8590	AllOthStateRev	-	-	-	-	-	118,980	331,618	212,638	331,618	0%
SUBTOTAL - Other State Revenue		9,620	-	26,936	28,239	64,795	590,983	741,961	150,978	677,166	9%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-
8650	Leases & Rentals	-	-	-	-	-	2,500	2,500	-	2,500	0%
8660	Interest	500	-	828	52	1,380	-	5,000	5,000	3,620	28%
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	-	-	-	6,493	6,493	76,831	81,831	5,000	75,338	8%
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Local Revenue		500	-	828	6,544	7,873	79,331	89,331	10,000	81,458	9%
TOTAL REVENUE		89,296	175,960	390,844	288,625	944,726	4,529,764	4,146,371	(383,393)	3,201,645	23%

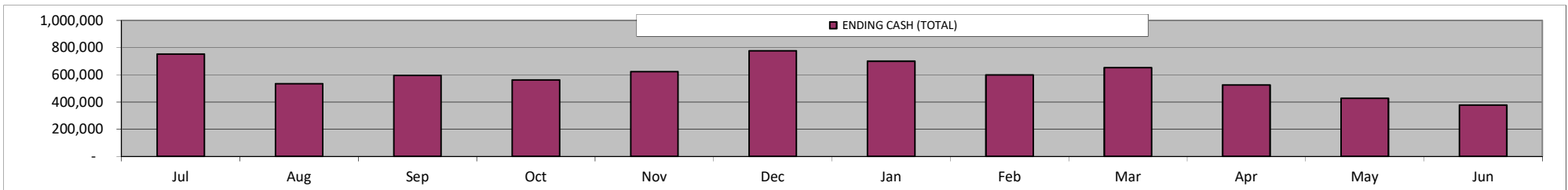
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Year To Date											
						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	42,300	93,718	95,189	98,202	329,409	1,238,279	1,137,941	(100,338)	808,532	29%
1300	Cert Adminis	52,640	33,460	33,397	33,382	152,879	426,128	412,588	(13,540)	259,709	37%
SUBTOTAL - Certificated Salaries		94,940	127,178	128,586	131,584	482,288	1,664,407	1,550,529	(113,878)	1,068,241	31%
Classified Salaries											
2400	Clerical & Tech	9,337	10,575	10,631	10,308	40,851	59,644	115,919	56,275	75,068	35%
2900	OtherClassStaff	15,716	16,900	19,175	17,703	69,493	178,932	233,094	54,162	163,601	30%
SUBTOTAL - Classified Salaries		25,053	27,475	29,806	28,011	110,345	238,576	349,013	110,437	238,668	32%
Employee Benefits											
3101	STRS	8,442	21,222	21,001	21,481	72,146	248,164	248,164	-	176,017	29%
3202	PERS	2,354	4,574	4,874	4,787	16,589	36,329	36,329	-	19,740	46%
3301	OASDI/Med	2,915	3,571	3,855	3,772	14,113	51,069	51,069	-	36,955	28%
3401	HlthWelfare	1,487	36,777	24,075	402	62,741	337,971	351,104	13,133	288,364	18%
3501	UnemployIns	-	217	-	216	434	1,141	1,141	-	707	38%
3601	WorkersCmp	4,088	1,363	1,364	3,683	10,498	21,428	21,428	-	10,930	49%
3901	OthBenes	-	-	-	-	-	264	264	-	264	0%
SUBTOTAL - Employee Benefits		19,286	67,724	55,169	34,341	176,521	696,366	709,499	13,133	532,978	25%
Books & Supplies											
4100	Text&CoreCurric	-	-	(1,001)	-	(1,001)	5,150	5,150	-	6,151	-19%
4200	BooksOthRefMats	-	-	-	-	-	5,150	2,150	(3,000)	2,150	0%
4310	Ins Mats & Sups	-	-	-	-	-	30,000	58,621	28,621	58,621	0%
4315	OthrSupplies	-	-	-	-	-	-	(0)	(0)	(0)	0%
4320	Office Supplies	-	-	677	549	1,226	9,270	9,270	-	8,044	13%
4326	Arts&MusicSupps	-	-	-	-	-	2,334	2,334	-	2,334	0%
4335	PE Supplies	-	-	-	-	-	3,605	1,280	(2,325)	1,280	0%
4340	Educat Software	-	375	3,282	-	3,657	13,654	14,029	375	10,372	26%
4345	NonInstStdntSup	-	-	74	-	74	6,365	6,365	-	6,291	1%
4346	TeacherSupplies	-	-	-	-	-	2,500	2,500	-	2,500	0%
4350	Cust. Supplies	-	-	-	-	-	6,365	6,365	-	6,365	0%
4430	OfficeFurnEqp<5k	-	-	-	-	-	3,468	3,468	-	3,468	0%
4440	Computers <\$5k	-	-	-	-	-	1,000	-	(1,000)	-	-
4710	Food	-	-	-	-	-	40,670	40,670	-	40,670	0%
4720	Food:Other Food	-	-	242	2,044	2,286	6,896	6,896	-	4,610	33%
4999	Misc Exp-Suspense	-	13,533	16,531	24,896	54,960	-	-	-	(54,960)	-
SUBTOTAL - Books and Supplies		-	13,908	19,806	27,488	61,202	136,427	159,098	22,671	97,896	38%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
Year To Date						Annual Budget					
MSA SD						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD							
Services & Other Operating Expenses											
5101	CMO Fees	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%
5205	Conference Fees	-	-	-	-	-	4,790	4,790	-	4,790	0%
5210	MilesParkTolls	-	-	25	1,570	1,595	7,426	2,426	(5,000)	832	66%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	76	1,839	1,915	7,210	6,210	(1,000)	4,295	31%
5300	DuesMemberships	-	-	1,020	-	1,020	5,729	5,729	-	4,709	18%
5450	Other Insurance	5,027	1,676	1,675	2,485	10,863	22,550	22,550	-	11,687	48%
5500	OpsHousekeeping	371	742	1,137	491	2,741	56,650	36,650	(20,000)	33,909	7%
5510	Gas & Electric	301	3,995	7,773	8,123	20,191	30,000	30,000	-	9,809	67%
5610	Rent & Leases	39,480	79,480	59,480	59,480	237,919	713,760	713,760	-	475,841	33%
5620	EquipmentLeases	-	700	1,479	1,250	3,429	10,609	10,609	-	7,180	32%
5630	Reps&MaintBldng	-	-	100	2,387	2,487	42,000	27,000	(15,000)	24,513	9%
5800	ProfessServices	3,534	(3,534)	1,740	3,982	5,721	80,660	22,310	(58,350)	16,589	26%
5810	Legal	-	-	728	-	728	15,450	15,450	-	14,723	5%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	79,380	79,380	-	79,380	0%
5814	SchPrgAcadComps	-	-	-	-	-	4,635	2,635	(2,000)	2,635	0%
5819	SchIProgs-Other	-	-	-	-	-	1,133	1,133	-	1,133	0%
5820	Audit & CPA	-	-	-	-	-	10,609	10,609	-	10,609	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	-	-	45,000	20,000	(25,000)	20,000	0%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtrcrt	-	-	991	-	991	15,000	10,847	(4,153)	9,856	9%
5850	Oversight Fees	-	7,068	2,035	-	9,103	37,247	37,247	-	28,144	24%
5857	Payroll Fees	-	-	-	-	-	16,444	16,444	-	16,444	0%
5860	Service Fees	-	-	33	-	33	1,061	1,061	-	1,028	3%
5863	Prof Developmnt	-	-	-	-	-	12,360	12,360	-	12,360	0%
5864	Prof Dev-Other	-	-	-	-	-	15,725	8,725	(7,000)	8,725	0%
5869	SpEd Ctrct Inst	-	-	295	-	295	-	57,975	57,975	57,680	1%
5872	SpEd Fees	-	-	-	-	-	-	12,006	12,006	12,006	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	1,627	636	2,263	25,000	25,000	-	22,737	9%
5890	OthSvcsNon-Inst	-	-	-	-	-	1,500	244,216	242,716	244,216	0%
5900	Communications	-	-	-	280	280	35,063	35,063	-	34,783	1%
5920	TelecomInternet	1,068	3,076	3,083	280	7,507	24,258	24,258	-	16,751	31%
5930	PostageDelivery	-	579	-	-	579	5,150	5,150	-	4,571	11%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		49,780	162,068	117,439	116,944	446,231	1,736,112	1,911,306	175,194	1,465,075	23%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining		
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	12,800	-	-	12,800	-	29,224	29,224	16,424	44%
6400	EquipFixed	-	-	-	-	-	-	29,000	29,000	29,000	0%
6900	Depreciation	-	-	-	15,216	15,216	45,647	45,647	-	30,431	33%
SUBTOTAL - Cap Outlay & Depreciation		-	12,800	-	15,216	28,016	45,647	103,871	58,224	75,855	27%
Other Outflows											
7299	Encroachment	-	-	-	-	-	12,006	-	(12,006)	-	-
7438	InterestExpense	-	-	-	-	(0)	-	-	-	0	-
SUBTOTAL - Other Outflows		-	-	-	-	(0)	12,006	-	(12,006)	0	-
TOTAL EXPENSES		146,045	375,207	326,225	353,584	1,304,601	4,529,541	4,783,316	253,775	3,478,714	27%

Monthly Cash Flow (Actuals + Projections)

MSA-SD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	764,391	416,675	360,904	376,284	382,611	440,905	593,657	606,054	504,189	558,242	431,673	333,163	282,674	
Revenue														
LCFF Entitlement	79,176	175,960	363,080	253,842	253,842	273,241	253,842	253,842	397,678	214,189	214,189	237,264	200,758	3,170,904
Federal Revenue	-	-	-	-	14,260	4,248	4,248	14,260	4,248	29,498	14,260	4,248	54,906	144,175
Other State Revenues	9,620	-	26,936	28,239	27,789	256,798	65,824	29,403	52,143	29,761	72,388	108,016	35,044	741,961
Other Local Revenues	500	-	828	6,544	4,718	23,200	4,718	5,365	4,718	4,718	5,389	4,718	23,916	89,331
Total Revenue	89,296	175,960	390,844	288,625	300,609	557,487	328,632	302,870	458,787	278,166	306,226	354,246	314,624	4,146,371
Expenses														
Certificated Salaries	94,940	127,178	128,586	131,584	129,484	129,484	129,484	129,484	129,484	129,484	129,484	129,484	32,371	1,550,529
Classified Salaries	25,053	27,475	29,806	28,011	29,106	29,106	29,106	29,106	29,106	29,106	29,106	29,106	5,821	349,013
Benefits	19,286	67,724	55,169	34,341	62,703	62,703	62,703	62,703	62,703	62,703	62,703	62,703	31,352	709,499
Books and Supplies	-	13,908	19,806	27,488	(37,677)	17,282	17,282	17,282	17,282	17,282	17,282	17,282	14,598	159,098
Services and Operations	49,780	162,068	117,439	116,944	171,147	171,147	171,147	171,147	171,147	171,147	171,147	171,147	95,903	1,911,306
Depreciation / Cap Outlay	-	12,800	-	15,216	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	-	103,871
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	189,058	411,153	350,807	353,584	364,244	419,204	419,204	419,204	419,204	419,204	419,204	419,204	180,044	4,783,316
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	155,268	(352)	16,391	11,803	102,205	-	-	-	-	-	-	-	-	285,315
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	(18,357)	13,483	-	2,890	8,182	-	-	-	-	-	-	-	-	6,198
Fixed Assets	-	-	-	15,216	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	91,071
Due To (From)	13,371	-	-	-	-	-	-	-	-	-	-	-	-	13,371
Expenses - Prior Year Accruals	(67,214)	-	-	-	-	-	-	-	-	-	-	-	-	(67,214)
Accounts Payable - Current Year	-	-	(1,416)	(3,111)	-	-	-	-	-	-	-	-	-	(4,527)
Summer Holdback for Teachers	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	59,844
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	88,055	18,118	19,962	31,785	124,856	14,469	14,469	14,469	14,469	14,469	14,469	14,469	14,469	384,059
Total Change in Cash	(11,707)	(217,075)	59,999	(33,174)	61,221	152,752	(76,103)	(101,865)	54,052	(126,569)	(98,509)	(50,489)		(252,886)
ENDING CASH (Local Bank 9120)	416,675	360,904	376,284	382,611	440,905	593,657	606,054	504,189	558,242	431,673	333,163	282,674		
ENDING CASH (County Treas. & Other)	336,009	174,705	219,324	179,823	182,750	182,750	94,250	94,250	94,250	94,250	94,250	94,250		
ENDING CASH (TOTAL)	752,684	535,609	595,608	562,434	623,655	776,407	700,304	598,439	652,492	525,923	427,413	376,924		



MERF Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$396,886).

This is an decrease of (\$646,886) from the original July 1 Budget projected surplus of \$250,000.

This will allow MERF to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$566,269), or -9.3% of July Budget revenues)

Other Local Revenues: This category includes all MERF revenues from the sites, as well as other schoolwide revenue sources.

LCFF Entitlement projected revenues are \$0 lower than in the July Budget, due to average daily attendance (ADA) decreasing by 0.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$80,617, or 1.4% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$18,417 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$12,781 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$38,419 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$11,000 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget As of August 31, 2018						Annual Budget				
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	First Interim Remaining	
SUMMARY										
Revenue										
LCFF Entitlement	-	-	-	-	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-	-	-	-	-
Other State Revenues	-	-	-	-	-	-	-	-	-	-
Other Local Revenues	158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%
Total Revenue	158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%
Expenses										
Certificated Salaries	46,813	(5,797)	48,213	47,379	136,608	378,982	384,571	5,589	247,963	36%
Classified Salaries	138,198	150,746	171,295	155,738	615,976	2,115,146	2,127,974	12,828	1,511,998	29%
Benefits	38,690	73,406	36,124	59,281	207,501	772,961	772,961	-	565,460	27%
Books and Supplies	-	1,790	54,489	5,628	61,906	89,201	101,982	12,781	40,076	61%
Services and Operating Exp.	29,627	167,935	87,673	206,354	491,590	2,451,260	2,489,679	38,419	1,998,089	20%
Depreciation & Cap Outlay	-	-	-	10,575	10,575	515	11,515	11,000	940	92%
Other Outflows	-	-	-	-	-	-	-	-	-	-
Total Expenses	253,328	388,081	397,794	484,954	1,524,156	5,808,065	5,888,682	80,617	4,364,526	26%
Operating Income					937,650	250,000	(396,886)	(646,886)	(1,334,536)	
Fund Balance										
Beginning Balance (Unaudited)						793,959	793,959			
Operating Income						250,000	(396,886)			
Ending Fund Balance						1,043,959	397,073			



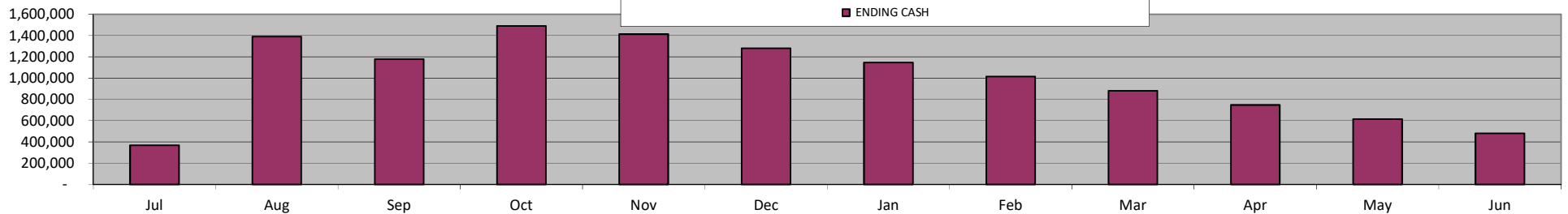
2018-19 First Interim Budget As of August 31, 2018						Annual Budget															
MSA MERF						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim											
Year To Date																					
						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD											
REVENUE DETAIL																					
LCFF Entitlement																					
8011	State Aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8012	EPA Entitlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8096	InLieuPropTaxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
SUBTOTAL - LCFF Entitlement						-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Federal Revenue																					
SUBTOTAL - Federal Revenue						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other State Revenue																					
SUBTOTAL - Other State Revenue						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Revenue																					
8600	StudentLunchFee	-	-	25,000	(25,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8660	Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
8699	Other Revenue	375	445,540	(397,725)	279,606	327,795	50,000	75,000	25,000	(252,795)	437%										
8701	CMO Fee - MSA-1	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%										
8702	CMO Fee - MSA-2	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%										
8703	CMO Fee - MSA-3	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%										
8704	CMO Fee - MSA-4	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%										
8705	CMO Fee - MSA-5	8,604	8,604	8,604	8,604	34,418	103,253	103,253	-	68,835	33%										
8706	CMO Fee - MSA-6	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%										
8707	CMO Fee - MSA-7	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%										
8708	CMO Fee - MSA-8	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%										
8709	CMO Fee - MSA-SA	-	269,311	89,770	89,770	448,852	997,937	406,668	(591,269)	(42,184)	110%										
8712	CMO Fee - MSA-SD	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%										
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-										
8999	Revenues-Susp	15,228	2,493	-	(2,605)	15,116	-	-	-	(15,116)	-										
SUBTOTAL - Local Revenue						158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%						
TOTAL REVENUE						158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%						

2018-19 First Interim Budget As of August 31, 2018						Annual Budget					
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining		
Services & Other Operating Expenses											
5101	CMO Fees	-	-	-	-	-	-	-	-	-	
5205	Conference Fees	-	-	-	-	37,950	36,990	(960)	36,990	0%	
5210	MilesParkTolls	2,178	4,267	2,341	3,208	116,000	116,000	-	104,007	10%	
5215	TravConferences	-	-	-	-	-	-	-	-	-	
5220	TraLodging	-	20	802	-	92,150	89,650	(2,500)	88,828	1%	
5300	DuesMemberships	75	150	1,017	75	10,900	35,000	24,100	33,683	4%	
5450	Other Insurance	5,834	1,945	5,621	12,472	40,000	40,000	-	14,128	65%	
5500	OpsHousekeeping	-	-	-	-	26,545	25,000	(1,545)	25,000	0%	
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	
5610	Rent & Leases	13,850	15,457	14,525	14,995	58,827	177,745	1,545	118,918	33%	
5620	EquipmentLeases	286	286	286	286	1,143	13,000	-	11,857	9%	
5630	Reps&MaintBldng	-	-	-	-	2,500	2,500	-	2,500	0%	
5800	ProfessServices	6,750	27,225	37,201	39,220	110,396	549,500	750	439,104	20%	
5810	Legal	-	4,707	15,747	7,807	28,261	335,000	-	306,739	8%	
5811	Property Tax	-	-	-	-	-	-	-	-	-	
5813	SchPrgAftSchool	-	-	-	-	-	-	-	-	-	
5814	SchPrgAcadComps	-	-	-	-	-	-	-	-	-	
5819	SchlProgs-Other	-	-	-	-	-	-	-	-	-	
5820	Audit & CPA	-	-	-	-	50,000	50,000	-	50,000	0%	
5825	DMSBusinessSvcs	-	103,404	-	69,130	172,534	500,000	-	327,466	35%	
5835	Field Trips	-	-	-	20,437	20,437	-	25,000	4,563	82%	
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	
5840	MarkngStdtRecrt	-	-	3,500	2,036	5,536	58,000	-	52,464	10%	
5850	Oversight Fees	-	-	-	-	-	-	-	-	-	
5857	Payroll Fees	-	-	-	-	20,000	20,000	-	20,000	0%	
5860	Service Fees	-	-	-	146	20,000	20,000	-	19,854	1%	
5863	Prof Developmnt	-	150	960	180	1,290	77,000	(3,900)	71,810	2%	
5864	Prof Dev-Other	-	-	-	10,552	10,552	50,500	(12,000)	27,948	27%	
5869	SpEd Ctrct Inst	-	-	-	-	-	-	-	-	-	
5872	SpEd Fees	-	-	-	-	-	-	-	-	-	
5875	StaffRecruiting	-	1,223	173	3,288	4,684	15,000	-	10,316	31%	
5884	Substitutes	-	-	-	-	-	-	-	-	-	
5890	OthSvcsNon-Inst	-	-	-	-	-	-	-	-	-	
5900	Communications	655	657	100	655	2,067	32,000	-	29,933	6%	
5920	TelecomInternet	-	-	-	703	703	-	-	(703)	-	
5930	PostageDelivery	-	649	(0)	-	649	13,000	-	12,351	5%	
5940	Technology	-	7,796	5,400	21,164	34,360	216,765	7,929	190,334	15%	
SUBTOTAL - Services & Operations		29,627	167,935	87,673	206,354	491,590	2,451,260	2,489,679	38,419	1,998,089	20%

2018-19 First Interim Budget As of August 31, 2018						Annual Budget					
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining		
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	
6400	EquipFixed	-	-	-	10,403	10,403	-	11,000	11,000	597	95%
6900	Depreciation	-	-	-	172	172	515	515	-	343	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	10,575	10,575	515	11,515	11,000	940	92%
Other Outflows											
7299	Encroachment	-	-	-	-	-	-	-	-	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES		253,328	388,081	397,794	484,954	1,524,156	5,808,065	5,888,682	80,617	4,364,526	26%

Monthly Cash Flow (Actuals + Projections)

MERF	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	475,054	368,643	1,389,372	1,177,066	1,490,509	1,412,565	1,278,907	1,145,249	1,014,549	880,890	747,292	613,634	479,976	
Revenue														
LCFF Entitlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other State Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Local Revenues	158,541	1,409,427	134,556	759,283	387,988	387,988	387,988	390,947	387,988	388,049	387,988	387,988	(76,936)	5,491,796
Total Revenue	158,541	1,409,427	134,556	759,283	387,988	387,988	387,988	390,947	387,988	388,049	387,988	387,988	(76,936)	5,491,796
Expenses														
Certificated Salaries	46,813	(5,797)	48,213	47,379	30,056	30,056	30,056	30,056	30,056	30,056	30,056	30,056	7,514	384,571
Classified Salaries	138,198	150,746	171,295	155,738	184,390	184,390	184,390	184,390	184,390	184,390	184,390	184,390	36,878	2,127,974
Benefits	38,690	73,406	36,124	59,281	66,525	66,525	66,525	66,525	66,525	66,525	66,525	66,525	33,262	772,961
Books and Supplies	-	1,790	54,489	5,628	(44,704)	11,011	11,011	11,011	11,011	11,011	11,011	11,011	7,707	101,982
Services and Operations	29,627	167,935	87,673	206,354	229,665	229,665	229,665	229,665	229,665	229,665	229,665	229,665	160,766	2,489,679
Depreciation / Cap Outlay	-	-	-	10,575	118	118	118	118	118	118	118	118	-	11,515
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	253,328	388,081	397,794	484,954	466,049	521,764	521,764	521,764	521,764	521,764	521,764	521,764	246,127	5,888,682
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	171	118	118	118	118	118	118	118	118	118	1,111
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(11,625)	(617)	-	-	-	-	-	-	-	-	-	-	-	(12,242)
Accounts Payable - Current Year	-	-	50,931	38,944	-	-	-	-	-	-	-	-	-	89,875
Summer Holdback for Teachers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	(11,625)	(617)	50,931	39,115	118	118	118	118	118	118	118	118	118	78,744
Total Change in Cash	(106,411)	1,020,730	(212,307)	313,443	(77,943)	(133,658)	(133,658)	(130,700)	(133,658)	(133,598)	(133,658)	(133,658)		(318,142)
ENDING CASH	368,643	1,389,372	1,177,066	1,490,509	1,412,565	1,278,907	1,145,249	1,014,549	880,890	747,292	613,634	479,976		





QUESTIONS & COMMENTS





2018-19 First Interim Budget

**December 6, 2018
Board Meeting**



2018-19 First Interim Budget: Executive Summary

Highlights

- The First Interim Budget projects a deficit of \$718,195, a reduction of \$2.4 million from the July Budget
- This is primarily due to a drop in revenue of \$1.8 million, resulting from 214 fewer students than projected in July
- Targeted expenditure reductions have been included across the board to align with the revenue loss from lower enrollment; however, staffing levels have been increased where necessary in alignment with the School's overall mission and goals – this has caused a net gain of \$477k in expenses when compared to the July Budget
- Projected ending balance at fiscal year-end in June 2019 is now \$26.5 million, or 46.4% of expenses (recommended minimum reserve level = 5.0% of expenses)
- Overall cash balances are stable, with available cash of \$12.7 million at year-end (81 days of average expenses), which can support interschool advances up to and exceeding \$2 million if required to cover unforeseen cash flow needs in the remainder of the year

2018-19 First Interim Budget: Revenues

LCFF Entitlement

- Most funding is through the Local Control Funding Formula, which pays approximately \$10k per ADA (average daily attendance) depending on grade level and socioeconomic factors
- Even though per-student LCFF funding is slightly higher than projected in July, a drop of 214 ADA from July Budget (see graph on following page) results in \$1,868,671 less in main Local Control Funding Formula (LCFF) revenues

Federal Revenues

- Final funding rates for "ESSA" (Every Student Succeeds Act) Title I-IV funding result in \$89k higher projected revenues

Other State Revenues

- Two different one-time state block grants have changed since the July Budget:
 - 1) The one-time funding for Mandate reimbursement was reduced from \$344/ADA to \$184/ADA, resulting in a revenue drop of (\$597k); and
 - 2) A new one-time "Low-Performing Students Block Grant" was introduced, adding \$207k in revenue
- Before/After School AESS funding increased by \$326k, Charter School Facility Grant revenue increased by \$173k, and MTSS revenue increased by \$150k – overall increase of \$300k

Other Local Revenues

- Most of the \$485k decrease is due to a reduction in MSA Santa Ana MERF CMO fee (this is also included as a reduction in Services expenditure for MSA SA)

2018-19 First Interim Budget: Expenditures

Salaries & Benefits

- While staffing costs have been reduced in response to lower enrollment/ADA in many areas, overall staffing costs are approximately 1.7% higher than projected at the time of the July Budget
- Where costs have increased, those increases have been determined as necessary to preserve and improve instructional programs and student achievement

Books & Supplies

- Budget cuts have been made in most Books & Supplies categories to reflect lower ADA, but total instructional materials and textbook costs have been increased over July Budget levels, to ensure continuing educational success and improvement throughout

Services & Operations

- \$515k increase in Prop 39 energy project spending at MSA 1, 2 and 7 – other Prop 39 projects planned for 2019-20, assuming authorizer site approvals
- Remaining Services and Operations costs have been reduced by nearly \$700k to reflect across-the-board budget cuts for lower enrollment/ADA

Depreciation, Capital Outlay, and Other Outflows

- Approximately \$150k in fixed asset acquisitions have been added to Capital Outlay (these may be capitalized at year-end and moved to the MPS balance sheet, reducing budget expenses)
- \$278k reduction in special education encroachment expenditures, offset by drop in local revenues

2018-19 First Interim Budget: State Economic Outlook

- Statewide revenues remain strong on all fronts, although last month's statewide receipts have fallen below projections. Overall, receipts are still over \$1 billion above projections year-to-date
- Impact of newly elected Governor and State Sup. Of Schools still being determined, but may benefit existing charter schools while limiting new charter schools
- One-time discretionary block grant confirmed at \$184/ADA
- \$300 million statewide for low-performing students who are not LCFF unduplicated pupils – about \$2,000/student this year. Estimated grant for all MSA's combined is \$205k and has been added to revenues at First Interim
- At this point, we do not anticipate any other new substantive changes in 2018-19 statewide revenues or grant funding
- Rainy day support at the state level continues to improve, mitigating the impact of a future economic downturn, and means we can rely more on revenue projections in Years 2-5
- Magnolia should be cautious, as always, but can reasonably rely on State revenue projections for the next few years given the "rainy day fund" at the State level

2018-19 First Interim Budget: Executive Summary

MSA - Consolidated	Adopted (July 1) Budget	Proposed First Interim Budget	Change from July Budget	Primary Reason For Variance (see following page)
SUMMARY				
Revenue				
LCFF Entitlement	41,793,952	39,925,281	(1,868,671)	Drop in ADA from July Budget
Federal Revenue	4,016,521	4,105,502	88,982	Final funding levels slightly higher
Other State Revenues	6,100,356	6,400,884	300,528	Changes in one-time block grants
Other Local Revenues	6,425,437	5,940,570	(484,867)	Reduction in SA MERF Revenue
Total Revenue	58,336,266	56,372,238	(1,964,028)	
Expenses				
Salaries & Benefits	32,052,591	32,598,815	546,224	Increase in overall staffing costs
Books and Supplies	3,462,686	3,743,160	280,475	Increases in program spending
Services and Operating Exp.	19,218,942	18,997,799	(221,144)	Reductions to offset lower enrollment
Depreciation & Cap Outlay	1,005,243	1,155,455	150,212	Additional fixed asset acquisitions
Other Outflows	873,946	595,203	(278,743)	Adjustments in encroachment exp
Total Expenses	56,613,408	57,090,432	477,025	
Operating Income	1,722,858	(718,195)	(2,441,053)	

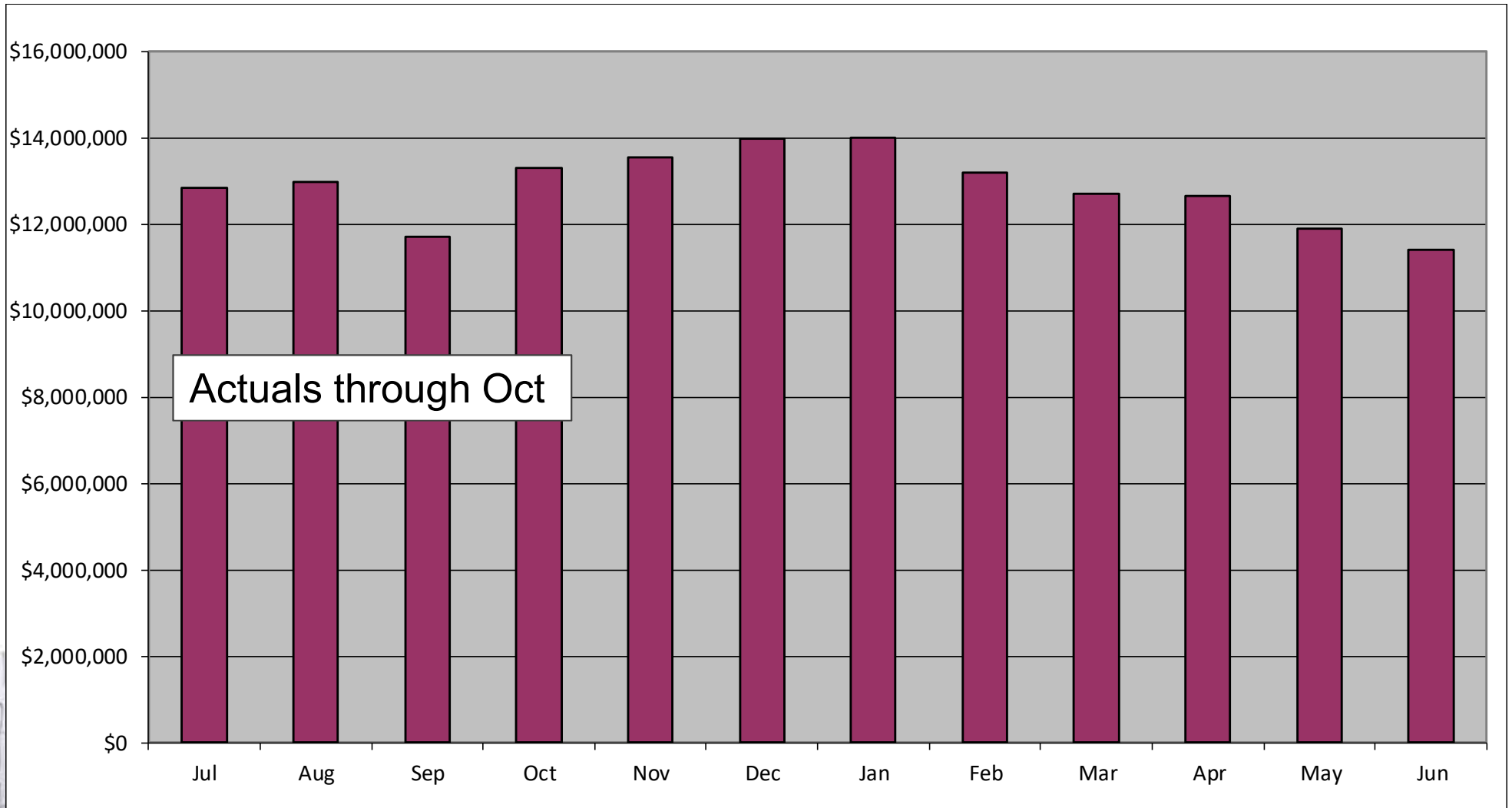


2018-19 First Interim Budget: Summary By Site

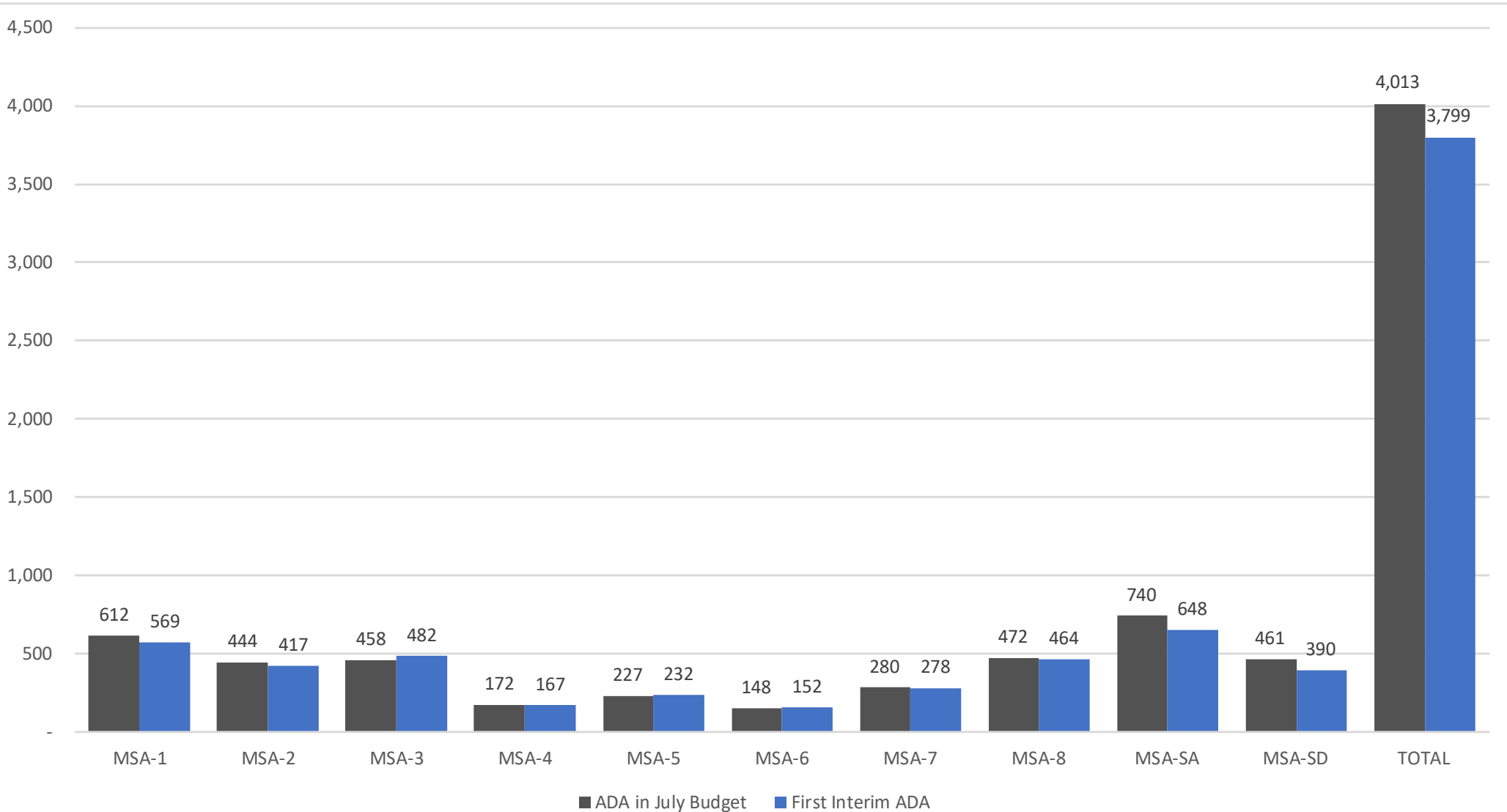
First Interim Budget - BY SITE

	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SD	MERF	TOTAL
Revenue												
LCFF Entitlement	6,399,200	4,627,731	5,259,037	1,874,380	2,479,667	1,510,396	2,771,049	4,785,127	7,047,790	3,170,904	-	39,925,281
Federal Revenue	1,182,980	509,855	477,682	166,148	162,581	175,015	256,696	330,526	699,845	144,175	-	4,105,502
Other State Revenues	1,398,904	471,573	687,648	195,844	240,370	315,139	726,314	638,242	984,889	741,961	-	6,400,884
Other Local Revenues	71,682	36,843	58,869	70,296	1,000	15,000	27,052	4,000	77,199	89,331	5,489,298	5,940,570
Total Revenue	9,052,766	5,646,002	6,483,236	2,306,668	2,883,618	2,015,550	3,781,111	5,757,895	8,809,723	4,146,371	5,489,298	56,372,238
Expenses												
Certificated Salaries	2,661,991	2,043,813	2,130,364	1,023,997	1,149,695	708,967	1,175,864	1,620,976	3,032,689	1,550,529	384,571	17,483,455
Classified Salaries	680,715	582,142	609,042	177,338	229,241	122,294	414,654	446,665	785,325	349,013	2,127,974	6,524,404
Benefits	1,215,108	979,594	959,508	400,044	495,985	341,933	488,526	817,928	1,409,868	709,499	772,961	8,590,955
Books and Supplies	656,236	479,177	418,140	167,276	249,721	163,765	248,289	424,312	675,164	159,098	101,982	3,743,160
Services and Operations	3,616,590	1,731,871	2,226,333	824,770	666,659	520,812	1,611,541	1,904,047	1,711,908	1,668,590	2,514,679	18,997,799
Depreciation / Cap Outlay	95,472	69,484	83,804	19,312	17,579	16,557	28,975	111,817	597,067	103,871	11,515	1,155,455
Other Outflows	-	-	-	-	-	-	-	-	595,203	-	-	595,203
Total Expenses	8,926,113	5,886,082	6,427,191	2,612,736	2,808,881	1,874,328	3,967,849	5,325,745	8,807,225	4,540,600	5,913,682	57,090,432
Net Revenue	126,653	(240,080)	56,045	(306,068)	74,737	141,222	(186,738)	432,149	2,498	(394,229)	(424,384)	(718,195)
Fund Balance												
Beginning Balance (Unaud.)	4,811,843	1,255,568	1,071,970	1,493,450	1,935,360	1,603,901	1,498,195	4,083,717	7,502,296	1,165,312	793,959	27,215,571
1st Interim Net Revenue	126,653	(240,080)	56,045	(306,068)	74,737	141,222	(186,738)	432,149	2,498	(394,229)	(424,384)	(718,195)
Projected Ending Balance	4,938,496	1,015,488	1,128,015	1,187,382	2,010,097	1,745,123	1,311,457	4,515,866	7,504,794	771,083	369,575	26,497,376

2018-19 First Interim Budget: Cash Balances (Overall)



2018-19 First Interim Budget: Average Daily Attendance



2018-19 First Interim Budget Actuals through October 31, 2018)	Year To Date					Annual Budget				
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA Consolidated										
SUMMARY										
Revenue										
LCFF Entitlement	736,660	2,830,981	2,348,354	4,047,686	9,963,680	41,793,952	39,925,281	(1,868,671)	29,961,601	25%
Federal Revenue	55,268	4,175	(2,376)	64,799	121,866	4,016,521	4,105,502	88,982	3,983,637	3%
Other State Revenues	105,779	75,608	347,283	594,025	1,122,695	6,100,356	6,400,884	300,528	5,278,188	18%
Other Local Revenues	178,711	1,414,399	142,860	799,627	2,535,598	6,425,437	5,940,570	(484,867)	3,404,972	43%
Total Revenue	1,076,419	4,325,163	2,836,120	5,506,137	13,743,839	58,336,266	56,372,238	(1,964,028)	42,628,398	24%
Expenses										
Certificated Salaries	955,857	1,418,779	1,483,506	1,471,598	5,329,739	18,152,479	17,483,455	(669,023)	12,153,716	30%
Classified Salaries	376,694	478,137	552,036	544,123	1,950,989	5,546,494	6,524,404	977,910	4,573,415	30%
Benefits	229,686	783,285	521,457	667,398	2,201,826	8,353,618	8,590,955	237,337	6,389,129	26%
Books and Supplies	8,535	207,482	335,221	190,825	742,063	3,462,686	3,743,160	280,475	3,001,098	20%
Services and Operating Exp.	355,890	1,601,449	1,325,122	1,370,449	4,652,910	19,218,942	18,997,799	(221,144)	14,344,888	24%
Depreciation & Cap Outlay	-	12,800	5,845	357,314	375,958	1,005,243	1,155,455	150,212	779,497	33%
Other Outflows	43,042	55,165	88,938	58,535	245,679	873,946	595,203	(278,743)	349,524	41%
Total Expenses	1,969,703	4,557,097	4,312,124	4,660,241	15,499,165	56,613,408	57,090,432	477,025	41,591,267	27%
Operating Income					(1,755,326)	1,722,858	(718,195)	(2,441,053)	1,037,131	
Fund Balance										
Beginning Balance (Unaudited)						27,215,571	27,215,571			
Audit Adjustment						-	-			
Beginning Balance (Audited)						27,215,571	27,215,571			
Operating Income						1,722,858	(718,195)			
Ending Fund Balance						28,938,429	26,497,376			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA Consolidated		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	310,853	1,221,512	1,509,258	2,197,183	5,238,807	27,327,807	25,091,170	(2,236,637)	19,852,363	21%
8012	EPA Entitlement	-	-	54,332	633,714	688,046	3,727,777	4,144,939	417,162	3,456,893	17%
8019	Prior Year Adjustments	8	-	(794)	-	(786)	-	-	-	786	-
8096	InLieuPropTaxes	425,799	1,609,468	785,558	1,216,789	4,037,614	10,738,369	10,689,172	(49,197)	6,651,559	38%
SUBTOTAL - LCFF Entitlement		736,660	2,830,981	2,348,354	4,047,686	9,963,680	41,793,952	39,925,281	(1,868,671)	29,961,601	25%
Federal Revenue											
8181	SpEd - Revenue	12,745	25,489	16,993	16,993	72,220	562,031	562,031	-	489,811	13%
8220	SchLunchFederal	42,524	(23,154)	(19,369)	-	-	1,161,078	1,161,078	-	1,161,078	0%
8290	All Other Federal Revenue	-	1,840	-	47,806	49,646	2,293,412	2,382,393	88,982	2,332,747	2%
SUBTOTAL - Federal Revenue		55,268	4,175	(2,376)	64,799	121,866	4,016,521	4,105,502	88,982	3,983,637	3%
Other State Revenue											
8311	SpEd Revenue	99,588	75,608	180,898	164,526	520,621	2,148,623	2,191,348	42,725	1,670,727	24%
8520	SchoolNtrState	-	-	-	-	-	101,077	101,077	-	101,077	0%
8550	MandCstReimburs	-	-	-	-	-	1,377,779	780,238	(597,541)	780,238	0%
8560	StateLotteryRev	-	-	16,384	79,257	95,641	778,564	778,564	-	682,923	12%
8590	AllOthStateRev	6,191	-	150,000	350,242	506,433	1,694,312	2,549,656	855,345	2,043,224	20%
SUBTOTAL - Other State Revenue		105,779	75,608	347,283	594,025	1,122,695	6,100,356	6,400,884	300,528	5,278,188	18%
Local Revenue											
8634	StudentLunchFee	0	-	25,000	(25,000)	0	47,940	47,940	-	47,940	0%
8650	Leases & Rentals	-	-	-	-	-	2,500	2,500	-	2,500	0%
8660	Interest	869	362	1,308	425	2,964	4,376	9,376	5,000	6,412	32%
8698	OthRev-Suspense	2,458	(2,351)	0	-	107	-	-	-	(107)	-
8699	Other Revenue	15,638	447,258	(393,654)	322,827	392,068	362,557	421,457	58,900	29,389	93%
8701	CMO Fee - MSA-1	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%
8702	CMO Fee - MSA-2	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%
8703	CMO Fee - MSA-3	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%
8704	CMO Fee - MSA-4	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%
8705	CMO Fee - MSA-5	8,604	8,604	8,604	8,604	34,418	103,253	103,253	-	68,835	33%
8706	CMO Fee - MSA-6	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%
8707	CMO Fee - MSA-7	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%
8708	CMO Fee - MSA-8	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%
8709	CMO Fee - MSA-SA	-	269,311	89,770	89,770	448,852	997,937	404,170	(593,767)	(44,682)	111%
8712	CMO Fee - MSA-SD	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%
8791	SpEd Revenue (Local)	1,581	4,867	-	-	6,448	-	45,000	45,000	38,552	14%
8999	Revenues-Susp	15,228	2,868	2,926	(5,906)	15,116	-	-	-	(15,116)	-
SUBTOTAL - Local Revenue		178,711	1,414,399	142,860	799,627	2,535,598	6,425,437	5,940,570	(484,867)	3,404,972	43%
TOTAL REVENUE		1,076,419	4,325,163	2,836,120	5,506,137	13,743,839	58,336,266	56,372,238	(1,964,028)	42,628,398	24%

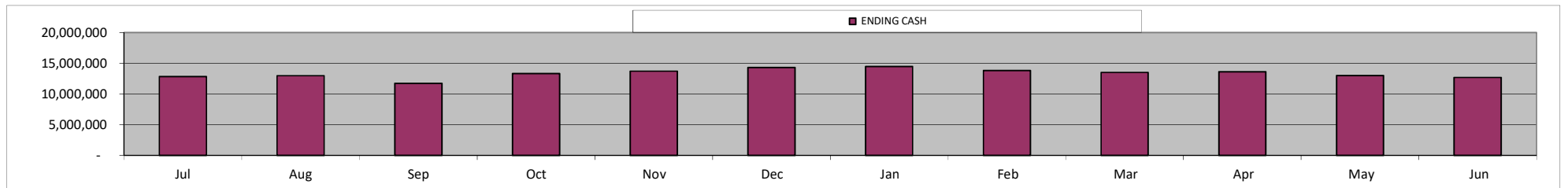
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA Consolidated		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	520,831	1,101,439	1,180,359	1,166,437	3,969,066	14,332,880	13,920,454	(412,425)	9,951,388	29%
1300	Cert Adminis	435,026	317,339	303,147	305,161	1,360,673	3,819,599	3,563,001	(256,598)	2,202,328	38%
SUBTOTAL - Certificated Salaries		955,857	1,418,779	1,483,506	1,471,598	5,329,739	18,152,479	17,483,455	(669,023)	12,153,716	30%
Classified Salaries											
2400	Clerical & Tech	210,709	220,645	249,610	238,966	919,929	3,095,373	3,306,088	210,715	2,386,158	28%
2900	OtherClassStaff	165,985	257,492	302,426	305,157	1,031,060	2,451,121	3,218,317	767,195	2,187,257	32%
SUBTOTAL - Classified Salaries		376,694	478,137	552,036	544,123	1,950,989	5,546,494	6,524,404	977,910	4,573,415	30%
Employee Benefits											
3101	STRS	83,107	236,652	243,964	248,362	812,085	2,796,082	2,847,161	51,080	2,035,076	29%
3202	PERS	35,942	56,990	64,437	63,437	220,806	628,298	695,801	67,503	474,995	32%
3301	OASDI/Med	40,241	54,525	58,959	57,451	211,176	735,007	750,351	15,345	539,175	28%
3401	HlthWelfare	7,024	406,073	127,670	270,932	811,699	3,698,133	3,807,145	109,012	2,995,446	21%
3501	UnemployIns	635	4,130	1,344	2,399	8,508	47,085	48,105	1,020	39,597	18%
3601	WorkersCmp	58,445	19,480	19,482	19,482	116,889	266,854	260,232	(6,622)	143,343	45%
3901	OthBenes	4,292	5,435	5,601	5,335	20,664	182,160	182,160	-	161,496	11%
SUBTOTAL - Employee Benefits		229,686	783,285	521,457	667,398	2,201,826	8,353,618	8,590,955	237,337	6,389,129	26%
Books & Supplies											
4100	Text&CoreCurric	-	121,717	64,408	7,500	193,625	231,530	385,977	154,447	192,352	50%
4200	BooksOthRefMats	-	-	-	-	-	42,582	19,897	(22,685)	19,897	0%
4310	Ins Mats & Sups	-	1,830	14,977	2,806	19,613	335,268	503,923	168,655	484,311	4%
4315	OthrSupplies	-	-	854	1,163	2,016	10,000	17,600	7,600	15,584	11%
4320	Office Supplies	-	(130)	10,488	7,323	17,682	140,335	127,835	(12,500)	110,153	14%
4325	ProfDevMat&Sups	-	-	-	-	-	1,500	1,500	-	1,500	0%
4326	Arts&MusicSupps	-	-	105	-	105	34,960	17,235	(17,725)	17,130	1%
4335	PE Supplies	-	-	-	47	47	42,740	49,340	6,600	49,293	0%
4340	Educat Software	-	18,158	55,884	32,648	106,690	436,955	432,966	(3,988)	326,276	25%
4345	NonInstStdntSup	1,693	616	5,247	2,716	10,272	62,212	50,514	(11,698)	40,242	20%
4346	TeacherSupplies	1,270	-	214	-	1,483	22,875	24,725	1,850	23,242	6%
4350	Cust. Supplies	-	-	4,182	5,780	9,962	67,248	57,248	(10,000)	47,287	17%
4351	Yearbook	-	-	-	-	-	3,828	3,283	(545)	3,283	0%
4390	Uniforms	-	-	-	-	-	3,030	3,030	-	3,030	0%
4400	NonCapEquip-Gen	-	-	5,328	1,334	6,661	66,579	67,838	1,259	61,176	10%
4410	ClssrmFrnEqp<5k	-	(396)	-	-	(396)	17,714	17,714	-	18,110	-2%
4430	OfceFurnEqp<5k	-	-	12	685	697	50,422	38,434	(11,988)	37,736	2%
4440	Computers <\$5k	2,485	-	174	1,110	3,770	82,332	103,642	21,310	99,873	4%
4460	Fixed Asset Suspense	-	-	-	-	-	-	17,000	17,000	17,000	0%
4710	Food	-	(11)	-	-	(11)	1,719,453	1,709,453	(10,000)	1,709,464	0%
4720	Food:Other Food	-	(413)	5,104	3,550	8,241	91,123	88,005	(3,118)	79,764	9%
4990	Prior Year Exp	-	-	-	-	-	-	6,000	6,000	6,000	0%
4999	Misc Exp-Suspense	3,087	66,112	168,244	124,164	361,606	-	-	-	(361,606)	-
SUBTOTAL - Books and Supplies		8,535	207,482	335,221	190,825	742,063	3,462,686	3,743,160	280,475	3,001,098	20%

2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA Consolidated						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
Services & Other Operating Expenses													(662,044)		
5101	CMO Fees	142,938	961,395	507,281	507,281	2,118,895	6,008,065	5,414,298	(593,767)	3,295,403	39%				
5205	Conference Fees	678	-	-	-	678	89,070	60,109	(28,960)	59,431	1%				
5210	MilesParkTolls	2,178	4,267	2,991	5,830	15,266	142,425	132,425	(10,000)	117,160	12%				
5215	TravConferences	-	-	-	-	-	6,061	25,061	19,000	25,061	0%				
5220	TraLodging	-	20	879	1,839	2,737	119,485	150,701	31,215	147,963	2%				
5300	DuesMemberships	75	6,913	10,258	75	17,321	107,349	131,304	23,955	113,983	13%				
5450	Other Insurance	54,193	18,066	21,740	28,795	122,794	274,731	274,731	-	151,937	45%				
5500	OpsHousekeeping	2,270	5,079	6,554	13,802	27,704	270,376	232,321	(38,055)	204,617	12%				
5510	Gas & Electric	3,689	30,166	25,902	31,000	90,758	317,926	287,926	(30,000)	197,169	32%				
5610	Rent & Leases	79,609	264,984	311,101	354,695	1,010,388	3,904,429	3,882,374	(22,055)	2,871,986	26%				
5620	EquipmentLeases	8,296	14,730	18,004	16,715	57,745	210,739	210,739	-	152,993	27%				
5630	Reps&MaintBldng	-	33,577	26,679	11,078	71,334	275,114	194,114	(81,000)	122,780	37%				
5800	ProfessServices	10,284	51,034	90,685	68,447	220,450	2,112,509	1,162,778	(949,730)	942,328	19%				
5810	Legal	1,919	15,775	44,678	85,539	147,911	518,899	757,181	238,282	609,270	20%				
5811	Property Tax	-	-	-	-	-	-	3,393	3,393	3,393	0%				
5813	SchPrgAftSchool	-	2,250	61,386	61,304	124,940	648,393	415,082	(233,311)	290,142	30%				
5814	SchPrgAcadComps	-	694	225	2,100	3,019	62,253	55,253	(7,000)	52,234	5%				
5819	SchlProgs-Other	-	7,600	6,873	1,421	15,894	92,983	100,404	7,421	84,510	16%				
5820	Audit & CPA	-	875	-	148	1,023	152,716	152,716	-	151,693	1%				
5825	DMSBusinessSvcs	-	103,404	-	69,130	172,534	500,000	500,000	-	327,466	35%				
5835	Field Trips	2,885	718	6,302	27,299	37,204	203,840	159,468	(44,372)	122,264	23%				
5836	FieldTrip Trans	-	9,579	6,386	6,386	22,351	63,860	95,600	31,740	73,249	23%				
5840	MarkngStdtRecrt	-	270	16,898	14,536	31,704	191,799	174,646	(17,153)	142,942	18%				
5850	Oversight Fees	6,161	18,806	54,840	(36,377)	43,430	418,674	418,674	-	375,244	10%				
5857	Payroll Fees	-	1,873	-	-	1,873	208,366	208,366	-	206,494	1%				
5860	Service Fees	7,910	307	(5,160)	3,704	6,761	33,492	33,492	-	26,732	20%				
5863	Prof Developmnt	-	465	4,499	7,333	12,296	224,534	228,591	4,058	216,295	5%				
5864	Prof Dev-Other	-	1,677	11,016	10,094	22,787	420,692	378,252	(42,440)	355,465	6%				
5869	SpEd Ctrct Inst	12,337	750	5,444	6,646	25,176	-	840,623	840,623	815,447	3%				
5872	SpEd Fees	10,110	10,110	6,740	(0)	26,959	-	278,743	278,743	251,783	10%				
5875	StaffRecruiting	-	1,223	173	3,288	4,684	15,309	15,309	-	10,625	31%				
5884	Substitutes	-	10,257	59,732	32,855	102,843	480,700	454,141	(26,559)	351,298	23%				
5890	OthSvcsNon-Inst	3,388	-	5,815	2,197	11,400	231,904	672,804	440,900	661,404	2%				
5900	Communications	655	1,732	145	2,556	5,088	108,733	108,733	-	103,644	5%				
5920	TelecomInternet	6,317	8,598	11,005	6,218	32,138	502,422	478,422	(24,000)	446,284	7%				
5930	PostageDelivery	-	6,460	652	3,354	10,466	84,330	84,330	-	73,864	12%				
5940	Technology	-	7,796	5,400	21,164	34,360	216,765	224,694	7,929	190,334	15%				
SUBTOTAL - Services & Operations						355,890	1,601,449	1,325,122	1,370,449	4,652,910	19,218,942	18,997,799	(221,144)	14,344,888	24%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA Consolidated											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	12,800	-	-	12,800	-	29,224	29,224	16,424	44%
6400	EquipFixed	-	-	5,845	22,233	28,077	-	120,988	120,988	92,911	23%
6900	Depreciation	-	-	-	335,081	335,081	1,005,243	1,005,243	-	670,162	33%
SUBTOTAL - Cap Outlay & Depreciation		-	12,800	5,845	357,314	375,958	1,005,243	1,155,455	150,212	779,497	33%
Other Outflows											
7299	Encroachment	-	10,110	(40,996)	13,479	(17,407)	278,743	-	(278,743)	17,407	0%
7438	InterestExpense	43,042	45,056	129,934	45,056	263,087	595,203	595,203	-	332,117	44%
SUBTOTAL - Other Outflows		43,042	55,165	88,938	58,535	245,679	873,946	595,203	(278,743)	349,524	41%
TOTAL EXPENSES		1,969,703	4,557,097	4,312,124	4,660,241	15,499,165	56,613,408	57,090,432	477,025	41,591,267	27%

Monthly Cash Flow (Actuals + Projections)

All MPS	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	13,516,040	12,837,464	12,981,579	11,714,543	13,319,225	13,712,693	14,291,757	14,481,832	13,830,595	13,505,670	13,625,280	13,009,194		
Revenue														
LCFF Entitlement	736,660	2,830,981	2,348,354	4,047,686	2,892,902	2,947,234	3,784,013	2,892,902	3,567,647	3,690,868	2,857,507	2,880,582	4,447,948	39,925,281
Federal Revenue	55,268	4,175	(2,376)	64,799	465,350	108,960	188,725	536,248	203,829	304,698	624,730	332,398	1,218,700	4,105,502
Other State Revenues	105,779	75,608	347,283	594,025	977,659	768,617	679,062	355,152	464,786	572,250	363,834	735,713	361,116	6,400,884
Other Local Revenues	178,711	1,414,399	142,860	799,627	430,403	444,359	411,812	437,998	420,500	421,165	407,214	412,813	18,710	5,940,570
Total Revenue	1,076,419	4,325,163	2,836,120	5,506,137	4,766,313	4,269,169	5,063,612	4,222,299	4,656,762	4,988,981	4,253,284	4,361,505	6,046,473	56,372,238
Expenses														
Certificated Salaries	955,857	1,418,779	1,483,506	1,471,598	1,473,178	1,473,178	1,473,178	1,473,178	1,473,178	1,473,178	1,473,178	1,473,178	368,294	17,483,455
Classified Salaries	376,694	478,137	552,036	544,123	557,734	557,734	557,734	557,734	557,734	557,734	557,734	557,734	111,547	6,524,404
Benefits	229,686	783,285	521,457	667,398	751,662	751,662	751,662	751,662	751,662	751,662	751,662	751,662	375,831	8,590,955
Books and Supplies	8,535	207,482	335,221	190,825	273,172	383,846	383,846	383,846	383,846	383,846	383,846	383,846	41,003	3,743,160
Services and Operations	355,890	1,601,449	1,325,122	1,370,449	1,681,981	1,681,981	1,681,981	1,681,981	1,681,981	1,681,981	1,681,981	1,681,981	889,039	18,997,799
Depreciation / Cap Outlay	-	12,800	5,845	357,314	97,437	97,437	97,437	97,437	97,437	97,437	97,437	97,437	-	1,155,455
Other Outflows	43,042	55,165	88,938	58,535	44,285	44,285	44,285	44,285	44,285	44,285	44,285	44,285	(4,756)	595,203
Total Expenses	1,969,703	4,557,097	4,312,124	4,660,241	4,879,448	4,990,123	4,990,123	4,990,123	4,990,123	4,990,123	4,990,123	4,990,123	1,780,958	57,090,432
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	1,696,073	621,302	148,515	248,634	381,835	1,183,432	-	-	-	-	-	-	-	4,279,792
Accounts Receivable - Current Year	-	-	(585,395)	-	-	-	-	-	-	-	-	-	-	(585,395)
Other Assets	(18,371)	13,497	-	2,890	8,182	-	-	-	-	-	-	-	-	6,198
Fixed Assets	-	-	-	335,527	83,774	83,774	83,774	83,774	83,774	83,774	83,774	83,774	83,774	1,005,716
Due To (From)	(102,094)	(46,305)	406,014	7,665	-	-	-	-	-	-	-	186,486	-	451,766
Expenses - Prior Year Accruals	(1,324,833)	(229,733)	3,497	(1,098)	-	-	-	-	-	-	-	-	-	(1,552,167)
Accounts Payable - Current Year	(75,475)	(22,120)	303,062	120,689	-	-	-	-	-	-	-	-	-	326,155
Summerholdback for Teachers	39,408	39,408	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	44,479	523,606
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	(111,204)	-	(11,667)	(11,667)	(11,667)	(11,667)	(119,816)	(7,500)	(7,500)	(7,500)	-	(300,187)
Total Other Transactions	214,708	376,049	208,968	758,786	506,603	1,300,018	116,586	116,586	8,436	120,753	120,753	307,239		4,155,484
Total Change in Cash	(678,576)	144,115	(1,267,036)	1,604,681	393,468	579,064	190,075	(651,238)	(324,925)	119,610	(616,087)	(321,379)		3,437,290
ENDING CASH	12,837,464	12,981,579	11,714,543	13,319,225	13,712,693	14,291,757	14,481,832	13,830,595	13,505,670	13,625,280	13,009,194	12,687,815		81



MSA-1 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$126,653.

This is an decrease of (\$540,527) from the original July 1 Budget projected surplus of \$667,180.

This will allow MSA-1 to end this fiscal year with a balance of \$4,938,496, which is 55.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,528,532, which represents 63 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$457,840), or -4.8% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$479,859) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 45.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$4,566 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$9,953 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: This category is primarily fundraising revenue, but includes any non-LCFF local revenue sources.

Other Local Revenues are projected at \$7,500 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$82,687, or 0.9% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$28,555) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$78,465 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$24,271 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$8,506 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA 1	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY										
Revenue										
LCFF Entitlement	75,698	343,603	293,142	657,398	1,369,842	6,879,059	6,399,200	(479,859)	5,029,358	21%
Federal Revenue	-	1,840	-	-	1,840	1,178,414	1,182,980	4,566	1,181,140	0%
Other State Revenues	12,965	-	86,302	23,337	122,604	1,388,951	1,398,904	9,953	1,276,300	9%
Other Local Revenues	6,000	-	2,278	7,435	15,713	64,182	71,682	7,500	55,969	22%
Total Revenue	94,663	345,443	381,722	688,171	1,510,000	9,510,606	9,052,766	(457,840)	7,542,766	17%
Expenses										
Certificated Salaries	154,335	268,954	231,137	222,475	876,901	2,788,888	2,661,991	(126,897)	1,785,091	33%
Classified Salaries	42,241	44,889	60,287	58,361	205,778	610,005	680,715	70,710	474,937	30%
Benefits	28,667	107,975	89,460	56,165	282,267	1,187,476	1,215,108	27,632	932,841	23%
Books and Supplies	1,270	66,710	39,854	74,467	182,300	577,771	656,236	78,465	473,936	28%
Services and Operating Exp.	11,951	325,251	240,732	239,711	817,645	3,592,319	3,616,590	24,271	2,798,945	23%
Depreciation & Cap Outlay	-	-	5,845	23,824	29,669	71,472	95,472	24,000	65,804	31%
Other Outflows	-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
Total Expenses	238,463	813,779	663,795	675,003	2,391,040	8,843,426	8,926,113	82,687	6,535,073	27%
Operating Income					(881,040)	667,180	126,653	(540,527)	1,007,693	
Fund Balance										
Beginning Balance (Unaudited)						4,811,843	4,811,843			
Operating Income						667,180	126,653			
Ending Fund Balance						5,479,023	4,938,496			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget					
MSA 1						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		First Interim Remaining	Actuals as % of First Interim
REVENUE DETAIL																
LCFF Entitlement																
8011	State Aid	-	192,222	192,222	345,999	730,443	4,740,643	4,184,085	(556,558)	3,453,642	17%					
8012	EPA Entitlement	-	-	-	210,479	210,479	788,145	842,791	54,646	632,312	25%					
8019	Prior Year Adjustments	8	-	-	-	8	-	-	-	(8)	-					
8096	InLieuPropTaxes	75,690	151,381	100,920	100,920	428,912	1,350,271	1,372,324	22,053	943,412	31%					
SUBTOTAL - LCFF Entitlement		75,698	343,603	293,142	657,398	1,369,842	6,879,059	6,399,200	(479,859)	5,029,358	21%					
Federal Revenue																
8181	SpEd - Revenue	-	-	-	-	-	67,875	67,875	-	67,875	0%					
8220	SchLunchFederal	-	-	-	-	-	271,704	271,704	-	271,704	0%					
8290	All Other Federal Revenue	-	1,840	-	-	1,840	838,835	843,401	4,566	841,561	0%					
SUBTOTAL - Federal Revenue		-	1,840	-	-	1,840	1,178,414	1,182,980	4,566	1,181,140	0%					
Other State Revenue																
8311	SpEd Revenue	12,965	-	36,302	23,337	72,604	319,485	319,485	-	246,881	23%					
8520	SchoolNtrState	-	-	-	-	-	22,737	22,737	-	22,737	0%					
8550	MandCstReimburs	-	-	-	-	-	195,780	112,699	(83,081)	112,699	0%					
8560	StateLotteryRev	-	-	-	-	-	118,736	118,736	-	118,736	0%					
8590	AllOthStateRev	-	-	50,000	-	50,000	732,213	825,247	93,034	775,247	6%					
SUBTOTAL - Other State Revenue		12,965	-	86,302	23,337	122,604	1,388,951	1,398,904	9,953	1,276,300	9%					
Local Revenue																
8634	StudentLunchFee	-	-	-	-	-	9,183	9,183	-	9,183	0%					
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-					
8660	Interest	-	-	-	-	-	-	-	-	-	-					
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-					
8699	Other Revenue	6,000	-	2,278	7,435	15,713	55,000	62,500	7,500	46,786	25%					
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-					
8999	Revenues-Susp	-	-	-	(0)	(0)	-	-	-	0	-					
SUBTOTAL - Local Revenue		6,000	-	2,278	7,435	15,713	64,182	71,682	7,500	55,969	22%					
TOTAL REVENUE		94,663	345,443	385,241	688,171	1,510,000	9,510,606	9,052,766	(457,840)	7,542,766	17%					

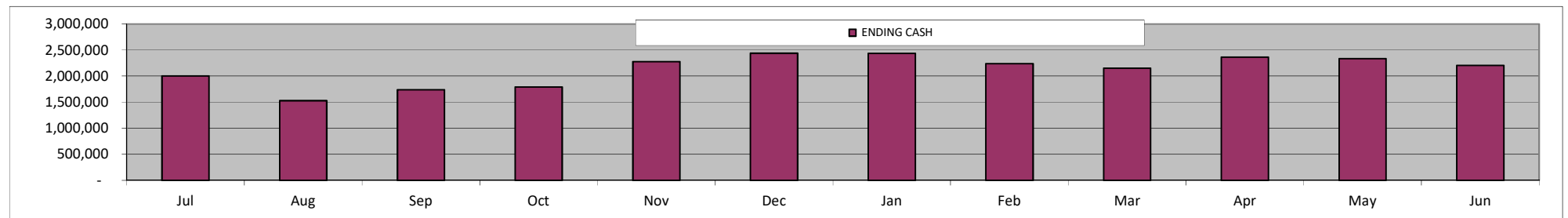
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA 1	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals							
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	98,617	181,471	196,238	187,001	663,326	2,234,641	2,229,303	(5,338)	1,565,977	30%
1300	Cert Adminis	55,718	87,483	34,899	35,474	213,575	554,247	432,688	(121,559)	219,113	49%
SUBTOTAL - Certificated Salaries		154,335	268,954	231,137	222,475	876,901	2,788,888	2,661,991	(126,897)	1,785,091	33%
Classified Salaries											
2400	Clerical & Tech	10,965	7,988	11,455	11,301	41,709	191,328	125,712	(65,616)	84,003	33%
2900	OtherClassStaff	31,276	36,900	48,832	47,060	164,069	418,677	555,003	136,326	390,934	30%
SUBTOTAL - Classified Salaries		42,241	44,889	60,287	58,361	205,778	610,005	680,715	70,710	474,937	30%
Employee Benefits											
3101	STRS	12,993	35,703	36,381	37,077	122,154	421,268	420,944	(324)	298,789	29%
3202	PERS	3,982	7,274	9,416	9,143	29,816	110,179	125,944	15,765	96,128	24%
3301	OASDI/Med	5,210	6,178	7,597	7,323	26,308	99,582	102,930	3,349	76,622	26%
3401	HlthWelfare	-	55,041	32,530	-	87,571	493,740	504,484	10,744	416,912	17%
3501	UnemployIns	-	1,591	1,344	450	3,384	24,436	24,436	-	21,052	14%
3601	WorkersCmp	6,482	2,161	2,161	2,161	12,965	38,272	36,371	(1,901)	23,406	36%
3901	OthBenes	-	26	30	12	68	-	-	-	(68)	-
SUBTOTAL - Employee Benefits		28,667	107,975	89,460	56,165	282,267	1,187,476	1,215,108	27,632	932,841	23%
Books & Supplies											
4100	Text&CoreCurric	-	61,672	13,807	300	75,779	10,000	110,000	100,000	34,221	69%
4200	BooksOthRefMats	-	-	-	-	-	15,000	315	(14,685)	315	0%
4310	Ins Mats & Sups	-	-	4,940	198	5,138	75,000	93,109	18,109	87,971	6%
4315	OthrSupplies	-	-	854	550	1,404	10,000	9,600	(400)	8,196	15%
4320	Office Supplies	-	-	564	171	735	10,000	5,000	(5,000)	4,265	15%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	105	-	105	15,000	3,000	(12,000)	2,895	3%
4335	PE Supplies	-	-	-	-	-	5,000	5,000	-	5,000	0%
4340	Educat Software	-	5,024	-	3,157	8,181	51,130	78,424	27,294	70,243	10%
4345	NonInstStdntSup	-	71	-	-	71	15,000	5,000	(10,000)	4,929	1%
4346	TeacherSupplies	1,270	-	-	-	1,270	-	-	-	(1,270)	-
4350	Cust. Supplies	-	-	2,400	1,678	4,078	30,000	20,000	(10,000)	15,922	20%
4430	OfficeFurnEqp<5k	-	-	-	-	-	20,600	8,100	(12,500)	8,100	0%
4440	Computers <\$5k	-	-	-	-	-	15,000	10,000	(5,000)	10,000	0%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	294,005	294,005	-	294,005	0%
4720	Food:Other Food	-	-	3,201	336	3,537	12,036	14,683	2,647	11,146	24%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	(58)	13,984	68,078	82,004	-	-	-	(82,004)	-
SUBTOTAL - Books and Supplies		1,270	66,710	39,854	74,467	182,300	577,771	656,236	78,465	473,936	28%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 1											
Services & Other Operating Expenses											
5101	CMO Fees	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%
5205	Conference Fees	-	-	-	-	-	15,000	-	(15,000)	-	-
5210	MilesParkTolls	-	-	194	660	853	5,000	-	(5,000)	(853)	-
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	2,000	-	(2,000)	-	-
5300	DuesMemberships	-	1,728	(352)	-	1,377	10,688	10,688	-	9,312	13%
5450	Other Insurance	8,241	2,747	2,747	2,747	16,482	33,449	33,449	-	16,967	49%
5500	OpsHousekeeping	546	2,683	2,453	6,868	12,551	75,000	60,000	(15,000)	47,449	21%
5510	Gas & Electric	-	8,223	4,976	6,796	19,995	100,000	70,000	(30,000)	50,005	29%
5610	Rent & Leases	-	127,658	117,658	117,658	362,975	1,387,132	1,387,132	-	1,024,157	26%
5620	EquipmentLeases	1,139	5,800	2,912	3,942	13,792	29,025	29,025	-	15,233	48%
5630	Reps&MaintBldng	-	2,700	14,749	1,520	18,969	69,540	44,540	(25,000)	25,571	43%
5800	ProfessServices	-	4,518	2,280	2,308	9,106	226,297	131,228	(95,069)	122,122	7%
5810	Legal	-	-	275	5,900	6,175	20,059	20,059	-	13,884	31%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	109,513	9,237	(100,276)	9,237	0%
5814	SchPrgAcadComps	-	-	-	335	335	15,000	10,000	(5,000)	9,665	3%
5819	SchlProgs-Other	-	-	288	-	288	35,000	35,000	-	34,713	1%
5820	Audit & CPA	-	-	-	-	-	13,749	13,749	-	13,749	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	604	604	30,000	30,000	-	29,397	2%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	45	2,483	-	2,528	15,059	15,059	-	12,531	17%
5850	Oversight Fees	-	-	-	-	-	68,791	68,791	-	68,791	0%
5857	Payroll Fees	-	-	-	-	-	25,750	25,750	-	25,750	0%
5860	Service Fees	2,025	-	(1,993)	(0)	32	2,318	2,318	-	2,286	1%
5863	Prof Developmnt	-	-	235	-	235	20,000	20,666	666	20,431	1%
5864	Prof Dev-Other	-	1,377	-	-	1,377	58,000	54,939	(3,061)	53,562	3%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	101,900	101,900	101,900	0%
5872	SpEd Fees	-	-	-	-	-	-	15,494	15,494	15,494	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	6,412	6,554	12,966	30,900	30,900	-	17,934	42%
5890	OthSvcsNon-Inst	-	-	2,025	-	2,025	116,809	318,426	201,617	316,401	1%
5900	Communications	-	-	-	46	46	5,000	5,000	-	4,954	1%
5920	TelecomInternet	-	958	487	367	1,812	63,405	63,405	-	61,593	3%
5930	PostageDelivery	-	1,009	-	504	1,512	15,000	15,000	-	13,488	10%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,951	325,251	240,732	239,711	817,645	3,592,319	3,616,590	24,271	2,798,945	23%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA 1	Year To Date					Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD				Proposed 1st Interim	First Interim Remaining	
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	5,845	-	5,845	-	24,000	24,000	18,155	24%
6900	Depreciation	-	-	-	23,824	23,824	71,472	71,472	-	47,648	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	5,845	23,824	29,669	71,472	95,472	24,000	65,804	31%
Other Outflows											
7299	Encroachment	-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	(3,519)	-	(3,519)	15,494	-	(15,494)	3,519	-
TOTAL EXPENSES		238,463	813,779	667,314	675,003	2,391,040	8,843,426	8,926,113	82,687	6,535,073	27%

Monthly Cash Flow (Actuals + Projections)

MSA-1	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	2,044,087	2,000,927	1,528,532	1,736,888	1,792,194	2,275,958	2,438,801	2,435,126	2,238,855	2,152,299	2,362,592	2,331,996	2,202,914	
Revenue														
LCFF Entitlement	75,698	343,603	293,142	657,398	446,919	446,919	628,110	446,919	593,839	732,612	503,884	503,884	726,270	6,399,200
Federal Revenue	-	1,840	-	-	104,206	27,170	55,832	104,206	27,170	61,108	104,206	27,170	670,069	1,182,980
Other State Revenues	12,965	-	86,302	23,337	351,164	56,763	86,858	27,079	66,911	191,048	135,789	114,339	246,351	1,398,904
Other Local Revenues	6,000	-	2,278	7,435	6,319	6,319	6,319	6,319	6,319	6,319	6,319	6,319	5,417	71,682
Total Revenue	94,663	345,443	381,722	688,171	908,609	537,171	777,119	584,524	694,239	991,087	750,198	651,712	1,648,107	9,052,766
Expenses														
Certificated Salaries	154,335	268,954	231,137	222,475	216,375	216,375	216,375	216,375	216,375	216,375	216,375	216,375	54,094	2,661,991
Classified Salaries	42,241	44,889	60,287	58,361	57,919	57,919	57,919	57,919	57,919	57,919	57,919	57,919	11,584	680,715
Benefits	28,667	107,975	89,460	56,165	109,746	109,746	109,746	109,746	109,746	109,746	109,746	109,746	54,873	1,215,108
Books and Supplies	1,270	66,710	39,854	74,467	64,047	64,047	64,047	64,047	64,047	64,047	64,047	64,047	(38,441)	656,236
Services and Operations	11,951	325,251	240,732	239,711	328,388	328,388	328,388	328,388	328,388	328,388	328,388	328,388	171,840	3,616,590
Depreciation / Cap Outlay	-	-	5,845	23,824	8,225	8,225	8,225	8,225	8,225	8,225	8,225	8,225	-	95,472
Other Outflows	-	-	(3,519)	-	440	440	440	440	440	440	440	440	-	0
Total Expenses	238,463	813,779	663,795	675,003	785,140	785,140	785,140	785,140	785,140	785,140	785,140	785,140	253,949	8,926,113
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	394,636	143,578	7,398	41,149	355,950	406,466	-	-	-	-	-	-	-	1,349,177
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	23,824	-	-	-	-	-	-	-	-	-	23,824
Due To (From)	(115,465)	(46,305)	406,014	-	-	-	-	-	-	-	-	-	-	244,244
Expenses - Prior Year Accruals	(182,877)	(105,679)	-	-	-	-	-	-	-	-	-	-	-	(288,556)
Accounts Payable - Current Year	-	-	72,671	(27,181)	-	-	-	-	-	-	-	-	-	45,490
Summer Holdback for Teachers	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	4,346	-	52,152
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	100,640	(4,060)	490,429	42,138	360,296	410,812	4,346	4,346	4,346	4,346	4,346	4,346	4,346	1,426,332
Total Change in Cash	(43,160)	(472,396)	208,356	55,306	483,764	162,843	(3,676)	(196,271)	(86,555)	210,293	(30,596)	(129,082)		1,552,984
ENDING CASH	2,000,927	1,528,532	1,736,888	1,792,194	2,275,958	2,438,801	2,435,126	2,238,855	2,152,299	2,362,592	2,331,996	2,202,914		



MSA-2 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$240,080).

This is an decrease of (\$399,494) from the original July 1 Budget projected surplus of \$159,414.

This will allow MSA-2 to end this fiscal year with a balance of \$1,015,488, which is 17.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$856,871, which represents 53 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$343,280), or -5.7% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$289,171) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 28.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$10,474 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$68,083) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: This category is primarily fundraising revenue, but includes any non-LCFF local revenue sources.

Other Local Revenues are projected at \$3,500 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$56,214, or 1.0% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$21,957 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$52,229 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$5,825) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$12,147) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 2		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		63,824	283,685	241,136	539,504	1,128,148	4,916,902	4,627,731	(289,171)	3,499,583	24%
Federal Revenue		-	-	-	-	-	499,381	509,855	10,474	509,855	0%
Other State Revenues		10,929	-	30,601	19,672	61,202	539,656	471,573	(68,083)	410,371	13%
Other Local Revenues		0	3,736	1,341	4,874	9,951	33,343	36,843	3,500	26,892	27%
Total Revenue		74,753	287,421	273,078	564,050	1,199,301	5,989,282	5,646,002	(343,280)	4,446,701	21%
Expenses											
Certificated Salaries		112,754	172,654	190,660	179,910	655,978	2,166,303	2,043,813	(122,490)	1,387,835	32%
Classified Salaries		14,755	58,550	39,473	38,824	151,601	438,606	582,142	143,536	430,541	26%
Benefits		18,329	94,916	72,329	43,738	229,312	978,684	979,594	910	750,283	23%
Books and Supplies		1,246	76,776	14,451	48,086	140,559	426,947	479,177	52,229	338,618	29%
Services and Operating Exp.		23,426	168,091	97,766	140,986	430,270	1,737,696	1,731,871	(5,825)	1,301,601	25%
Depreciation & Cap Outlay		-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
Other Outflows		-	-	-	-	-	12,147	-	(12,147)	-	-
Total Expenses		170,510	570,987	414,679	474,705	1,630,881	5,829,868	5,886,082	56,214	4,255,201	28%
Operating Income						(431,580)	159,414	(240,080)	(399,494)	191,500	
Fund Balance											
Beginning Balance (Unaudited)							1,255,568	1,255,568			
Operating Income							159,414	(240,080)			
Ending Fund Balance							1,414,982	1,015,488			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 2						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	156,037	156,037	280,866	592,940	3,378,044	3,016,096	(361,948)	2,423,156	20%				
8012	EPA Entitlement	-	-	-	173,539	173,539	559,149	604,674	45,525	431,135	29%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	63,824	127,648	85,099	85,099	361,669	979,709	1,006,961	27,252	645,292	36%				
SUBTOTAL - LCFF Entitlement		63,824	283,685	241,136	539,504	1,128,148	4,916,902	4,627,731	(289,171)	3,499,583	24%				
Federal Revenue															
8181	SpEd - Revenue	-	-	-	-	-	58,875	58,875	-	58,875	0%				
8220	SchLunchFederal	-	-	-	-	-	202,266	202,266	-	202,266	0%				
8290	All Other Federal Revenue	-	-	-	-	-	238,240	248,714	10,474	248,714	0%				
SUBTOTAL - Federal Revenue		-	-	-	-	-	499,381	509,855	10,474	509,855	0%				
Other State Revenue															
8311	SpEd Revenue	10,929	-	30,601	19,672	61,202	231,807	231,807	-	170,605	26%				
8520	SchoolNtrState	-	-	-	-	-	19,867	19,867	-	19,867	0%				
8550	MandCstReimburs	-	-	-	-	-	163,554	93,495	(70,059)	93,495	0%				
8560	StateLotteryRev	-	-	-	-	-	86,151	86,151	-	86,151	0%				
8590	AllOthStateRev	-	-	-	-	-	38,277	40,253	1,976	40,253	0%				
SUBTOTAL - Other State Revenue		10,929	-	30,601	19,672	61,202	539,656	471,573	(68,083)	410,371	13%				
Local Revenue															
8634	StudentLunchFee	0	-	-	-	0	3,208	3,208	-	3,208	0%				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-				
8699	Other Revenue	-	-	-	6,215	6,215	30,135	33,635	3,500	27,420	18%				
8791	SpEd Revenue (Local)	-	3,736	-	-	3,736	-	-	-	(3,736)	-				
8999	Revenues-Susp	-	-	1,341	(1,341)	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		0	3,736	1,341	4,874	9,951	33,343	36,843	3,500	26,892	27%				
TOTAL REVENUE		74,753	287,421	273,078	564,050	1,199,301	5,989,282	5,646,002	(343,280)	4,446,701	21%				

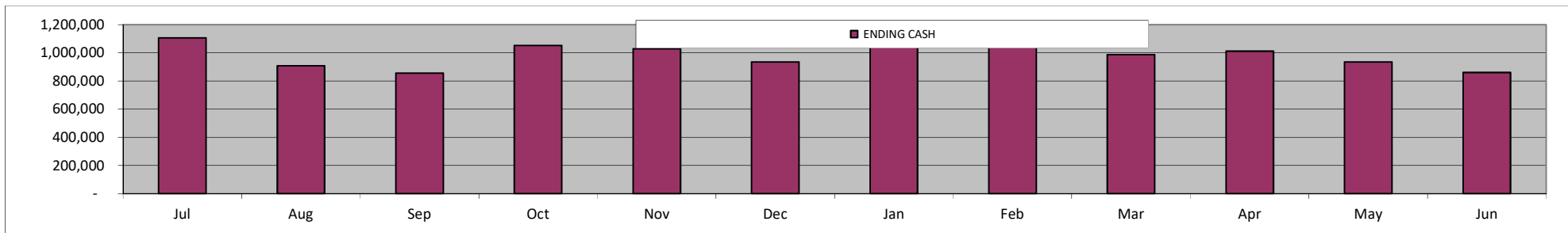
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	72,261	145,044	163,050	151,600	531,955	1,740,983	1,770,925	29,942	1,238,970	30%
1300	Cert Adminis	40,493	27,610	27,610	28,310	124,023	425,320	272,888	(152,432)	148,865	45%
SUBTOTAL - Certificated Salaries		112,754	172,654	190,660	179,910	655,978	2,166,303	2,043,813	(122,490)	1,387,835	32%
Classified Salaries											
2400	Clerical & Tech	10,583	34,933	11,678	11,429	68,623	167,840	236,710	68,870	168,087	29%
2900	OtherClassStaff	4,172	23,616	27,794	27,396	82,978	270,766	345,432	74,666	262,454	24%
SUBTOTAL - Classified Salaries		14,755	58,550	39,473	38,824	151,601	438,606	582,142	143,536	430,541	26%
Employee Benefits											
3101	STRS	7,689	28,059	29,110	29,241	94,099	330,913	326,152	(4,761)	232,054	29%
3202	PERS	2,546	6,361	7,010	6,863	22,780	79,221	79,221	-	56,441	29%
3301	OASDI/Med	2,756	5,231	5,769	5,573	19,329	73,252	70,219	(3,033)	50,889	28%
3401	HlthWelfare	-	53,200	28,661	-	81,861	464,124	474,517	10,393	392,656	17%
3501	UnemployIns	-	285	-	282	567	1,533	1,533	-	966	37%
3601	WorkersCmp	5,338	1,779	1,779	1,779	10,675	29,331	27,642	(1,689)	16,967	39%
3901	OthBenes	-	-	-	-	-	310	310	-	310	0%
SUBTOTAL - Employee Benefits		18,329	94,916	72,329	43,738	229,312	978,684	979,594	910	750,283	23%
Books & Supplies											
4100	Text&CoreCurric	-	50,219	(617)	7,032	56,634	25,000	81,500	56,500	24,866	69%
4200	BooksOthRefMats	-	-	-	-	-	5,000	-	(5,000)	-	-
4310	Ins Mats & Sups	-	1,742	533	2,142	4,417	30,000	54,658	24,658	50,241	8%
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-
4320	Office Supplies	-	-	309	156	464	10,000	9,000	(1,000)	8,536	5%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	-	-	-	-	-	-	-	-
4335	PE Supplies	-	-	-	-	-	-	-	-	-	-
4340	Educat Software	-	-	7,598	2,572	10,170	57,982	43,668	(14,314)	33,498	23%
4345	NonInstStdntSup	1,246	545	-	-	1,791	10,000	10,000	-	8,209	18%
4430	OfficeFurnEqp<5k	-	-	-	-	-	6,000	6,000	-	6,000	0%
4440	Computers <\$5k	-	-	-	-	-	15,625	15,625	-	15,625	0%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	(11)	-	-	(11)	247,340	247,340	-	247,351	0%
4720	Food:Other Food	-	(578)	-	203	(375)	10,000	1,385	(8,615)	1,760	-27%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	25,256	6,628	35,121	67,005	-	-	-	(67,005)	-
SUBTOTAL - Books and Supplies		1,246	76,776	14,451	48,086	140,559	426,947	479,177	52,229	338,618	29%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
Services & Other Operating Expenses											
5101	CMO Fees	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%
5205	Conference Fees	-	-	-	-	-	6,000	3,000	(3,000)	3,000	0%
5210	MilesParkTolls	-	-	-	-	-	-	-	-	-	-
5215	TravConferences	-	-	-	-	-	2,500	1,500	(1,000)	1,500	0%
5220	TraLodging	-	-	-	-	-	-	-	-	-	-
5300	DuesMemberships	-	1,020	-	-	1,020	6,000	6,000	-	4,980	17%
5450	Other Insurance	5,816	1,939	1,939	2,143	11,837	27,746	27,746	-	15,909	43%
5500	OpsHousekeeping	-	-	-	3,994	3,994	17,510	16,000	(1,510)	12,006	25%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	-	41,944	41,944	164,833	125,833	(39,000)	83,889	33%
5620	EquipmentLeases	1,081	1,162	1,290	2,346	5,879	20,000	20,000	-	14,121	29%
5630	Reps&MaintBldng	-	(742)	-	4,995	4,253	28,749	28,749	-	24,496	15%
5800	ProfessServices	-	2,775	5,863	2,280	10,919	165,215	46,076	(119,139)	35,158	24%
5810	Legal	-	9,278	2,860	-	12,138	20,000	20,000	-	7,863	61%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	2,000	2,000	-	2,000	0%
5814	SchPrgAcadComps	-	694	-	-	694	12,000	12,000	-	11,306	6%
5819	SchIProgs-Other	-	(50)	3,990	-	3,940	10,000	10,000	-	6,060	39%
5820	Audit & CPA	-	-	-	-	-	10,000	10,000	-	10,000	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	805	1,332	2,137	20,000	10,000	(10,000)	7,864	21%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	-	-	-	20,000	10,000	(10,000)	10,000	0%
5850	Oversight Fees	-	-	-	-	-	49,169	49,169	-	49,169	0%
5857	Payroll Fees	-	-	-	-	-	21,000	21,000	-	21,000	0%
5860	Service Fees	1,820	-	(1,809)	142	153	1,500	1,500	-	1,347	10%
5863	Prof Developmnt	-	-	-	1,135	1,135	11,442	11,442	-	10,307	10%
5864	Prof Dev-Other	-	(1,077)	-	-	(1,077)	75,500	55,000	(20,500)	56,077	-2%
5869	SpEd Ctrct Inst	12,337	750	-	1,589	14,675	-	74,175	74,175	59,500	20%
5872	SpEd Fees	-	-	-	-	-	-	12,147	12,147	12,147	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	5,321	2,408	7,729	76,000	76,000	-	68,271	10%
5890	OthSvcsNon-Inst	-	-	1,820	-	1,820	23,405	135,407	112,002	133,587	1%
5900	Communications	-	-	-	-	-	4,635	4,635	-	4,635	0%
5920	TelecomInternet	2,372	958	780	166	4,277	36,600	36,600	-	32,323	12%
5930	PostageDelivery	-	1,569	-	1,604	3,173	7,000	7,000	-	3,827	45%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		23,426	168,091	97,766	140,986	430,270	1,737,696	1,731,871	(5,825)	1,301,601	25%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 2											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	23,161	23,161	69,484	69,484	-	46,323	33%
Other Outflows											
7299	Encroachment	-	-	-	-	-	12,147	-	(12,147)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	12,147	-	(12,147)	-	-
TOTAL EXPENSES		170,510	570,987	414,679	474,705	1,630,881	5,829,868	5,886,082	56,214	4,255,201	28%

Monthly Cash Flow (Actuals + Projections)

MSA-2	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,094,844	1,105,744	907,929	856,871	1,052,502	1,029,003	935,108	1,059,563	1,042,171	986,754	1,012,142	935,329	859,914	
Revenue														
LCFF Entitlement	63,824	283,685	241,136	539,504	365,965	365,965	515,355	365,965	361,571	431,335	310,755	310,755	471,919	4,627,731
Federal Revenue	-	-	-	-	53,650	-	37,651	91,301	37,651	67,088	91,301	37,651	93,562	509,855
Other State Revenues	10,929	-	30,601	19,672	34,714	43,919	79,169	28,761	51,338	29,800	29,800	82,094	30,776	471,573
Other Local Revenues	0	3,736	1,341	4,874	1,590	4,682	740	5,042	2,484	5,624	(208)	2,546	4,392	36,843
Total Revenue	74,753	287,421	273,078	564,050	455,919	414,566	632,915	491,069	453,043	533,848	431,648	433,045	600,648	5,646,002
Expenses														
Certificated Salaries	112,754	172,654	190,660	179,910	168,222	168,222	168,222	168,222	168,222	168,222	168,222	168,222	42,056	2,043,813
Classified Salaries	14,755	58,550	39,473	38,824	52,505	52,505	52,505	52,505	52,505	52,505	52,505	52,505	10,501	582,142
Benefits	18,329	94,916	72,329	43,738	88,269	88,269	88,269	88,269	88,269	88,269	88,269	88,269	44,134	979,594
Books and Supplies	1,246	76,776	14,451	48,086	46,623	46,623	46,623	46,623	46,623	46,623	46,623	46,623	(34,368)	479,177
Services and Operations	23,426	168,091	97,766	140,986	155,636	155,636	155,636	155,636	155,636	155,636	155,636	155,636	56,510	1,731,871
Depreciation / Cap Outlay	-	-	-	23,161	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	-	69,484
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	170,510	570,987	414,679	474,705	517,046	517,046	517,046	517,046	517,046	517,046	517,046	517,046	118,833	5,886,082
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	322,166	109,405	26,315	34,925	29,042	-	-	-	-	-	-	-	-	521,853
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	23,161	2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374	42,151
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(221,720)	(29,866)	-	-	-	-	-	-	-	-	-	-	-	(251,586)
Accounts Payable - Current Year	-	-	58,016	41,988	-	-	-	-	-	-	-	-	-	100,004
Summer Holdback for Teachers	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	6,212	74,544
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	106,658	85,751	90,543	106,286	37,628	8,586	8,586	8,586	8,586	8,586	8,586	8,586		486,966
Total Change in Cash	10,900	(197,815)	(51,058)	195,631	(23,500)	(93,894)	124,454	(17,391)	(55,417)	25,387	(76,813)	(75,415)		246,885
ENDING CASH	1,105,744	907,929	856,871	1,052,502	1,029,003	935,108	1,059,563	1,042,171	986,754	1,012,142	935,329	859,914		



MSA-3 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$56,045.

This is an decrease of (\$48,208) from the original July 1 Budget projected surplus of \$104,253.

This will allow MSA-3 to end this fiscal year with a balance of \$1,128,015, which is 17.6% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$297,788, which represents 17 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$386,887, or 6.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$351,707 higher than in the July Budget, due to average daily attendance (ADA) increasing by 26.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$3,959 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$31,221 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$435,095, or 7.3% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$298,925 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$31,576 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$96,313 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$8,280 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA 3	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
								Proposed 1st Interim	First Interim Remaining	
SUMMARY										
Revenue										
LCFF Entitlement	63,914	279,907	237,298	530,517	1,111,637	4,907,330	5,259,037	351,707	4,147,400	21%
Federal Revenue	-	-	-	1,036	1,036	473,723	477,682	3,959	476,646	0%
Other State Revenues	10,948	-	80,655	19,707	111,310	656,427	687,648	31,221	576,338	16%
Other Local Revenues	500	1,072	1,490	1,201	4,263	58,869	58,869	-	54,606	7%
Total Revenue	75,362	280,979	319,443	552,462	1,228,246	6,096,349	6,483,236	386,887	5,254,990	19%
Expenses										
Certificated Salaries	102,550	171,817	163,609	167,236	605,211	2,018,348	2,130,364	112,016	1,525,152	28%
Classified Salaries	50,923	49,722	54,572	63,889	219,106	493,048	609,042	115,994	389,936	36%
Benefits	29,878	85,914	46,486	100,737	263,014	888,593	959,508	70,915	696,494	27%
Books and Supplies	2,932	355	29,129	24,920	57,337	386,564	418,140	31,576	360,803	14%
Services and Operating Exp.	101,302	106,848	275,002	180,154	663,305	2,130,019	2,226,333	96,313	1,563,027	30%
Depreciation & Cap Outlay	-	-	-	33,098	33,098	63,804	83,804	20,000	50,707	39%
Other Outflows	-	-	-	-	-	11,720	-	(11,720)	-	-
Total Expenses	287,585	414,655	568,798	570,033	1,841,071	5,992,096	6,427,191	435,095	4,586,119	29%
Operating Income					(612,826)	104,253	56,045	(48,208)	668,871	
Fund Balance										
Beginning Balance (Unaudited)						1,071,970	1,071,970			
Operating Income						104,253	56,045			
Ending Fund Balance						1,176,223	1,128,015			



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
REVENUE DETAIL											
LCFF Entitlement											
8011	State Aid	-	152,080	152,080	272,707	576,867	3,324,404	3,402,268	77,864	2,825,401	17%
8012	EPA Entitlement	-	-	-	172,592	172,592	572,645	693,655	121,010	521,063	25%
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	63,914	127,827	85,218	85,218	362,178	1,010,281	1,163,114	152,833	800,936	31%
SUBTOTAL - LCFF Entitlement		63,914	279,907	237,298	530,517	1,111,637	4,907,330	5,259,037	351,707	4,147,400	21%
Federal Revenue											
8181	SpEd - Revenue	-	-	-	-	-	56,875	56,875	-	56,875	0%
8220	SchLunchFederal	-	-	-	-	-	210,830	210,830	-	210,830	0%
8290	All Other Federal Revenue	-	-	-	1,036	1,036	206,018	209,977	3,959	208,941	0%
SUBTOTAL - Federal Revenue		-	-	-	1,036	1,036	473,723	477,682	3,959	476,646	0%
Other State Revenue											
8311	SpEd Revenue	10,948	-	30,655	19,707	61,310	239,041	239,041	-	177,731	26%
8520	SchoolNutrState	-	-	-	-	-	19,643	19,643	-	19,643	0%
8550	MandCstReimburs	-	-	-	-	-	163,990	93,834	(70,156)	93,834	0%
8560	StateLotteryRev	-	-	-	-	-	88,839	88,839	-	88,839	0%
8590	AllOthStateRev	-	-	50,000	-	50,000	144,914	246,291	101,377	196,291	20%
SUBTOTAL - Other State Revenue		10,948	-	80,655	19,707	111,310	656,427	687,648	31,221	576,338	16%
Local Revenue											
8634	StudentLunchFee	-	-	-	-	-	4,270	4,270	-	4,270	0%
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	500	1,072	-	2,691	4,263	54,599	54,599	-	50,336	8%
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	-	-	1,490	(1,490)	-	-	-	-	-	-
SUBTOTAL - Local Revenue		500	1,072	1,490	1,201	4,263	58,869	58,869	-	54,606	7%
TOTAL REVENUE		75,362	282,777	319,443	552,462	1,228,246	6,096,349	6,483,236	386,887	5,254,990	19%

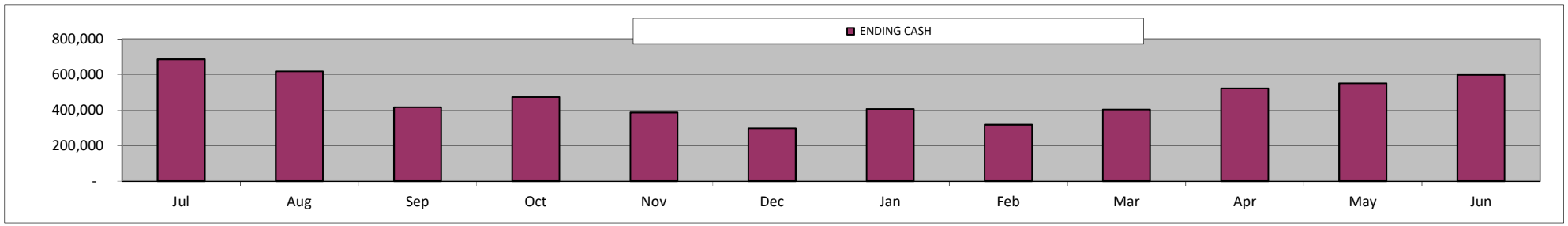
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
MSA 3		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	51,469	125,909	129,197	130,424	436,998	1,681,876	1,709,420	27,544	1,272,421	26%
1300	Cert Adminis	51,081	45,908	34,412	36,812	168,213	336,472	420,944	84,472	252,731	40%
SUBTOTAL - Certificated Salaries		102,550	171,817	163,609	167,236	605,211	2,018,348	2,130,364	112,016	1,525,152	28%
Classified Salaries											
2400	Clerical & Tech	20,247	16,615	18,944	23,500	79,305	164,833	186,361	21,528	107,056	43%
2900	OtherClassStaff	30,677	33,107	35,629	40,389	139,801	328,215	422,681	94,466	282,880	33%
SUBTOTAL - Classified Salaries		50,923	49,722	54,572	63,889	219,106	493,048	609,042	115,994	389,936	36%
Employee Benefits											
3101	STRS	10,231	26,112	26,587	27,924	90,853	308,115	338,550	30,435	247,696	27%
3202	PERS	8,135	8,539	8,802	9,222	34,698	89,054	101,534	12,480	66,836	34%
3301	OASDI/Med	5,380	6,925	6,533	6,995	25,834	74,781	74,781	-	48,947	35%
3401	HlthWelfare	-	41,889	2,509	54,252	98,651	386,892	414,892	28,000	316,241	24%
3501	UnemployIns	-	383	-	296	679	1,473	2,473	1,000	1,794	27%
3601	WorkersCmp	6,132	2,044	2,044	2,044	12,264	28,278	27,278	(1,000)	15,014	45%
3901	OthBenes	-	22	10	3	35	-	-	-	(35)	-
SUBTOTAL - Employee Benefits		29,878	85,914	46,486	100,737	263,014	888,593	959,508	70,915	696,494	27%
Books & Supplies											
4100	Text&CoreCurric	-	-	416	-	416	25,000	25,744	744	25,328	2%
4200	BooksOthRefMats	-	-	-	-	-	4,000	4,000	-	4,000	0%
4310	Ins Mats & Sups	-	-	4,229	28	4,257	26,500	54,009	27,509	49,752	8%
4320	Office Supplies	-	(1,978)	153	1,524	(301)	11,000	11,000	-	11,301	-3%
4325	ProfDevMat&Sups	-	-	-	-	-	500	500	-	500	0%
4326	Arts&MusicSups	-	-	-	-	-	1,500	1,500	-	1,500	0%
4335	PE Supplies	-	-	-	-	-	2,000	2,000	-	2,000	0%
4340	Educat Software	-	563	14,049	12,383	26,994	54,310	57,633	3,323	30,639	47%
4345	NonInstStdntSup	447	-	2,332	2,694	5,473	7,000	7,000	-	1,527	78%
4346	TeacherSupplies	-	-	168	-	168	1,000	1,000	-	832	17%
4350	Cust. Supplies	-	-	197	-	197	300	300	-	103	66%
4390	Uniforms	-	-	-	-	-	500	500	-	500	0%
4400	NonCapEquip-Gen	-	-	-	-	-	7,120	7,120	-	7,120	0%
4440	Computers <\$5k	2,485	-	-	-	2,485	6,602	6,602	-	4,117	38%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	230,992	230,992	-	230,992	0%
4720	Food:Other Food	-	-	-	361	361	8,240	8,240	-	7,879	4%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	1,771	7,587	7,931	17,288	-	-	-	(17,288)	-
SUBTOTAL - Books and Supplies		2,932	355	29,129	24,920	57,337	386,564	418,140	31,576	360,803	14%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 3		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
									Proposed 1st Interim	First Interim Remaining	
Services & Other Operating Expenses											
5101	CMO Fees	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%
5205	Conference Fees	-	-	-	-	-	-	-	-	-	-
5210	MilesParkTolls	-	-	30	-	30	2,244	2,244	-	2,214	1%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	515	515	-	515	0%
5300	DuesMemberships	-	-	3,273	-	3,273	10,300	10,300	-	7,027	32%
5450	Other Insurance	5,553	1,851	1,851	1,851	11,106	27,808	27,808	-	16,702	40%
5500	OpsHousekeeping	-	-	112	-	112	5,150	5,150	-	5,038	2%
5510	Gas & Electric	1,102	-	(1,102)	-	-	-	-	-	-	-
5610	Rent & Leases	2,101	-	82,392	26,061	110,554	405,200	405,200	-	294,646	27%
5620	EquipmentLeases	2,237	1,413	1,045	2,793	7,488	16,068	16,068	-	8,580	47%
5630	Reps&MaintBldng	-	-	-	1,921	1,921	13,905	7,905	(6,000)	5,984	24%
5800	ProfessServices	-	10,000	5,535	11,268	26,802	167,268	111,605	(55,664)	84,802	24%
5810	Legal	1,919	-	2,408	66,500	70,827	35,000	98,972	63,972	28,145	72%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	22,647	22,647	45,294	113,234	113,234	-	67,940	40%
5814	SchPrgAcadComps	-	-	225	500	725	2,000	2,000	-	1,275	36%
5819	SchIProgs-Other	-	7,650	2,595	-	10,245	20,000	16,000	(4,000)	5,755	64%
5820	Audit & CPA	-	-	-	-	-	10,313	10,313	-	10,313	0%
5825	DMSBusiness Svcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	2,885	-	986	1,767	5,638	20,000	16,028	(3,972)	10,391	35%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	225	1,064	(520)	769	10,000	10,000	-	9,231	8%
5850	Oversight Fees	-	-	44,591	(44,591)	-	49,073	49,073	-	49,073	0%
5857	Payroll Fees	-	-	-	-	-	25,714	25,714	-	25,714	0%
5860	Service Fees	1,970	-	(1,959)	1,076	1,087	515	515	-	(572)	211%
5863	Prof Developmnt	-	-	2,200	610	2,810	15,000	30,666	15,666	27,856	9%
5864	Prof Dev-Other	-	-	3,500	(3,160)	340	30,000	30,000	-	29,660	1%
5869	SpEd Ctrct Inst	-	-	1,133	-	1,133	-	74,592	74,592	73,459	2%
5872	SpEd Fees	-	-	-	-	-	-	11,720	11,720	11,720	0%
5875	Staff Recruiting	-	-	-	-	-	309	309	-	309	0%
5884	Substitutes	-	-	12,787	5,716	18,503	77,000	77,000	-	58,497	24%
5890	Oth Svcs Non-Inst	-	-	1,970	972	2,942	15,450	15,450	-	12,508	19%
5900	Communications	-	1,075	-	-	1,075	9,962	9,962	-	8,887	11%
5920	Telecom Internet	944	2,042	4,584	2,151	9,721	49,991	49,991	-	40,270	19%
5930	Postage Delivery	-	-	543	-	543	6,896	6,896	-	6,353	8%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		101,302	106,848	275,002	180,154	663,305	2,130,019	2,226,333	96,313	1,563,027	30%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 3											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	11,829	11,829	-	20,000	20,000	8,171	59%
6900	Depreciation	-	-	-	21,268	21,268	63,804	63,804	-	42,536	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	33,098	33,098	63,804	83,804	20,000	50,707	39%
Other Outflows											
7299	Encroachment	-	-	-	-	-	11,720	-	(11,720)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	11,720	-	(11,720)	-	-
TOTAL EXPENSES		287,585	414,655	568,798	570,033	1,841,071	5,992,096	6,427,191	435,095	4,586,119	29%

Monthly Cash Flow (Actuals + Projections)

MSA-3	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	740,137	685,675	618,049	414,669	473,249	386,084	297,788	405,141	317,842	402,440	521,486	551,381	597,653	
Revenue														
LCFF Entitlement	63,914	279,907	237,298	530,517	357,925	357,925	506,500	357,925	500,269	555,925	423,592	423,592	663,746	5,259,037
Federal Revenue	-	-	-	1,036	47,565	13,720	14,209	59,804	18,723	42,784	115,729	79,277	84,836	477,682
Other State Revenues	10,948	-	80,655	19,707	290,923	47,238	123,006	25,028	97,160	55,759	27,450	80,461	(170,686)	687,648
Other Local Revenues	500	1,072	1,490	1,201	10,013	6,851	3,888	10,195	8,696	4,829	3,375	3,193	3,565	58,869
Total Revenue	75,362	280,979	319,443	552,462	706,426	425,734	647,604	452,952	624,848	659,297	570,146	586,522	581,461	6,483,236
Expenses														
Certificated Salaries	102,550	171,817	163,609	167,236	184,867	184,867	184,867	184,867	184,867	184,867	184,867	184,867	46,217	2,130,364
Classified Salaries	50,923	49,722	54,572	63,889	47,553	47,553	47,553	47,553	47,553	47,553	47,553	47,553	9,511	609,042
Benefits	29,878	85,914	46,486	100,737	81,940	81,940	81,940	81,940	81,940	81,940	81,940	81,940	40,970	959,508
Books and Supplies	2,932	355	29,129	24,920	43,363	43,363	43,363	43,363	43,363	43,363	43,363	43,363	13,899	418,140
Services and Operations	101,302	106,848	275,002	180,154	186,304	186,304	186,304	186,304	186,304	186,304	186,304	186,304	72,598	2,226,333
Depreciation / Cap Outlay	-	-	-	33,098	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	-	83,804
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	287,585	414,655	568,798	570,033	550,366	550,366	550,366	550,366	550,366	550,366	550,366	550,366	183,194	6,427,191
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	259,541	92,029	21,780	41,178	(253,340)	26,220	-	-	-	-	-	-	-	187,408
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	21,715	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	64,251
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(106,577)	(30,777)	-	-	-	-	-	-	-	-	-	-	-	(137,354)
Accounts Payable - Current Year	-	-	19,396	8,461	-	-	-	-	-	-	-	-	-	27,857
Summer Holdback for Teachers	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798	57,576
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	157,762	66,050	45,974	76,152	(243,225)	36,335	10,115	10,115	10,115	10,115	10,115	10,115		199,738
Total Change in Cash	(54,462)	(67,626)	(203,380)	58,580	(87,165)	(88,297)	107,353	(87,299)	84,597	119,046	29,896	46,272		255,783
ENDING CASH	685,675	618,049	414,669	473,249	386,084	297,788	405,141	317,842	402,440	521,486	551,381	597,653		



MSA-4 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$306,068).

This is an decrease of (\$226,330) from the original July 1 Budget projected deficit of (\$79,738).

This will allow MSA-4 to end this fiscal year with a balance of \$1,187,382, which is 45.4% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$950,462, which represents 133 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$25,843, or 1.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$45,798) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 5.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$10,744 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$2,003) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$62,900 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$252,173, or 10.7% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$227,007 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$23,801 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$27,730 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$26,365) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 4		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		24,302	108,269	92,068	139,300	363,940	1,920,178	1,874,380	(45,798)	1,510,440	19%
Federal Revenue		25,153	(19,158)	2,664	2,664	11,324	155,404	166,148	10,744	154,824	7%
Other State Revenues		5,928	11,855	7,903	87,163	112,850	197,847	195,844	(2,003)	82,994	58%
Other Local Revenues		7,700	375	-	1,022	9,097	7,396	70,296	62,900	61,199	13%
Total Revenue		63,082	101,342	102,636	230,150	497,210	2,280,825	2,306,668	25,843	1,809,458	22%
Expenses											
Certificated Salaries		31,346	74,448	79,878	79,104	264,776	949,845	1,023,997	74,152	759,221	26%
Classified Salaries		3,331	9,549	14,696	14,806	42,382	69,781	177,338	107,557	134,957	24%
Benefits		6,976	32,437	21,668	32,686	93,767	354,746	400,044	45,298	306,277	23%
Books and Supplies		1,469	5,148	24,002	6,426	37,046	143,475	167,276	23,801	130,230	22%
Services and Operating Exp.		11,950	21,134	62,299	18,672	114,054	797,040	824,770	27,730	710,716	14%
Depreciation & Cap Outlay		-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
Other Outflows		-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
Total Expenses		55,071	144,301	203,600	160,245	563,217	2,360,563	2,612,736	252,173	2,049,519	22%
Operating Income						(66,007)	(79,738)	(306,068)	(226,330)	(240,061)	
Fund Balance											
Beginning Balance (Unaudited)							1,493,450	1,493,450			
Operating Income							(79,738)	(306,068)			
Ending Fund Balance							1,413,712	1,187,382			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 4						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	59,666	59,666	106,898	226,230	1,317,941	1,222,758	(95,183)	996,528	19%				
8012	EPA Entitlement	-	-	-	-	-	223,524	249,634	26,110	249,634	0%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	24,302	48,603	32,402	32,402	137,710	378,713	401,988	23,275	264,278	34%				
SUBTOTAL - LCFF Entitlement		24,302	108,269	92,068	139,300	363,940	1,920,178	1,874,380	(45,798)	1,510,440	19%				
Federal Revenue															
8181	SpEd - Revenue	1,998	3,997	2,664	2,664	11,324	33,606	33,606	-	22,282	34%				
8220	SchLunchFederal	23,154	(23,154)	-	-	-	35,688	35,688	-	35,688	0%				
8290	All Other Federal Revenue	-	-	-	-	-	86,110	96,854	10,744	96,854	0%				
SUBTOTAL - Federal Revenue		25,153	(19,158)	2,664	2,664	11,324	155,404	166,148	10,744	154,824	7%				
Other State Revenue															
8311	SpEd Revenue	5,928	11,855	7,903	7,903	33,590	98,217	105,102	6,885	71,512	32%				
8520	SchoolNutrState	-	-	-	-	-	2,481	2,481	-	2,481	0%				
8550	MandCstReimburs	-	-	-	-	-	63,847	37,175	(26,672)	37,175	0%				
8560	StateLotteryRev	-	-	-	68,334	68,334	33,302	33,302	-	(35,032)	205%				
8590	AllOthStateRev	-	-	-	10,926	10,926	-	17,784	17,784	6,858	61%				
SUBTOTAL - Other State Revenue		5,928	11,855	7,903	87,163	112,850	197,847	195,844	(2,003)	82,994	58%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	1,487	1,487	-	1,487	0%				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	-	(0)	-	-	(0)	-	-	-	0	-				
8699	Other Revenue	7,700	-	-	1,397	9,097	5,909	23,809	17,900	14,712	38%				
8791	SpEd Revenue (Local)	-	-	-	-	-	-	45,000	45,000	45,000	0%				
8999	Revenues-Susp	-	375	-	(375)	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		7,700	375	-	1,022	9,097	7,396	70,296	62,900	61,199	13%				
TOTAL REVENUE		63,082	101,342	102,636	230,150	497,210	2,280,825	2,306,668	25,843	1,809,458	22%				

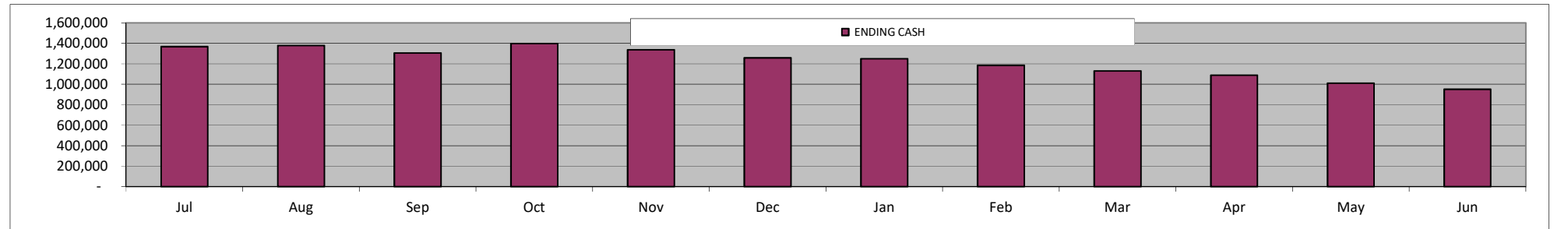
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA 4						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Year To Date						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD							
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	16,075	56,867	65,452	64,678	203,072	776,333	850,485	74,152	647,413	24%
1300	Cert Adminis	15,271	17,581	14,426	14,426	61,704	173,512	173,512	-	111,808	36%
SUBTOTAL - Certificated Salaries		31,346	74,448	79,878	79,104	264,776	949,845	1,023,997	74,152	759,221	26%
Classified Salaries											
2400	Clerical & Tech	3,331	5,177	5,887	6,012	20,407	41,998	59,259	17,261	38,853	34%
2900	OtherClassStaff	-	4,372	8,809	8,794	21,975	27,783	118,079	90,296	96,104	19%
SUBTOTAL - Classified Salaries		3,331	9,549	14,696	14,806	42,382	69,781	177,338	107,557	134,957	24%
Employee Benefits											
3101	STRS	3,044	11,485	12,844	12,874	40,247	147,744	164,542	16,798	124,295	24%
3202	PERS	575	958	1,207	1,239	3,979	12,604	12,604	-	8,625	32%
3301	OASDI/Med	802	2,071	2,501	2,477	7,851	21,735	22,235	500	14,384	35%
3401	HlthWelfare	-	16,961	4,264	15,140	36,365	160,358	188,358	28,000	151,993	19%
3501	UnemployIns	-	110	-	104	214	615	615	-	401	35%
3601	WorkersCmp	2,555	852	852	852	5,111	11,481	11,481	-	6,370	45%
3901	OthBenes	-	-	-	-	-	209	209	-	209	0%
SUBTOTAL - Employee Benefits		6,976	32,437	21,668	32,686	93,767	354,746	400,044	45,298	306,277	23%
Books & Supplies											
4100	Text&CoreCurric	-	-	5,445	-	5,445	17,118	17,118	-	11,673	32%
4200	BooksOthRefMats	-	-	-	-	-	-	-	-	-	-
4310	Ins Mats & Sups	-	-	-	-	-	25,000	46,015	21,015	46,015	0%
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-
4320	Office Supplies	-	201	578	1,072	1,851	11,000	11,000	-	9,149	17%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	-	-	-	-	-	-	-	-
4335	PE Supplies	-	-	-	-	-	1,000	1,000	-	1,000	0%
4340	Educat Software	-	375	6,281	2,411	9,067	33,228	30,396	(2,832)	21,329	30%
4345	NonInstStdntSup	-	-	40	-	40	5,000	5,000	-	4,960	1%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	49,129	49,129	-	49,129	0%
4720	Food:Other Food	-	-	-	-	-	2,000	2,000	-	2,000	0%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	1,469	4,572	9,954	2,944	18,939	-	-	-	(18,939)	-
SUBTOTAL - Books and Supplies		1,469	5,148	24,002	6,426	37,046	143,475	167,276	23,801	130,230	22%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 4											
Services & Other Operating Expenses											
5101	CMO Fees	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%
5205	Conference Fees	-	-	-	-	-	2,000	2,000	-	2,000	0%
5210	MilesParkTolls	-	-	-	-	-	-	-	-	-	-
5215	TravConferences	-	-	-	-	-	2,000	14,500	12,500	14,500	0%
5220	TraLodging	-	-	-	-	-	-	11,715	11,715	11,715	0%
5300	DuesMemberships	-	-	1,020	-	1,020	4,567	4,567	-	3,547	22%
5450	Other Insurance	2,133	711	711	711	4,266	11,273	11,273	-	7,007	38%
5500	OpsHousekeeping	-	-	-	-	-	656	656	-	656	0%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	4,155	-	4,155	172,340	187,740	15,400	183,585	2%
5620	EquipmentLeases	377	377	4,665	840	6,259	22,134	22,134	-	15,874	28%
5630	Reps&MaintBldng	-	-	-	-	-	7,000	7,000	-	7,000	0%
5800	ProfessServices	-	-	9,380	484	9,864	186,833	91,913	(94,920)	82,049	11%
5810	Legal	-	-	612	-	612	25,000	25,000	-	24,388	2%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	1,000	1,000	-	1,000	0%
5814	SchPrgAcadComps	-	-	-	450	450	5,000	5,000	-	4,550	9%
5819	SchIProgs-Other	-	-	-	-	-	1,000	1,000	-	1,000	0%
5820	Audit & CPA	-	-	-	-	-	10,850	10,850	-	10,850	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	2,150	370	2,520	5,000	7,200	2,200	4,680	35%
5836	FieldTrip Trans	-	9,579	6,386	6,386	22,351	63,860	63,860	-	41,509	35%
5840	MarkngStdtrcrt	-	-	-	-	-	10,000	10,000	-	10,000	0%
5850	Oversight Fees	1,028	2,056	1,371	1,371	5,826	19,202	19,202	-	13,376	30%
5857	Payroll Fees	-	-	-	-	-	10,044	10,044	-	10,044	0%
5860	Service Fees	-	-	(22)	-	(22)	546	546	-	568	-4%
5863	Prof Developmnt	-	-	250	890	1,140	29,865	29,865	-	28,725	4%
5864	Prof Dev-Other	-	-	5,914	341	6,255	20,000	20,000	-	13,745	31%
5869	SpEd Ctrct Inst	-	-	1,569	-	1,569	-	54,470	54,470	52,902	3%
5872	SpEd Fees	1,585	1,585	1,057	-	4,227	-	26,365	26,365	22,137	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	16,253	-	16,253	34,705	34,705	-	18,452	47%
5890	OthSvcsNon-Inst	-	-	-	-	-	11,596	11,596	-	11,596	0%
5900	Communications	-	-	-	-	-	4,450	4,450	-	4,450	0%
5920	TelecomInternet	355	354	356	358	1,423	55,750	55,750	-	54,327	3%
5930	PostageDelivery	-	-	-	-	-	2,713	2,713	-	2,713	0%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,950	21,134	62,299	18,672	114,054	797,040	824,770	27,730	710,716	14%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 4											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	6,437	6,437	19,312	19,312	-	12,874	33%
Other Outflows											
7299	Encroachment	-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	1,585	1,057	2,114	4,756	26,365	-	(26,365)	(4,756)	-
TOTAL EXPENSES		55,071	144,301	203,600	160,245	563,217	2,360,563	2,612,736	252,173	2,049,519	22%

Monthly Cash Flow (Actuals + Projections)

MSA-4	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
	1,336,770	1,368,119	1,378,127	1,304,746	1,397,922	1,335,617	1,257,898	1,248,566	1,185,508	1,129,427	1,088,058	1,011,753	950,462	
BEGINNING CASH														
Revenue														
LCFF Entitlement	24,302	108,269	92,068	139,300	139,300	139,300	198,125	139,300	158,677	186,226	136,232	136,232	277,048	1,874,380
Federal Revenue	25,153	(19,158)	2,664	2,664	21,816	9,264	6,198	25,765	12,124	5,993	22,924	17,391	33,350	166,148
Other State Revenues	5,928	11,855	7,903	87,163	14,199	16,257	27,125	14,418	15,658	7,333	7,333	27,373	(46,702)	195,844
Other Local Revenues	7,700	375	-	1,022	889	149	1,910	149	149	1,770	(105)	403	55,887	70,296
Total Revenue	63,082	101,342	102,636	230,150	176,205	164,970	233,358	179,632	186,608	201,321	166,384	181,398	319,583	2,306,668
Expenses														
Certificated Salaries	31,346	74,448	79,878	79,104	92,027	92,027	92,027	92,027	92,027	92,027	92,027	92,027	23,007	1,023,997
Classified Salaries	3,331	9,549	14,696	14,806	16,458	16,458	16,458	16,458	16,458	16,458	16,458	16,458	3,292	177,338
Benefits	6,976	32,437	21,668	32,686	36,033	36,033	36,033	36,033	36,033	36,033	36,033	36,033	18,016	400,044
Books and Supplies	1,469	5,148	24,002	6,426	17,146	17,146	17,146	17,146	17,146	17,146	17,146	17,146	(6,937)	167,276
Services and Operations	11,950	21,134	62,299	18,672	82,212	82,212	82,212	82,212	82,212	82,212	82,212	82,212	53,019	824,770
Depreciation / Cap Outlay	-	-	-	6,437	1,609	1,609	1,609	1,609	1,609	1,609	1,609	1,609	-	19,312
Other Outflows	-	1,585	1,057	2,114	-	-	-	-	-	-	-	-	(4,756)	-
Total Expenses	55,071	144,301	203,600	160,245	245,485	245,485	245,485	245,485	245,485	245,485	245,485	245,485	85,641	2,612,736
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	73,015	65,278	-	14,184	4,180	-	-	-	-	-	-	-	-	156,657
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	6,437	609	609	609	609	609	609	609	609	609	11,311
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(51,863)	(14,497)	-	-	-	-	-	-	-	-	-	-	-	(66,360)
Accounts Payable - Current Year	-	-	25,396	465	-	-	-	-	-	-	-	-	-	25,861
Summer Holdback for Teachers	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	-	26,232
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	23,338	52,967	27,582	23,272	6,975	2,795	2,795	2,795	2,795	2,795	2,795	2,795		153,702
Total Change in Cash	31,349	10,008	(73,382)	93,177	(62,305)	(77,720)	(9,332)	(63,058)	(56,081)	(41,368)	(76,306)	(61,291)		(152,366)
ENDING CASH	1,368,119	1,378,127	1,304,746	1,397,922	1,335,617	1,257,898	1,248,566	1,185,508	1,129,427	1,088,058	1,011,753	950,462		



MSA-5 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$74,737.

This is an increase of \$43,601 from the original July 1 Budget projected surplus of \$31,136.

This will allow MSA-5 to end this fiscal year with a balance of \$2,010,097, which is 71.6% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,608,728, which represents 209 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$31,504, or 1.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$48,500 higher than in the July Budget, due to average daily attendance (ADA) increasing by 6.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$6,512 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$23,508) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = decrease of (\$12,097), or -0.4% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$50,903 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$11,081 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$31,083) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$42,998) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 5		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		28,614	123,047	141,604	233,731	526,997	2,431,167	2,479,667	48,500	1,952,670	21%
Federal Revenue		-	-	-	-	-	156,069	162,581	6,512	162,581	0%
Other State Revenues		6,191	-	-	6,206	12,397	263,878	240,370	(23,508)	227,973	5%
Other Local Revenues		2,458	(1,219)	0	28	1,267	1,000	1,000	-	(267)	127%
Total Revenue		37,263	121,828	141,604	239,966	540,661	2,852,114	2,883,618	31,504	2,342,957	19%
Expenses											
Certificated Salaries		43,901	92,783	99,488	98,991	335,162	1,171,673	1,149,695	(21,978)	814,533	29%
Classified Salaries		16,335	357	23,531	24,338	64,562	157,231	229,241	72,010	164,680	28%
Benefits		12,463	47,959	36,694	43,426	140,541	495,114	495,985	871	355,444	28%
Books and Supplies		-	3,644	35,184	3,316	42,144	238,640	249,721	11,081	207,577	17%
Services and Operating Exp.		14,397	10,376	24,415	80,125	129,313	697,742	666,659	(31,083)	537,346	19%
Depreciation & Cap Outlay		-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
Other Outflows		-	-	-	-	-	42,998	-	(42,998)	-	-
Total Expenses		87,096	155,119	219,312	256,055	717,582	2,820,978	2,808,881	(12,097)	2,091,299	26%
Operating Income						(176,921)	31,136	74,737	43,601	251,658	
Fund Balance											
Beginning Balance (Unaudited)							1,935,360	1,935,360			
Operating Income							31,136	74,737			
Ending Fund Balance							1,966,496	2,010,097			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 5						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	65,819	103,452	118,475	287,746	1,648,493	1,585,991	(62,502)	1,298,245	18%				
8012	EPA Entitlement	-	-	-	77,104	77,104	282,755	333,412	50,657	256,308	23%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	28,614	57,228	38,152	38,152	162,147	499,919	560,264	60,345	398,117	29%				
SUBTOTAL - LCFF Entitlement		28,614	123,047	141,604	233,731	526,997	2,431,167	2,479,667	48,500	1,952,670	21%				
Federal Revenue															
8181	SpEd - Revenue	-	-	-	-	-	26,250	26,250	-	26,250	0%				
8220	SchLunchFederal	-	-	-	-	-	-	-	-	-	-				
8290	All Other Federal Revenue	-	-	-	-	-	129,819	136,331	6,512	136,331	0%				
SUBTOTAL - Federal Revenue		-	-	-	-	-	156,069	162,581	6,512	162,581	0%				
Other State Revenue															
8311	SpEd Revenue	-	-	-	-	-	118,285	118,285	-	118,285	0%				
8520	SchoolNtrState	-	-	-	-	-	-	-	-	-	-				
8550	MandCstReimburs	-	-	-	-	-	72,149	40,737	(31,412)	40,737	0%				
8560	StateLotteryRev	-	-	-	-	-	43,960	43,960	-	43,960	0%				
8590	AllOthStateRev	6,191	-	-	6,206	12,397	29,484	37,388	7,904	24,991	33%				
SUBTOTAL - Other State Revenue		6,191	-	-	6,206	12,397	263,878	240,370	(23,508)	227,973	5%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	2,458	(2,351)	0	-	107	-	-	-	(107)	-				
8699	Other Revenue	-	-	-	28	28	1,000	1,000	-	972	3%				
8791	SpEd Revenue (Local)	-	1,131	-	-	1,131	-	-	-	(1,131)	-				
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		2,458	(1,219)	0	28	1,267	1,000	1,000	-	(267)	127%				
TOTAL REVENUE		37,263	121,828	141,604	239,966	540,661	2,852,114	2,883,618	31,504	2,342,957	19%				

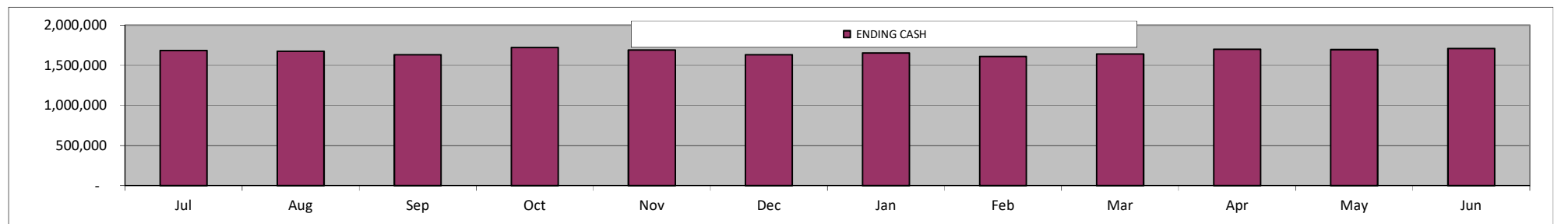
2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 5											
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	22,511	77,393	84,098	83,279	267,280	982,993	961,015	(21,978)	693,735	28%
1300	Cert Adminis	21,390	15,390	15,390	15,712	67,882	188,680	188,680	-	120,798	36%
SUBTOTAL - Certificated Salaries		43,901	92,783	99,488	98,991	335,162	1,171,673	1,149,695	(21,978)	814,533	29%
Classified Salaries											
2400	Clerical & Tech	11,197	(10,286)	11,197	11,197	23,306	86,990	108,184	21,194	84,879	22%
2900	OtherClassStaff	5,138	10,644	12,334	13,141	41,256	70,241	121,057	50,816	79,801	34%
SUBTOTAL - Classified Salaries		16,335	357	23,531	24,338	64,562	157,231	229,241	72,010	164,680	28%
Employee Benefits											
3101	STRS	4,234	15,081	16,172	16,116	51,603	180,567	180,967	400	129,365	29%
3202	PERS	2,864	3,519	3,676	3,698	13,757	28,226	28,226	-	14,469	49%
3301	OASDI/Med	1,885	3,110	3,240	3,295	11,530	32,895	33,366	471	21,836	35%
3401	HlthWelfare	1,013	25,283	12,783	19,346	58,425	237,664	237,664	-	179,239	25%
3501	UnemployIns	-	144	-	149	293	799	799	-	505	37%
3601	WorkersCmp	2,467	822	822	822	4,933	14,963	14,963	-	10,030	33%
3901	OthBenes	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Employee Benefits		12,463	47,959	36,694	43,426	140,541	495,114	495,985	871	355,444	28%
Books & Supplies											
4100	Text&CoreCurric	-	-	26,545	-	26,545	20,000	30,000	10,000	3,455	88%
4200	BooksOthRefMats	-	-	-	-	-	5,000	5,000	-	5,000	0%
4310	Ins Mats & Sups	-	-	999	-	999	13,446	18,777	5,331	17,778	5%
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-
4320	Office Supplies	-	60	79	191	329	12,500	11,500	(1,000)	11,171	3%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4340	Educat Software	-	750	4,540	-	5,290	43,865	43,813	(52)	38,523	12%
4345	NonInstStdntSup	-	-	2,801	-	2,801	2,000	2,802	802	1	100%
4350	Cust. Supplies	-	-	-	-	-	1,000	1,000	-	1,000	0%
4400	NonCapEquip-Gen	-	-	-	-	-	11,329	11,329	-	11,329	0%
4430	OfficeFurnEqp<5k	-	-	-	-	-	5,000	5,000	-	5,000	0%
4440	Computers <\$5k	-	-	-	-	-	5,000	5,000	-	5,000	0%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	115,000	105,000	(10,000)	105,000	0%
4720	Food:Other Food	-	-	-	-	-	2,000	2,000	-	2,000	0%
4990	Prior Year Exp	-	-	-	-	-	-	6,000	6,000	6,000	0%
4999	Misc Exp-Suspense	-	2,834	220	3,125	6,179	-	-	-	(6,179)	-
SUBTOTAL - Books and Supplies		-	3,644	35,184	3,316	42,144	238,640	249,721	11,081	207,577	17%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 5											
Services & Other Operating Expenses											
5101	CMO Fees	8,604	8,604	8,604	8,604	34,418	103,253	103,253	-	68,835	33%
5205	Conference Fees	678	-	-	-	678	2,000	2,000	-	1,322	34%
5210	MilesParkTolls	-	-	-	-	-	-	-	-	-	-
5215	TravConferences	-	-	-	-	-	1,000	1,000	-	1,000	0%
5220	TraLodging	-	-	-	-	-	-	-	-	-	-
5300	DuesMemberships	-	-	1,280	-	1,280	5,000	5,000	-	3,720	26%
5450	Other Insurance	1,607	536	536	536	3,215	11,836	11,836	-	8,621	27%
5500	OpsHousekeeping	-	-	-	-	-	515	515	-	515	0%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	789	-	-	61,667	62,456	185,000	185,000	-	122,545	34%
5620	EquipmentLeases	398	366	323	299	1,387	18,432	18,432	-	17,045	8%
5630	Reps&MaintBldng	-	-	-	-	-	10,000	10,000	-	10,000	0%
5800	ProfessServices	-	-	2,126	708	2,833	121,071	12,728	(108,343)	9,895	22%
5810	Legal	-	-	-	-	-	5,000	5,000	-	5,000	0%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	5,897	5,897	11,794	29,484	29,484	-	17,690	40%
5814	SchPrgAcadComps	-	-	-	-	-	5,000	5,000	-	5,000	0%
5819	SchIProgs-Other	-	-	-	-	-	3,600	3,600	-	3,600	0%
5820	Audit & CPA	-	-	-	-	-	8,334	8,334	-	8,334	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	446	-	446	10,000	10,000	-	9,554	4%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdRecrt	-	-	-	-	-	7,500	7,500	-	7,500	0%
5850	Oversight Fees	-	-	-	-	-	24,292	24,292	-	24,292	0%
5857	Payroll Fees	-	-	-	-	-	10,038	10,038	-	10,038	0%
5860	Service Fees	1,864	-	4	-	1,868	612	612	-	(1,256)	305%
5863	Prof Developmnt	-	-	-	127	127	10,000	10,000	-	9,873	1%
5864	Prof Dev-Other	-	-	1,377	191	1,568	20,085	20,085	-	18,517	8%
5869	SpEd Ctrct Inst	-	-	-	1,673	1,673	-	34,262	34,262	32,589	5%
5872	SpEd Fees	-	-	-	-	-	-	42,998	42,998	42,998	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	141	3,396	-	3,538	20,686	20,686	-	17,148	17%
5890	OthSvcsNon-Inst	-	-	-	-	-	24,720	24,720	-	24,720	0%
5900	Communications	-	-	-	-	-	4,323	4,323	-	4,323	0%
5920	TelecomInternet	457	426	425	423	1,732	53,079	53,079	-	51,347	3%
5930	PostageDelivery	-	302	-	-	302	2,882	2,882	-	2,581	10%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		14,397	10,376	24,415	80,125	129,313	697,742	666,659	(31,083)	537,346	19%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 5											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	5,860	5,860	17,579	17,579	-	11,720	33%
Other Outflows											
7299	Encroachment	-	-	-	-	-	42,998	-	(42,998)	-	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	-	-	-	-	42,998	-	(42,998)	-	-
TOTAL EXPENSES		87,096	155,119	219,312	256,055	717,582	2,820,978	2,808,881	(12,097)	2,091,299	26%

Monthly Cash Flow (Actuals + Projections)

MSA-5	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,731,955	1,683,567	1,674,062	1,633,348	1,720,819	1,691,642	1,632,483	1,652,245	1,608,728	1,641,164	1,699,892	1,695,809	1,709,096	
Revenue														
LCFF Entitlement	28,614	123,047	141,604	233,731	156,627	156,627	223,002	156,627	246,705	285,104	205,787	205,787	316,403	2,479,667
Federal Revenue	-	-	-	-	27,283	7,339	8,276	25,456	9,122	634	23,979	16,637	43,855	162,581
Other State Revenues	6,191	-	-	6,206	13,399	20,037	31,647	17,564	19,772	16,153	8,782	33,558	67,062	240,370
Other Local Revenues	2,458	(1,219)	0	28	0	0	0	0	0	0	532	468	(1,267)	1,000
Total Revenue	37,263	121,828	141,604	239,966	197,309	184,004	262,925	199,647	275,598	301,891	239,080	256,450	426,054	2,883,618
Expenses														
Certificated Salaries	43,901	92,783	99,488	98,991	98,731	98,731	98,731	98,731	98,731	98,731	98,731	98,731	24,683	1,149,695
Classified Salaries	16,335	357	23,531	24,338	20,083	20,083	20,083	20,083	20,083	20,083	20,083	20,083	4,017	229,241
Benefits	12,463	47,959	36,694	43,426	41,817	41,817	41,817	41,817	41,817	41,817	41,817	41,817	20,908	495,985
Books and Supplies	-	3,644	35,184	3,316	24,570	24,570	24,570	24,570	24,570	24,570	24,570	24,570	11,020	249,721
Services and Operations	14,397	10,376	24,415	80,125	62,456	62,456	62,456	62,456	62,456	62,456	62,456	62,456	37,696	666,659
Depreciation / Cap Outlay	-	-	-	5,860	1,465	1,465	1,465	1,465	1,465	1,465	1,465	1,465	-	17,579
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	87,096	155,119	219,312	256,055	249,122	249,122	249,122	249,122	249,122	249,122	249,122	249,122	98,324	2,808,881
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	74,941	40,102	-	25,903	16,677	-	-	-	-	-	-	-	-	157,623
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,860	1,465	1,465	1,465	1,465	1,465	1,465	1,465	1,465	1,465	17,579
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(77,989)	(20,810)	-	-	-	-	-	-	-	-	-	-	-	(98,800)
Accounts Payable - Current Year	-	-	32,499	67,304	-	-	-	-	-	-	-	-	-	99,803
Summer Holdback for Teachers	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	4,494	53,928
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	1,446	23,786	36,993	103,561	22,636	5,959	5,959	5,959	5,959	5,959	5,959	5,959		230,134
Total Change in Cash	(48,388)	(9,505)	(40,714)	87,471	(29,177)	(59,159)	19,762	(43,516)	32,435	58,728	(4,083)	13,287		304,871
ENDING CASH	1,683,567	1,674,062	1,633,348	1,720,819	1,691,642	1,632,483	1,652,245	1,608,728	1,641,164	1,699,892	1,695,809	1,709,096		



MSA-6 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$141,222.

This is an increase of \$83,431 from the original July 1 Budget projected surplus of \$57,791.

This will allow MSA-6 to end this fiscal year with a balance of \$1,745,123, which is 93.1% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,396,392, which represents 272 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$119,670, or 6.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$45,650 higher than in the July Budget, due to average daily attendance (ADA) increasing by 4.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$8,549 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$65,471 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$36,239, or 2.0% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$2,918) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$14,175 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$47,672 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$22,690) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 6		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		22,456	92,814	77,843	116,164	309,277	1,464,746	1,510,396	45,650	1,201,119	20%
Federal Revenue		1,847	3,693	2,462	2,462	10,464	166,466	175,015	8,549	164,551	6%
Other State Revenues		5,477	10,955	-	65,004	81,436	249,668	315,139	65,471	233,703	26%
Other Local Revenues		-	-	-	0	0	15,000	15,000	-	15,000	0%
Total Revenue		29,780	107,462	80,305	183,631	401,178	1,895,880	2,015,550	119,670	1,614,373	20%
Expenses											
Certificated Salaries		37,902	59,182	63,807	60,015	220,906	723,179	708,967	(14,212)	488,061	31%
Classified Salaries		3,601	8,533	9,361	9,485	30,980	111,000	122,294	11,294	91,315	25%
Benefits		5,601	25,830	15,462	31,292	78,185	341,933	341,933	-	263,748	23%
Books and Supplies		1,520	7,166	18,437	4,667	31,790	149,590	163,765	14,175	131,975	19%
Services and Operating Exp.		8,918	37,457	19,254	28,732	94,361	473,140	520,812	47,672	426,451	18%
Depreciation & Cap Outlay		-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
Other Outflows		-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
Total Expenses		57,542	139,634	118,278	141,663	457,116	1,838,089	1,874,328	36,239	1,417,212	24%
Operating Income						(55,939)	57,791	141,222	83,431	197,161	
Fund Balance											
Beginning Balance (Unaudited)							1,603,901	1,603,901			
Operating Income							57,791	141,222			
Ending Fund Balance							1,661,692	1,745,123			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 6						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	47,902	47,902	86,223	182,027	963,048	937,018	(26,030)	754,991	19%				
8012	EPA Entitlement	-	-	-	-	-	175,782	207,581	31,799	207,581	0%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	22,456	44,912	29,941	29,941	127,250	325,916	365,797	39,881	238,547	35%				
SUBTOTAL - LCFF Entitlement		22,456	92,814	77,843	116,164	309,277	1,464,746	1,510,396	45,650	1,201,119	20%				
Federal Revenue															
8181	SpEd - Revenue	1,847	3,693	2,462	2,462	10,464	28,921	28,921	-	18,457	36%				
8220	SchLunchFederal	-	-	-	-	-	50,307	50,307	-	50,307	0%				
8290	All Other Federal Revenue	-	-	-	-	-	87,238	95,787	8,549	95,787	0%				
SUBTOTAL - Federal Revenue		1,847	3,693	2,462	2,462	10,464	166,466	175,015	8,549	164,551	6%				
Other State Revenue															
8311	SpEd Revenue	5,477	10,955	-	7,303	23,735	84,525	91,190	6,665	67,455	26%				
8520	SchoolNutrState	-	-	-	-	-	3,800	3,800	-	3,800	0%				
8550	MandCstReimburs	-	-	-	-	-	55,735	31,083	(24,652)	31,083	0%				
8560	StateLotteryRev	-	-	-	-	-	28,658	28,658	-	28,658	0%				
8590	AllOthStateRev	-	-	-	57,701	57,701	76,950	160,409	83,459	102,708	36%				
SUBTOTAL - Other State Revenue		5,477	10,955	-	65,004	81,436	249,668	315,139	65,471	233,703	26%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-				
8699	Other Revenue	-	-	-	0	0	15,000	15,000	-	15,000	0%				
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-				
8999	Revenues-Susp	-	-	-	0	0	-	-	-	(0)	-				
SUBTOTAL - Local Revenue		-	-	-	0	0	15,000	15,000	-	15,000	0%				
TOTAL REVENUE		29,780	107,462	80,305	183,631	401,178	1,895,880	2,015,550	119,670	1,614,373	20%				

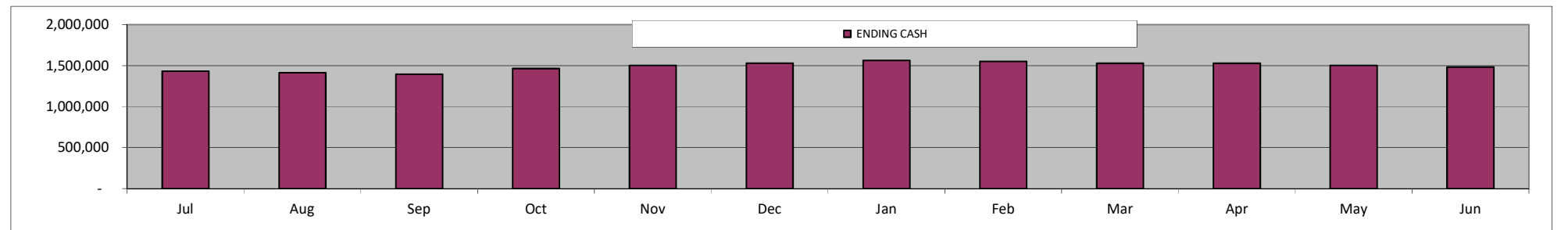
2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 6						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
EXPENSES DETAIL															
Certificated Salaries															
1100	TeacherSalaries	20,000	45,280	49,905	46,113	161,298	550,355	536,143	(14,212)	374,845	30%				
1300	Cert Adminis	17,902	13,902	13,902	13,902	59,608	172,824	172,824	-	113,216	34%				
SUBTOTAL - Certificated Salaries		37,902	59,182	63,807	60,015	220,906	723,179	708,967	(14,212)	488,061	31%				
Classified Salaries															
2400	Clerical & Tech	3,244	4,166	4,080	4,720	16,210	45,000	46,862	1,862	30,652	35%				
2900	OtherClassStaff	356	4,367	5,281	4,766	14,770	66,000	75,432	9,432	60,662	20%				
SUBTOTAL - Classified Salaries		3,601	8,533	9,361	9,485	30,980	111,000	122,294	11,294	91,315	25%				
Employee Benefits															
3101	STRS	1,926	9,635	9,737	9,770	31,068	110,560	110,560	-	79,492	28%				
3202	PERS	650	1,505	1,635	1,524	5,314	20,049	20,049	-	14,735	27%				
3301	OASDI/Med	823	1,507	1,638	1,593	5,560	21,709	21,709	-	16,149	26%				
3401	HlthWelfare	-	12,349	1,718	17,579	31,647	173,809	173,809	-	142,162	18%				
3501	UnemployIns	-	101	-	91	192	500	500	-	308	38%				
3601	WorkersCmp	2,202	734	734	734	4,404	9,393	9,393	-	4,989	47%				
3901	OthBenes	-	-	-	-	-	5,913	5,913	-	5,913	0%				
SUBTOTAL - Employee Benefits		5,601	25,830	15,462	31,292	78,185	341,933	341,933	-	263,748	23%				
Books & Supplies															
4100	Text&CoreCurric	-	-	7,016	140	7,156	25,750	25,750	-	18,594	28%				
4200	BooksOthRefMats	-	-	-	-	-	1,061	1,061	-	1,061	0%				
4310	Ins Mats & Sups	-	-	840	-	840	7,185	17,985	10,800	17,145	5%				
4320	Office Supplies	-	173	171	129	473	10,000	7,000	(3,000)	6,527	7%				
4335	PE Supplies	-	-	-	-	-	1,500	1,500	-	1,500	0%				
4340	Educat Software	-	375	-	3,969	4,344	21,916	22,291	375	17,947	19%				
4345	NonInstStdntSup	-	-	-	-	-	2,652	2,652	-	2,652	0%				
4346	TeacherSupplies	-	-	46	-	46	1,132	3,132	2,000	3,086	1%				
4351	Yearbook	-	-	-	-	-	1,500	1,500	-	1,500	0%				
4390	Uniforms	-	-	-	-	-	2,000	2,000	-	2,000	0%				
4400	NonCapEquip-Gen	-	-	-	-	-	-	-	-	-	-				
4430	OfficeFurnEqp<5k	-	-	-	-	-	2,500	2,500	-	2,500	0%				
4440	Computers <\$5k	-	-	-	-	-	4,000	8,000	4,000	8,000	0%				
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-				
4710	Food	-	-	-	-	-	65,803	65,803	-	65,803	0%				
4720	Food:Other Food	-	-	-	-	-	1,591	1,591	-	1,591	0%				
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-				
4999	Misc Exp-Suspense	1,520	6,618	10,364	429	18,932	-	-	-	(18,932)	-				
SUBTOTAL - Books and Supplies		1,520	7,166	18,437	4,667	31,790	149,590	163,765	14,175	131,975	19%				

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 6											
Services & Other Operating Expenses											
5101	CMO Fees	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%
5205	Conference Fees	-	-	-	-	-	-	-	-	-	-
5210	MilesParkTolls	-	-	84	198	283	1,545	1,545	-	1,262	18%
5215	TravConferences	-	-	-	-	-	561	561	-	561	0%
5220	TraLodging	-	-	-	-	-	1,000	1,000	-	1,000	0%
5300	DuesMemberships	-	970	900	-	1,870	1,937	1,937	-	67	97%
5450	Other Insurance	1,553	518	518	518	3,107	10,771	10,771	-	7,664	29%
5500	OpsHousekeeping	-	-	-	312	312	2,000	2,000	-	1,688	16%
5510	Gas & Electric	317	57	21	570	965	7,931	7,931	-	6,966	12%
5610	Rent & Leases	-	19,000	9,500	9,500	38,000	114,000	114,000	-	76,000	33%
5620	EquipmentLeases	-	-	419	437	856	5,092	5,092	-	4,236	17%
5630	Reps&MaintBldng	-	-	-	-	-	2,000	2,000	-	2,000	0%
5800	ProfessServices	-	6,825	907	4,828	12,560	86,753	49,188	(37,565)	36,628	26%
5810	Legal	-	-	83	568	651	20,000	20,000	-	19,350	3%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	3,000	3,000	-	3,000	0%
5814	SchPrgAcadComps	-	-	-	-	-	1,000	1,000	-	1,000	0%
5819	SchIProgs-Other	-	-	-	-	-	10,000	10,000	-	10,000	0%
5820	Audit & CPA	-	875	-	148	1,023	4,774	4,774	-	3,751	21%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	1,368	1,368	10,000	13,000	3,000	11,632	11%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtrcrt	-	-	-	1,317	1,317	18,000	15,000	(3,000)	13,683	9%
5850	Oversight Fees	870	1,480	1,160	1,160	4,669	15,756	15,756	-	11,087	30%
5857	Payroll Fees	-	-	-	-	-	10,844	10,844	-	10,844	0%
5860	Service Fees	-	-	3	1,148	1,152	530	530	-	(622)	217%
5863	Prof Developmnt	-	-	-	-	-	2,000	5,000	3,000	5,000	0%
5864	Prof Dev-Other	-	-	-	-	-	23,000	20,000	(3,000)	20,000	0%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	62,547	62,547	62,547	0%
5872	SpEd Fees	1,465	1,465	977	(0)	3,906	-	22,690	22,690	18,784	17%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	1,614	-	-	1,614	16,000	16,000	-	14,386	10%
5890	OthSvcsNon-Inst	-	-	-	-	-	10,943	10,943	-	10,943	0%
5900	Communications	-	-	-	1,575	1,575	3,090	3,090	-	1,515	51%
5920	TelecomInternet	842	784	811	812	3,248	39,161	39,161	-	35,913	8%
5930	PostageDelivery	-	-	-	403	403	5,000	5,000	-	4,598	8%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		8,918	37,457	19,254	28,732	94,361	473,140	520,812	47,672	426,451	18%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 6											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	-	-	-	-
6900	Depreciation	-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
SUBTOTAL - Cap Outlay & Dep.		-	-	-	5,519	5,519	16,557	16,557	-	11,038	33%
Other Outflows											
7299	Encroachment	-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	1,465	(8,042)	1,953	(4,625)	22,690	-	(22,690)	4,625	-
TOTAL EXPENSES		57,542	139,634	118,278	141,663	457,116	1,838,089	1,874,328	36,239	1,417,212	24%

Monthly Cash Flow (Actuals + Projections)

MSA-6	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,442,531	1,431,964	1,415,240	1,396,392	1,464,610	1,503,437	1,530,390	1,563,738	1,551,747	1,527,773	1,529,284	1,504,258	1,482,966	
Revenue														
LCFF Entitlement	22,456	92,814	77,843	116,164	116,164	116,164	165,836	116,164	121,614	134,310	101,817	101,817	227,233	1,510,396
Federal Revenue	1,847	3,693	2,462	2,462	20,299	7,018	7,642	27,328	8,240	5,057	36,877	19,900	32,190	175,015
Other State Revenues	5,477	10,955	-	65,004	48,484	14,645	25,216	11,396	13,052	25,125	5,888	23,872	66,026	315,139
Other Local Revenues	-	-	-	0	1,522	3,571	1,534	0	0	3,898	(2,728)	0	7,202	15,000
Total Revenue	29,780	107,462	80,305	183,631	186,469	141,398	200,228	154,888	142,906	168,390	141,854	145,588	332,651	2,015,550
Expenses														
Certificated Salaries	37,902	59,182	63,807	60,015	59,159	59,159	59,159	59,159	59,159	59,159	59,159	59,159	14,790	708,967
Classified Salaries	3,601	8,533	9,361	9,485	11,136	11,136	11,136	11,136	11,136	11,136	11,136	11,136	2,227	122,294
Benefits	5,601	25,830	15,462	31,292	31,029	31,029	31,029	31,029	31,029	31,029	31,029	31,029	15,515	341,933
Books and Supplies	1,520	7,166	18,437	4,667	16,991	16,991	16,991	16,991	16,991	16,991	16,991	16,991	(3,952)	163,765
Services and Operations	8,918	37,457	19,254	28,732	49,329	49,329	49,329	49,329	49,329	49,329	49,329	49,329	31,820	520,812
Depreciation / Cap Outlay	-	-	-	5,519	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	-	16,557
Other Outflows	-	1,465	(8,042)	1,953	578	578	578	578	578	578	578	578	-	0
Total Expenses	57,542	139,634	118,278	141,663	169,602	169,602	169,602	169,602	169,602	169,602	169,602	169,602	60,400	1,874,328
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	55,255	24,396	-	11,190	19,238	52,435	-	-	-	-	-	-	-	162,513
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,519	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	-	16,557
Due To (From)	-	-	-	7,665	-	-	-	-	-	-	-	-	-	7,665
Expenses - Prior Year Accruals	(39,402)	(10,291)	-	-	-	-	-	-	-	-	-	-	-	(49,693)
Accounts Payable - Current Year	-	-	17,784	534	-	-	-	-	-	-	-	-	-	18,318
Summer Holdback for Teachers	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	-	16,104
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	17,195	15,447	19,126	26,250	21,959	55,156	2,722	2,722	2,722	2,722	2,722	2,722		171,464
Total Change in Cash	(10,567)	(16,725)	(18,847)	68,218	38,827	26,953	33,348	(11,991)	(23,973)	1,510	(25,026)	(21,292)		312,686
ENDING CASH	1,431,964	1,415,240	1,396,392	1,464,610	1,503,437	1,530,390	1,563,738	1,551,747	1,527,773	1,529,284	1,504,258	1,482,966		



MSA-7 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$186,738).

This is an decrease of (\$286,486) from the original July 1 Budget projected surplus of \$99,749.

This will allow MSA-7 to end this fiscal year with a balance of \$1,311,457, which is 33.1% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$819,831, which represents 75 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = increase of \$74,401, or 2.0% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are \$13,286 higher than in the July Budget, due to average daily attendance (ADA) decreasing by 2.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$7,676 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$53,439 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$360,888, or 10.0% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$200,629 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$20,996 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$169,262 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$29,999) lower than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
MSA 7		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		39,774	163,536	137,019	204,208	544,537	2,757,763	2,771,049	13,286	2,226,512	20%
Federal Revenue		22,640	6,541	(15,009)	4,361	18,534	249,020	256,696	7,676	238,162	7%
Other State Revenues		9,702	19,403	-	111,950	141,055	672,875	726,314	53,439	585,259	19%
Other Local Revenues		1,671	646	95	5,169	7,581	27,052	27,052	-	19,471	28%
Total Revenue		73,787	190,126	122,106	325,689	711,707	3,706,710	3,781,111	74,401	3,069,404	19%
Expenses											
Certificated Salaries		78,995	91,319	92,062	91,584	353,960	1,135,377	1,175,864	40,487	821,904	30%
Classified Salaries		16,649	19,588	29,948	31,072	97,258	269,611	414,654	145,043	317,396	23%
Benefits		14,223	47,944	26,467	52,533	141,167	473,427	488,526	15,099	347,359	29%
Books and Supplies		-	2,265	41,000	(4,242)	39,024	227,293	248,289	20,996	209,265	16%
Services and Operating Exp.		78,255	87,950	121,244	120,656	408,106	1,442,279	1,611,541	169,262	1,203,435	25%
Depreciation & Cap Outlay		-	-	-	5,329	5,329	15,987	28,975	12,988	23,646	18%
Other Outflows		-	2,594	(11,206)	3,459	(5,152)	42,987	-	(42,987)	5,152	-
Total Expenses		188,123	251,661	299,516	300,392	1,039,692	3,606,961	3,967,849	360,888	2,928,157	26%
Operating Income						(327,985)	99,749	(186,738)	(286,486)	141,247	
Fund Balance											
Beginning Balance (Unaudited)							1,498,195	1,498,195			
Operating Income							99,749	(186,738)			
Ending Fund Balance							1,597,944	1,311,457			



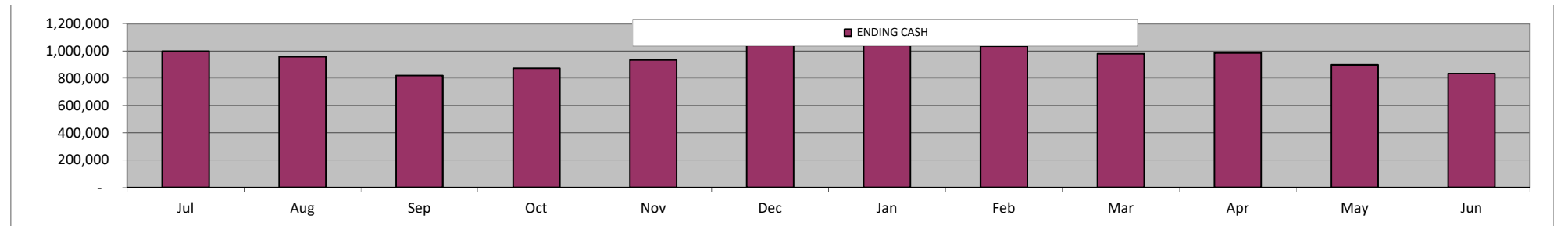
2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 7						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	-	83,987	83,987	151,176	319,150	1,817,619	1,731,650	(85,969)	1,412,500	18%				
8012	EPA Entitlement	-	-	-	-	-	322,659	368,727	46,068	368,727	0%				
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-				
8096	InLieuPropTaxes	39,774	79,549	53,032	53,032	225,387	617,485	670,672	53,187	445,285	34%				
SUBTOTAL - LCFF Entitlement		39,774	163,536	137,019	204,208	544,537	2,757,763	2,771,049	13,286	2,226,512	20%				
Federal Revenue															
8181	SpEd - Revenue	3,271	6,541	4,361	4,361	18,534	54,794	54,794	-	36,260	34%				
8220	SchLunchFederal	19,369	-	(19,369)	-	-	80,273	80,273	-	80,273	0%				
8290	All Other Federal Revenue	-	-	-	-	-	113,953	121,629	7,676	121,629	0%				
SUBTOTAL - Federal Revenue		22,640	6,541	(15,009)	4,361	18,534	249,020	256,696	7,676	238,162	7%				
Other State Revenue															
8311	SpEd Revenue	9,702	19,403	-	12,935	42,040	160,141	171,416	11,275	129,376	25%				
8520	SchoolNutrState	-	-	-	-	-	6,152	6,152	-	6,152	0%				
8550	MandCstReimburs	-	-	-	-	-	98,718	55,053	(43,665)	55,053	0%				
8560	StateLotteryRev	-	-	-	-	-	54,298	54,298	-	54,298	0%				
8590	AllOthStateRev	-	-	-	99,015	99,015	353,566	439,395	85,829	340,380	23%				
SUBTOTAL - Other State Revenue		9,702	19,403	-	111,950	141,055	672,875	726,314	53,439	585,259	19%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	10,560	10,560	-	10,560	0%				
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-				
8660	Interest	-	-	-	-	-	-	-	-	-	-				
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-				
8699	Other Revenue	90	646	-	5,264	6,000	16,492	16,492	-	10,492	36%				
8791	SpEd Revenue (Local)	1,581	-	-	-	1,581	-	-	-	(1,581)	-				
8999	Revenues-Susp	-	-	95	(95)	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		1,671	646	95	5,169	7,581	27,052	27,052	-	19,471	28%				
TOTAL REVENUE		73,787	190,126	122,106	325,689	711,707	3,706,710	3,781,111	74,401	3,069,404	19%				

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
Services & Other Operating Expenses											
5101	CMO Fees	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%
5205	Conference Fees	-	-	-	-	-	1,030	1,030	-	1,030	0%
5210	MilesParkTolls	-	-	139	-	139	2,060	2,060	-	1,921	7%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	1,310	1,310	-	1,310	0%
5300	DuesMemberships	-	-	1,650	-	1,650	8,240	8,240	-	6,590	20%
5450	Other Insurance	5,099	1,700	1,700	1,700	10,199	18,102	18,102	-	7,903	56%
5500	OpsHousekeeping	-	300	1,498	525	2,323	10,300	10,300	-	7,977	23%
5510	Gas & Electric	1,970	6,166	3,144	5,909	17,189	59,995	59,995	-	42,806	29%
5610	Rent & Leases	23,390	23,390	23,390	23,390	93,559	281,134	281,134	-	187,576	33%
5620	EquipmentLeases	370	603	1,359	1,200	3,532	8,652	8,652	-	5,120	41%
5630	Reps&MaintBldng	-	7,351	2,430	(1,500)	8,281	11,330	11,330	-	3,049	73%
5800	ProfessServices	-	-	6,775	270	7,045	159,113	54,360	(104,754)	47,314	13%
5810	Legal	-	-	-	4,764	4,764	15,000	12,700	(2,300)	7,936	38%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	32,760	32,760	65,520	168,714	168,714	-	103,194	39%
5814	SchPrgAcadComps	-	-	-	-	-	6,000	6,000	-	6,000	0%
5819	SchIProgs-Other	-	-	-	-	-	4,120	4,120	-	4,120	0%
5820	Audit & CPA	-	-	-	-	-	6,489	6,489	-	6,489	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	426	973	1,399	8,240	8,240	-	6,842	17%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtrcrt	-	-	-	1,092	1,092	10,000	10,000	-	8,908	11%
5850	Oversight Fees	1,540	2,755	2,053	2,053	8,401	27,578	27,578	-	19,177	30%
5857	Payroll Fees	-	-	-	-	-	14,891	14,891	-	14,891	0%
5860	Service Fees	-	-	-	-	-	2,963	2,963	-	2,963	0%
5863	Prof Developmnt	-	315	-	1,005	1,320	7,900	7,900	-	6,580	17%
5864	Prof Dev-Other	-	1,377	-	45	1,422	14,200	24,200	10,000	22,778	6%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	113,048	113,048	113,048	0%
5872	SpEd Fees	2,594	2,594	1,730	-	6,919	-	42,987	42,987	36,068	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	723	3,847	4,570	46,350	29,350	(17,000)	24,780	16%
5890	OthSvcsNon-Inst	1,616	-	-	1,225	2,841	11,092	138,373	127,281	135,532	2%
5900	Communications	-	-	45	-	45	4,120	4,120	-	4,075	1%
5920	TelecomInternet	278	-	-	-	278	32,863	32,863	-	32,585	1%
5930	PostageDelivery	-	-	25	-	25	3,708	3,708	-	3,683	1%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		78,255	87,950	121,244	120,656	408,106	1,442,279	1,611,541	169,262	1,203,435	25%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 7											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	12,988	12,988	12,988	0%
6900	Depreciation	-	-	-	5,329	5,329	15,987	15,987	-	10,658	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	5,329	5,329	15,987	28,975	12,988	23,646	18%
Other Outflows											
7299	Encroachment	-	2,594	(11,206)	3,459	(5,152)	42,987	-	(42,987)	5,152	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	2,594	(11,206)	3,459	(5,152)	42,987	-	(42,987)	5,152	-
TOTAL EXPENSES		188,123	251,661	299,516	300,392	1,039,692	3,606,961	3,967,849	360,888	2,928,157	26%

Monthly Cash Flow (Actuals + Projections)

MSA-7	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,269,979	997,385	958,746	819,831	873,406	933,823	1,051,261	1,060,687	1,035,420	978,699	985,234	897,082	833,876	
Revenue														
LCFF Entitlement	39,774	163,536	137,019	204,208	204,208	204,208	289,445	204,208	239,278	271,939	200,418	200,418	412,388	2,771,049
Federal Revenue	22,640	6,541	(15,009)	4,361	36,590	12,330	15,150	42,972	14,779	14,779	39,039	14,779	47,744	256,696
Other State Revenues	9,702	19,403	-	111,950	112,553	133,236	44,604	64,553	25,684	59,551	12,109	61,225	71,744	726,314
Other Local Revenues	1,671	646	95	5,169	2,047	3,745	1,310	4,083	4,622	1,350	1,364	1,453	(503)	27,052
Total Revenue	73,787	190,126	122,106	325,689	355,397	353,520	350,509	315,816	284,362	347,618	252,931	277,877	531,373	3,781,111
Expenses														
Certificated Salaries	78,995	91,319	92,062	91,584	99,625	99,625	99,625	99,625	99,625	99,625	99,625	99,625	24,906	1,175,864
Classified Salaries	16,649	19,588	29,948	31,072	38,707	38,707	38,707	38,707	38,707	38,707	38,707	38,707	7,741	414,654
Benefits	14,223	47,944	26,467	52,533	40,866	40,866	40,866	40,866	40,866	40,866	40,866	40,866	20,433	488,526
Books and Supplies	-	2,265	41,000	(4,242)	24,981	24,981	24,981	24,981	24,981	24,981	24,981	24,981	9,416	248,289
Services and Operations	78,255	87,950	121,244	120,656	141,657	141,657	141,657	141,657	141,657	141,657	141,657	141,657	70,181	1,611,541
Depreciation / Cap Outlay	-	-	-	5,329	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	-	28,975
Other Outflows	-	2,594	(11,206)	3,459	644	644	644	644	644	644	644	644	(0)	-
Total Expenses	188,123	251,661	299,516	300,392	349,435	349,435	349,435	349,435	349,435	349,435	349,435	349,435	132,677	3,967,849
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	78,791	47,901	19,369	21,074	46,103	105,001	-	-	-	-	-	-	-	318,239
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	5,329	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	2,956	28,975
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(242,445)	(30,401)	-	-	-	-	-	-	-	-	-	-	-	(272,846)
Accounts Payable - Current Year	-	-	13,730	(3,520)	-	-	-	-	-	-	-	-	-	10,210
Summer Holdback for Teachers	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	5,396	-	64,752
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	(158,258)	22,896	38,495	28,279	54,455	113,353	8,352	8,352	8,352	8,352	8,352	8,352	8,352	149,330
Total Change in Cash	(272,594)	(38,639)	(138,915)	53,575	60,417	117,438	9,426	(25,267)	(56,721)	6,535	(88,152)	(63,207)		(37,408)
ENDING CASH	997,385	958,746	819,831	873,406	933,823	1,051,261	1,060,687	1,035,420	978,699	985,234	897,082	833,876		



MSA-8 Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$432,149.

This is an increase of \$187,990 from the original July 1 Budget projected surplus of \$244,159.

This will allow MSA-8 to end this fiscal year with a balance of \$4,515,866, which is 84.8% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$1,144,937, which represents 78 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$73,684), or -1.3% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$52,032) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 8.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$7,938 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at (\$29,590) lower than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = decrease of (\$261,674), or -4.7% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$107,054) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at (\$5,096) lower than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$100,897) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$48,628) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget					
MSA 8		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		68,456	289,065	243,427	365,148	966,097	4,837,159	4,785,127	(52,032)	3,819,030	20%
Federal Revenue		5,629	11,258	7,506	54,276	78,669	322,588	330,526	7,938	251,857	24%
Other State Revenues		16,698	33,395	-	201,567	251,660	667,832	638,242	(29,590)	386,582	39%
Other Local Revenues		973	0	(0)	1,425	2,399	4,000	4,000	-	1,601	60%
Total Revenue		91,756	333,719	250,933	622,416	1,298,824	5,831,579	5,757,895	(73,684)	4,459,070	23%
Expenses											
Certificated Salaries		90,436	127,473	139,322	145,261	502,492	1,867,308	1,620,976	(246,332)	1,118,484	31%
Classified Salaries		23,349	39,194	41,901	43,612	148,055	346,000	446,665	100,665	298,610	33%
Benefits		20,408	65,313	37,822	95,103	218,646	779,314	817,928	38,613	599,282	27%
Books and Supplies		11	15,885	45,796	(17,306)	44,386	429,408	424,312	(5,096)	379,927	10%
Services and Operating Exp.		15,063	197,627	109,956	109,599	432,244	2,004,944	1,904,047	(100,897)	1,471,803	23%
Depreciation & Cap Outlay		-	-	-	29,272	29,272	87,817	111,817	24,000	82,544	26%
Other Outflows		-	4,465	(19,287)	5,954	(8,867)	72,628	-	(72,628)	8,867	-
Total Expenses		149,267	449,957	355,510	411,494	1,366,228	5,587,420	5,325,745	(261,674)	3,959,517	26%
Operating Income						(67,404)	244,159	432,149	187,990	499,553	
Fund Balance											
Beginning Balance (Unaudited)							4,083,717	4,083,717			
Operating Income							244,159	432,149			
Ending Fund Balance							4,327,876	4,515,866			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget					
MSA 8						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		First Interim Remaining	Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining		
REVENUE DETAIL																
LCFF Entitlement																
8011	State Aid	-	152,152	152,152	273,873	578,177	3,233,832	3,029,327	(204,505)	2,451,150	19%					
8012	EPA Entitlement	-	-	-	-	-	562,787	636,791	74,004	636,791	0%					
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-					
8096	InLieuPropTaxes	68,456	136,913	91,275	91,275	387,920	1,040,540	1,119,009	78,469	731,089	35%					
SUBTOTAL - LCFF Entitlement		68,456	289,065	243,427	365,148	966,097	4,837,159	4,785,127	(52,032)	3,819,030	20%					
Federal Revenue																
8181	SpEd - Revenue	5,629	11,258	7,506	7,506	31,899	92,335	92,335	-	60,436	35%					
8220	SchLunchFederal	-	-	-	-	-	-	-	-	-	-					
8290	All Other Federal Revenue	-	-	-	46,770	46,770	230,253	238,191	7,938	191,421	20%					
SUBTOTAL - Federal Revenue		5,629	11,258	7,506	54,276	78,669	322,588	330,526	7,938	251,857	24%					
Other State Revenue																
8311	SpEd Revenue	16,698	33,395	-	25,173	75,266	269,858	287,758	17,900	212,492	26%					
8520	SchoolNutrState	-	-	-	-	-	-	-	-	-	-					
8550	MandCstReimburs	-	-	-	-	-	169,906	94,752	(75,154)	94,752	0%					
8560	StateLotteryRev	-	-	-	-	-	91,500	91,500	-	91,500	0%					
8590	AllOthStateRev	-	-	-	176,394	176,394	136,568	164,232	27,664	(12,162)	107%					
SUBTOTAL - Other State Revenue		16,698	33,395	-	201,567	251,660	667,832	638,242	(29,590)	386,582	39%					
Local Revenue																
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-					
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-					
8660	Interest	-	-	-	-	-	-	-	-	-	-					
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-					
8699	Other Revenue	973	0	(0)	1,426	2,399	4,000	4,000	-	1,601	60%					
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-					
8999	Revenues-Susp	0	-	-	(0)	-	-	-	-	-	-					
SUBTOTAL - Local Revenue		973	0	(0)	1,425	2,399	4,000	4,000	-	1,601	60%					
TOTAL REVENUE		91,756	333,719	250,933	622,416	1,298,824	5,831,579	5,757,895	(73,684)	4,459,070	23%					

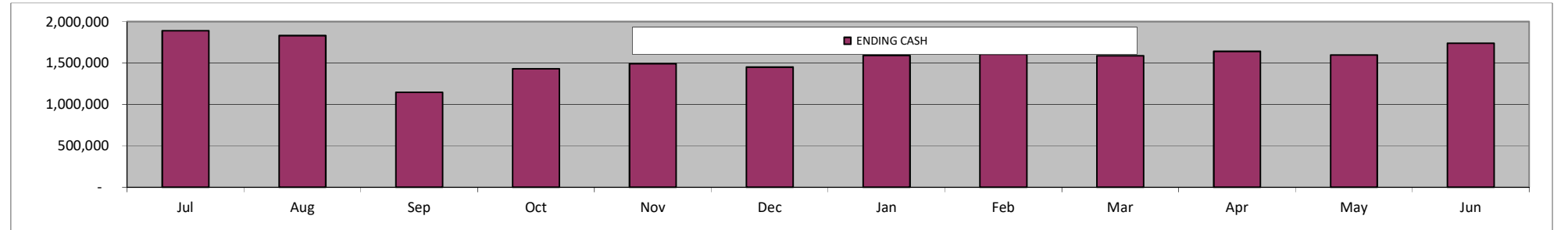
2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA 8						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs.		Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining	
EXPENSES DETAIL															
Certificated Salaries															
1100	TeacherSalaries	45,234	106,977	118,416	124,175	394,802	1,529,852	1,303,324	(226,528)	908,522	30%				
1300	Cert Adminis	45,202	20,496	20,906	21,086	107,690	337,456	317,652	(19,804)	209,962	34%				
SUBTOTAL - Certificated Salaries		90,436	127,473	139,322	145,261	502,492	1,867,308	1,620,976	(246,332)	1,118,484	31%				
Classified Salaries															
2400	Clerical & Tech	10,367	15,256	20,386	21,026	67,035	120,411	185,786	65,374	118,751	36%				
2900	OtherClassStaff	12,982	23,938	21,515	22,585	81,021	225,589	260,880	35,291	179,859	31%				
SUBTOTAL - Classified Salaries		23,349	39,194	41,901	43,612	148,055	346,000	446,665	100,665	298,610	33%				
Employee Benefits															
3101	STRS	7,359	20,630	22,608	23,447	74,043	278,507	285,900	7,393	211,856	26%				
3202	PERS	4,014	6,538	6,963	6,595	24,110	62,495	72,460	9,965	48,350	33%				
3301	OASDI/Med	3,086	4,808	5,216	5,155	18,264	63,253	68,450	5,197	50,186	27%				
3401	HlthWelfare	-	31,360	1,052	57,693	90,105	348,355	364,413	16,058	274,307	25%				
3501	UnemployIns	-	(6)	-	230	225	1,295	1,295	-	1,070	17%				
3601	WorkersCmp	5,949	1,983	1,983	1,983	11,898	24,922	24,922	-	13,024	48%				
3901	OthBenes	-	-	-	-	-	489	489	-	489	0%				
SUBTOTAL - Employee Benefits		20,408	65,313	37,822	95,103	218,646	779,314	817,928	38,613	599,282	27%				
Books & Supplies															
4100	Text&CoreCurric	-	9,826	(473)	-	9,354	51,500	36,500	(15,000)	27,146	26%				
4200	BooksOthRefMats	-	-	-	-	-	1,030	1,030	-	1,030	0%				
4310	Ins Mats & Sups	-	-	2,886	140	3,026	46,268	58,147	11,879	55,122	5%				
4320	Office Supplies	-	305	2,980	178	3,464	6,901	6,901	-	3,437	50%				
4326	Arts&MusicSupps	-	-	-	-	-	7,725	5,000	(2,725)	5,000	0%				
4335	PE Supplies	-	-	-	-	-	2,575	1,500	(1,075)	1,500	0%				
4340	Educat Software	-	4,608	6,950	-	11,558	51,974	51,974	-	40,416	22%				
4345	NonInstStdntSup	-	-	-	-	-	5,150	5,150	-	5,150	0%				
4346	TeacherSupplies	-	-	-	-	-	5,150	5,000	(150)	5,000	0%				
4351	Yearbook	-	-	-	-	-	1,545	1,000	(545)	1,000	0%				
4390	Uniforms	-	-	-	-	-	530	530	-	530	0%				
4400	NonCapEquip-Gen	-	-	3,624	-	3,624	11,330	9,500	(1,830)	5,876	38%				
4430	OfficeFurnEqp<5k	-	-	-	-	-	5,150	5,150	-	5,150	0%				
4440	Computers <\$5k	-	-	-	-	-	15,450	15,450	-	15,450	0%				
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-				
4710	Food	-	-	-	-	-	210,950	210,950	-	210,950	0%				
4720	Food:Other Food	-	-	369	224	593	5,150	9,500	4,350	8,907	6%				
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-				
4999	Misc Exp-Suspense	11	1,146	29,460	(17,848)	12,769	-	-	-	(12,769)	-				
SUBTOTAL - Books and Supplies		11	15,885	45,796	(17,306)	44,386	429,408	424,312	(5,096)	379,927	10%				

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 8											
Services & Other Operating Expenses											
5101	CMO Fees	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%
5205	Conference Fees	-	-	-	-	-	10,300	10,300	-	10,300	0%
5210	MilesParkTolls	-	-	-	-	-	5,150	5,150	-	5,150	0%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	-	-	-	10,300	10,300	-	10,300	0%
5300	DuesMemberships	-	3,045	-	-	3,045	7,725	7,725	-	4,680	39%
5450	Other Insurance	5,870	1,957	1,957	1,957	11,741	31,196	31,196	-	19,455	38%
5500	OpsHousekeeping	37	37	37	295	405	36,050	36,050	-	35,645	1%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	-
5610	Rent & Leases	-	-	-	-	-	304,830	304,830	-	304,830	0%
5620	EquipmentLeases	196	1,491	1,018	196	2,901	17,441	17,441	-	14,540	17%
5630	Reps&MaintBldng	-	-	-	-	-	3,090	3,090	-	3,090	0%
5800	ProfessServices	-	3,225	2,125	1,625	6,975	101,281	44,631	(56,650)	37,657	16%
5810	Legal	-	-	-	-	-	13,390	10,000	(3,390)	10,000	0%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	2,250	83	-	2,333	136,568	3,533	(133,035)	1,200	66%
5814	SchPrgAcadComps	-	-	-	-	-	618	618	-	618	0%
5819	SchIProgs-Other	-	-	-	-	-	1,030	1,030	-	1,030	0%
5820	Audit & CPA	-	-	-	-	-	15,914	15,914	-	15,914	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	718	1,489	-	2,207	20,600	20,000	(600)	17,793	11%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdRecrt	-	-	-	-	-	8,240	8,240	-	8,240	0%
5850	Oversight Fees	2,723	5,446	3,631	3,631	15,431	48,017	48,017	-	32,586	32%
5857	Payroll Fees	-	-	-	-	-	17,741	17,741	-	17,741	0%
5860	Service Fees	-	-	5	990	995	515	515	-	(480)	193%
5863	Prof Developmnt	-	-	250	1,020	1,270	8,549	8,549	-	7,279	15%
5864	Prof Dev-Other	-	-	225	2,040	2,265	43,000	33,000	(10,000)	30,735	7%
5869	SpEd Ctrct Inst	-	-	2,448	3,384	5,831	-	54,150	54,150	48,319	11%
5872	SpEd Fees	4,465	4,465	2,977	-	11,908	-	72,628	72,628	60,720	16%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	8,502	11,093	11,633	31,228	69,059	69,059	-	37,831	45%
5890	OthSvcsNon-Inst	1,772	-	-	-	1,772	13,390	13,390	-	11,618	13%
5900	Communications	-	-	-	-	-	3,000	3,000	-	3,000	0%
5920	TelecomInternet	-	-	-	-	-	74,154	50,154	(24,000)	50,154	0%
5930	PostageDelivery	-	1,251	-	209	1,460	12,360	12,360	-	10,900	12%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		15,063	197,627	109,956	109,599	432,244	2,004,944	1,904,047	(100,897)	1,471,803	23%

2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date					Annual Budget				
		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
MSA 8											
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400	EquipFixed	-	-	-	-	-	-	24,000	24,000	24,000	0%
6900	Depreciation	-	-	-	29,272	29,272	87,817	87,817	-	58,544	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	29,272	29,272	87,817	111,817	24,000	82,544	26%
Other Outflows											
7299	Encroachment	-	4,465	(19,287)	5,954	(8,867)	72,628	-	(72,628)	8,867	-
7438	InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows		-	4,465	(19,287)	5,954	(8,867)	72,628	-	(72,628)	8,867	-
TOTAL EXPENSES		149,267	449,957	355,510	411,494	1,366,228	5,587,420	5,325,745	(261,674)	3,959,517	26%

Monthly Cash Flow (Actuals + Projections)

MSA-8	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	1,907,434	1,890,678	1,830,388	1,144,937	1,428,879	1,491,549	1,450,043	1,591,576	1,606,231	1,588,915	1,640,263	1,596,637	1,737,787	
Revenue														
LCFF Entitlement	68,456	289,065	243,427	365,148	365,148	365,148	516,996	365,148	393,128	450,524	332,130	332,130	698,678	4,785,127
Federal Revenue	5,629	11,258	7,506	54,276	64,969	7,406	7,406	70,443	6,440	6,440	64,003	6,440	18,309	330,526
Other State Revenues	16,698	33,395	-	201,567	29,353	44,520	75,711	37,644	41,697	52,964	18,822	74,675	11,196	638,242
Other Local Revenues	973	0	(0)	1,425	333	333	333	333	333	333	333	333	(1,065)	4,000
Total Revenue	91,756	333,719	250,933	622,416	459,804	417,408	600,447	473,569	441,598	510,262	415,288	413,578	727,117	5,757,895
Expenses														
Certificated Salaries	90,436	127,473	139,322	145,261	135,574	135,574	135,574	135,574	135,574	135,574	135,574	135,574	33,893	1,620,976
Classified Salaries	23,349	39,194	41,901	43,612	36,416	36,416	36,416	36,416	36,416	36,416	36,416	36,416	7,283	446,665
Benefits	20,408	65,313	37,822	95,103	70,504	70,504	70,504	70,504	70,504	70,504	70,504	70,504	35,252	817,928
Books and Supplies	11	15,885	45,796	(17,306)	44,563	44,563	44,563	44,563	44,563	44,563	44,563	44,563	23,425	424,312
Services and Operations	15,063	197,627	109,956	109,599	175,820	175,820	175,820	175,820	175,820	175,820	175,820	175,820	65,240	1,904,047
Depreciation / Cap Outlay	-	-	-	29,272	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	-	111,817
Other Outflows	-	4,465	(19,287)	5,954	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	0	-
Total Expenses	149,267	449,957	355,510	411,494	474,303	474,303	474,303	474,303	474,303	474,303	474,303	474,303	165,094	5,325,745
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	186,633	95,118	-	41,872	61,780	-	-	-	-	-	-	-	-	385,404
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	29,272	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	10,318	111,817
Due To (From)	-	-	(600,000)	-	-	-	-	-	-	-	-	-	186,486	(413,514)
Expenses - Prior Year Accruals	(70,404)	(17,049)	-	-	-	-	-	-	-	-	-	-	-	(87,454)
Accounts Payable - Current Year	(75,475)	(22,120)	14,055	(3,195)	-	-	-	-	-	-	-	-	-	(86,736)
Summer Holdback for Teachers	-	-	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	5,071	50,710
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	40,754	55,949	(580,874)	73,020	77,169	15,389	15,389	15,389	15,389	15,389	15,389	15,389	201,875	(39,773)
Total Change in Cash	(16,756)	(60,289)	(685,451)	283,942	62,670	(41,506)	141,533	14,655	(17,316)	51,348	(43,626)	141,150		392,376
ENDING CASH	1,890,678	1,830,388	1,144,937	1,428,879	1,491,549	1,450,043	1,591,576	1,606,231	1,588,915	1,640,263	1,596,637	1,737,787		



MSA-SA Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget surplus of \$2,498.

This is an decrease of (\$186,193) from the original July 1 Budget projected surplus of \$188,691.

This will allow MSA-SA to end this fiscal year with a balance of \$7,504,794, which is 85.2% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$317,183, which represents 13 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$775,369), or -8.1% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$907,186) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 96.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$19,167 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$112,650 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$0 lower than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = decrease of (\$589,176), or -6.3% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are (\$142,779) lower than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$17,794 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$444,483) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at (\$19,709) lower than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)		Year To Date				Annual Budget				
MSA SA	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
						SUMMARY				
Revenue										
LCFF Entitlement	270,445	971,094	521,735	1,007,872	2,771,146	7,954,976	7,047,790	(907,186)	4,276,644	39%
Federal Revenue	-	-	-	-	-	680,678	699,845	19,167	699,845	0%
Other State Revenues	17,322	-	114,885	31,179	163,386	872,239	984,889	112,650	821,503	17%
Other Local Revenues	369	362	2,272	12,645	15,649	77,199	77,199	-	61,550	20%
Total Revenue	288,136	971,457	638,893	1,051,696	2,950,181	9,585,092	8,809,723	(775,369)	5,859,542	33%
Expenses										
Certificated Salaries	161,885	238,767	246,746	248,060	895,457	3,288,170	3,032,689	(255,480)	2,137,232	30%
Classified Salaries	42,260	69,536	77,165	75,986	264,947	697,489	785,325	87,836	520,378	34%
Benefits	35,166	133,866	83,777	118,097	370,906	1,385,003	1,409,868	24,866	1,038,963	26%
Books and Supplies	87	13,835	13,072	17,374	44,369	657,369	675,164	17,794	630,795	7%
Services and Operating Exp.	11,222	316,712	169,341	128,517	625,792	2,156,391	1,711,908	(444,483)	1,086,116	37%
Depreciation & Cap Outlay	-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
Other Outflows	43,042	45,056	129,934	45,056	263,087	614,912	595,203	(19,709)	332,116	44%
Total Expenses	293,661	817,772	720,036	832,112	2,663,580	9,396,401	8,807,225	(589,176)	6,143,645	30%
Operating Income					286,601	188,691	2,498	(186,193)	(284,103)	
Fund Balance										
Beginning Balance (Unaudited)						7,502,296	7,502,296			
Operating Income						188,691	2,498			
Ending Fund Balance						7,690,987	7,504,794			



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget					
MSA SA						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		First Interim Remaining	Actuals as % of First Interim
													Proposed 1st Interim	First Interim Remaining		
REVENUE DETAIL																
LCFF Entitlement																
8011	State Aid	270,445	270,445	486,802	486,802	1,514,495	5,887,539	5,148,956	(738,583)	3,634,461	29%					
8012	EPA Entitlement	-	-	34,933	-	34,933	148,032	129,600	(18,432)	94,667	27%					
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-					
8096	InLieuPropTaxes	-	700,649	-	521,070	1,221,719	1,919,405	1,769,234	(150,171)	547,515	69%					
SUBTOTAL - LCFF Entitlement		270,445	971,094	521,735	1,007,872	2,771,146	7,954,976	7,047,790	(907,186)	4,276,644	39%					
Federal Revenue																
8181	SpEd - Revenue	-	-	-	-	-	92,000	92,000	-	92,000	0%					
8220	SchLunchFederal	-	-	-	-	-	276,286	276,286	-	276,286	0%					
8290	All Other Federal Revenue	-	-	-	-	-	312,392	331,559	19,167	331,559	0%					
SUBTOTAL - Federal Revenue		-	-	-	-	-	680,678	699,845	19,167	699,845	0%					
Other State Revenue																
8311	SpEd Revenue	17,322	-	48,501	31,179	97,002	386,364	386,364	-	289,362	25%					
8520	SchoolNtrState	-	-	-	-	-	24,225	24,225	-	24,225	0%					
8550	MandCstReimburs	-	-	-	-	-	254,699	143,669	(111,030)	143,669	0%					
8560	StateLotteryRev	-	-	16,384	-	16,384	143,591	143,591	-	127,207	11%					
8590	AllOthStateRev	-	-	50,000	-	50,000	63,360	287,040	223,680	237,040	17%					
SUBTOTAL - Other State Revenue		17,322	-	114,885	31,179	163,386	872,239	984,889	112,650	821,503	17%					
Local Revenue																
8634	StudentLunchFee	-	-	0	-	0	19,232	19,232	-	19,232	0%					
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-					
8660	Interest	369	362	479	374	1,584	4,376	4,376	-	2,792	36%					
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-					
8699	Other Revenue	-	-	1,793	12,271	14,064	53,591	53,591	-	39,527	26%					
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-					
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-					
SUBTOTAL - Local Revenue		369	362	2,272	12,645	15,649	77,199	77,199	-	61,550	20%					
TOTAL REVENUE		288,136	971,457	638,893	1,051,696	2,950,181	9,585,092	8,809,723	(775,369)	5,859,542	33%					

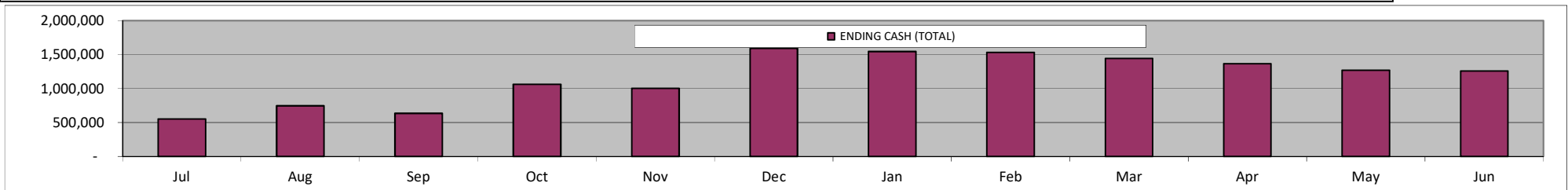
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
Year To Date											
						Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	102,215	192,299	201,592	204,220	700,325	2,646,248	2,430,091	(216,156)	1,729,766	29%
1300	Cert Adminis	59,670	46,468	45,154	43,840	195,132	641,922	602,598	(39,324)	407,466	32%
SUBTOTAL - Certificated Salaries		161,885	238,767	246,746	248,060	895,457	3,288,170	3,032,689	(255,480)	2,137,232	30%
Classified Salaries											
2400	Clerical & Tech	16,403	21,644	20,892	20,492	79,431	278,368	245,391	(32,977)	165,960	32%
2900	OtherClassStaff	25,856	47,892	56,273	55,494	185,515	419,121	539,934	120,813	354,419	34%
SUBTOTAL - Classified Salaries		42,260	69,536	77,165	75,986	264,947	697,489	785,325	87,836	520,378	34%
Employee Benefits											
3101	STRS	10,429	40,315	40,770	41,032	132,546	505,321	501,560	(3,761)	369,014	26%
3202	PERS	5,263	10,171	12,243	11,642	39,319	92,125	114,423	22,299	75,105	34%
3301	OASDI/Med	5,436	8,319	9,022	8,950	31,727	112,459	118,135	5,676	86,408	27%
3401	HlthWelfare	2,985	70,908	18,060	54,692	146,645	607,060	609,744	2,684	463,099	24%
3501	UnemployIns	-	472	-	417	888	2,502	2,502	-	1,614	35%
3601	WorkersCmp	11,052	3,682	3,683	1,364	19,781	44,879	42,847	(2,032)	23,066	46%
3901	OthBenes	-	-	-	-	-	20,658	20,658	-	20,658	0%
SUBTOTAL - Employee Benefits		35,166	133,866	83,777	118,097	370,906	1,385,003	1,409,868	24,866	1,038,963	26%
Books & Supplies											
4100	Text&CoreCurric	-	-	-	-	-	22,121	28,324	6,203	28,324	0%
4200	BooksOthRefMats	-	-	-	-	-	5,311	5,311	-	5,311	0%
4310	Ins Mats & Sups	-	87	179	16	282	70,000	61,124	(8,876)	60,842	0%
4320	Office Supplies	-	975	1,994	545	3,514	13,664	13,664	-	10,150	26%
4326	Arts&MusicSupps	-	-	-	-	-	5,311	2,311	(3,000)	2,311	0%
4335	PE Supplies	-	-	-	47	47	25,000	35,000	10,000	34,953	0%
4340	Educat Software	-	5,714	10,333	4,172	20,220	80,648	62,115	(18,533)	41,896	33%
4345	NonInstStdntSup	-	-	-	-	-	7,500	5,000	(2,500)	5,000	0%
4346	TeacherSupplies	-	-	-	-	-	10,621	10,621	-	10,621	0%
4350	Cust. Supplies	-	-	-	2,466	2,466	21,343	21,343	-	18,877	12%
4400	NonCapEquip-Gen	-	-	-	-	-	25,000	15,000	(10,000)	15,000	0%
4430	OfficeFurnEqp<5k	-	-	-	-	-	2,648	4,148	1,500	4,148	0%
4440	Computers <\$5k	-	-	174	-	174	2,655	32,655	30,000	32,481	1%
4460	Fixed Asset Suspense	-	-	-	-	-	-	17,000	17,000	17,000	0%
4710	Food	-	-	-	-	-	357,547	357,547	-	357,547	0%
4720	Food:Other Food	-	-	392	-	392	8,000	4,000	(4,000)	3,608	10%
4999	Misc Exp-Suspense	87	7,060	(0)	10,127	17,274	-	-	-	(17,274)	-
SUBTOTAL - Books and Supplies		87	13,835	13,072	17,374	44,369	657,369	675,164	17,794	630,795	7%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	First Interim Remaining		
Services & Other Operating Expenses											
5101	CMO Fees	-	269,311	89,770	89,770	448,852	997,937	404,170	(593,767)	(44,682)	111%
5205	Conference Fees	-	-	-	-	-	10,000	-	(10,000)	-	-
5210	MilesParkTolls	-	-	179	195	373	3,000	3,000	-	2,627	12%
5215	TravConferences	-	-	-	-	-	-	7,500	7,500	7,500	0%
5220	TraLodging	-	-	-	-	-	5,000	5,000	-	5,000	0%
5300	DuesMemberships	-	-	450	-	450	36,263	36,118	(145)	35,668	1%
5450	Other Insurance	7,460	2,486	2,485	1,675	14,106	40,000	40,000	-	25,894	35%
5500	OpsHousekeeping	1,317	1,317	1,317	1,317	5,267	40,000	40,000	-	34,733	13%
5510	Gas & Electric	-	11,726	11,090	9,602	32,417	120,000	120,000	-	87,583	27%
5610	Rent & Leases	-	-	-	-	-	-	-	-	-	-
5620	EquipmentLeases	2,214	2,532	3,207	3,127	11,080	50,286	50,286	-	39,206	22%
5630	Reps&MaintBldng	-	24,268	9,400	1,755	35,424	85,000	50,000	(35,000)	14,576	71%
5800	ProfessServices	-	-	16,752	1,476	18,228	269,267	49,240	(220,027)	31,012	37%
5810	Legal	-	1,791	21,966	-	23,756	15,000	195,000	180,000	171,244	12%
5811	Property Tax	-	-	-	-	-	-	3,393	3,393	3,393	0%
5813	SchPrgAftSchool	-	-	-	-	-	5,500	5,500	-	5,500	0%
5814	SchPrgAcadComps	-	-	-	815	815	11,000	11,000	-	10,185	7%
5819	SchlProgs-Other	-	-	-	1,421	1,421	7,100	18,521	11,421	17,100	8%
5820	Audit & CPA	-	-	-	-	-	11,684	11,684	-	11,684	0%
5835	Field Trips	-	-	-	450	450	35,000	-	(35,000)	(450)	-
5836	FieldTrip Trans	-	-	-	-	-	-	31,740	31,740	31,740	0%
5840	MarkngStdtdRecrt	-	-	8,860	10,610	19,471	20,000	20,000	-	529	97%
5850	Oversight Fees	-	-	-	-	-	79,550	79,550	-	79,550	0%
5857	Payroll Fees	-	1,873	-	-	1,873	35,900	35,900	-	34,028	5%
5860	Service Fees	231	307	577	201	1,317	2,932	2,932	-	1,615	45%
5863	Prof Developmnt	-	-	604	2,365	2,969	30,418	19,044	(11,374)	16,075	16%
5864	Prof Dev-Other	-	-	-	85	85	70,682	73,803	3,121	73,718	0%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	213,505	213,505	213,505	0%
5872	SpEd Fees	-	-	-	-	-	-	19,709	19,709	19,709	0%
5884	Substitutes	-	-	2,120	2,060	4,180	85,000	75,441	(9,559)	71,261	6%
5890	OthSvcsNon-Inst	-	-	-	-	-	3,000	3,000	-	3,000	0%
5900	Communications	-	-	-	-	-	3,090	3,090	-	3,090	0%
5920	TelecomInternet	-	-	479	958	1,437	73,161	73,161	-	71,724	2%
5930	PostageDelivery	-	1,101	85	635	1,821	10,621	10,621	-	8,800	17%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		11,222	316,712	169,341	128,517	625,792	2,156,391	1,711,908	(444,483)	1,086,116	37%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SA	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining		
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	
6400	EquipFixed	-	-	-	-	-	-	-	-	-	
6900	Depreciation	-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
SUBTOTAL - Cap Outlay & Depreciation		-	-	-	199,022	199,022	597,067	597,067	-	398,045	33%
Other Outflows											
7299	Encroachment	-	-	-	-	19,709	-	(19,709)	-	-	
7438	InterestExpense	43,042	45,056	129,934	45,056	263,087	595,203	595,203	-	332,116	44%
SUBTOTAL - Other Outflows		43,042	45,056	129,934	45,056	263,087	614,912	595,203	(19,709)	332,116	44%
TOTAL EXPENSES		293,574	788,551	765,092	832,112	2,663,580	9,396,401	8,807,225	(589,176)	6,143,645	30%

Monthly Cash Flow (Actuals + Projections)

MSA-SA	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	708,858	351,947	412,369	317,183	433,476	679,629	1,335,711	1,287,948	1,274,682	1,183,663	1,107,230	1,013,285	1,000,900	
Revenue														
LCFF Entitlement	270,445	971,094	521,735	1,007,872	486,802	521,735	486,802	486,802	554,889	428,703	428,703	428,703	453,504	7,047,790
Federal Revenue	-	-	-	-	74,712	20,464	32,113	74,712	65,332	71,317	112,411	108,905	139,879	699,845
Other State Revenues	17,322	-	114,885	31,179	55,081	135,204	119,903	99,307	81,371	104,757	45,473	130,101	50,306	984,889
Other Local Revenues	369	362	2,272	12,645	15,278	7,814	3,365	15,859	5,485	4,569	5,247	5,685	(1,751)	77,199
Total Revenue	288,136	971,457	638,893	1,051,696	631,873	685,217	642,183	676,680	707,076	609,346	591,834	673,394	641,939	8,809,723
Expenses														
Certificated Salaries	161,885	238,767	246,746	248,060	259,058	259,058	259,058	259,058	259,058	259,058	259,058	259,058	64,765	3,032,689
Classified Salaries	42,260	69,536	77,165	75,986	63,461	63,461	63,461	63,461	63,461	63,461	63,461	63,461	12,692	785,325
Benefits	35,166	133,866	83,777	118,097	122,231	122,231	122,231	122,231	122,231	122,231	122,231	122,231	61,115	1,409,868
Books and Supplies	87	13,835	13,072	17,374	73,270	73,270	73,270	73,270	73,270	73,270	73,270	73,270	44,636	675,164
Services and Operations	11,222	316,712	169,341	128,517	124,391	124,391	124,391	124,391	124,391	124,391	124,391	124,391	90,984	1,711,908
Depreciation / Cap Outlay	-	-	-	199,022	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	-	597,067
Other Outflows	43,042	45,056	129,934	45,056	41,515	41,515	41,515	41,515	41,515	41,515	41,515	41,515	-	595,203
Total Expenses	293,661	817,772	720,036	832,112	733,682	733,682	733,682	733,682	733,682	733,682	733,682	733,682	274,192	8,807,225
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	95,827	3,847	57,262	5,356	-	593,311	-	-	-	-	-	-	-	755,603
Accounts Receivable - Bond Project	-	-	(585,395)	-	-	-	-	-	-	-	-	-	-	(585,395)
Other Assets	(14)	14	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	199,022	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	49,756	597,067
Due To (From)	-	-	600,000	-	-	-	-	-	-	-	-	-	-	600,000
Expenses - Prior Year Accruals	(252,716)	30,254	3,497	(1,098)	-	-	-	-	-	-	-	-	-	(220,063)
Accounts Payable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Summer Holdback for Teachers	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	5,647	67,764
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	(111,204)	-	(11,667)	(11,667)	(11,667)	(11,667)	(119,816)	(7,500)	(7,500)	(7,500)	-	(300,187)
Total Other Transactions	(151,256)	39,762	(30,193)	208,927	43,736	637,047	43,736	43,736	(64,414)	47,903	47,903	47,903	47,903	914,790
Total Change in Cash	(156,780)	193,447	(111,336)	428,512	(58,072)	588,582	(47,763)	(13,266)	(91,019)	(76,433)	(93,945)	(12,385)		917,287
ENDING CASH (Local Bank 9120)	351,947	412,369	317,183	433,476	679,629	1,335,711	1,287,948	1,274,682	1,183,663	1,107,230	1,013,285	1,000,900		
ENDING CASH (County Treas. & Other)	200,131	333,156	317,006	629,225	325,000	257,500	257,500	257,500	257,500	257,500	257,500	257,500		
ENDING CASH (TOTAL)	552,078	745,525	634,189	1,062,701	1,004,629	1,593,211	1,545,448	1,532,182	1,441,163	1,364,730	1,270,785	1,258,400		



MSA-SD Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$394,229).

This is an decrease of (\$394,452) from the original July 1 Budget projected surplus of \$223.

This will allow MSA-SD to end this fiscal year with a balance of \$771,083, which is 17.0% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$360,904, which represents 29 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$383,393), or -8.5% of July Budget revenues)

LCFF Entitlement: These "Local Control Funding Formula" revenues are the primary funding source for the school.

LCFF Entitlement projected revenues are (\$553,768) lower than in the July Budget, due to average daily attendance (ADA) decreasing by 74.

Federal Revenues: This consists of Title I-IV "Every Student Succeeds Act" (ESSA) funding, federal special education, and federal food programs.

Federal Revenues are projected at \$9,397 higher than in the July Budget, due primarily to updated ESSA funding levels.

Other State Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other State Revenues are projected at \$150,978 higher than in the July Budget, primarily due to a reduction in one-time funding from July estimates.

Other Local Revenues: These are the non-LCFF state revenues such as Lottery, Facility Grant, and one-time block grants.

Other Local Revenues are projected at \$10,000 higher than in the July Budget, reflecting updated projections of fundraising and other local revenue.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$11,059, or 0.2% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$9,692 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$22,671 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be (\$67,522) lower than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$46,218 higher than in the July Budget, reflecting updated depreciation and encroachment projections.



2018-19 First Interim Budget Actuals through October 31, 2018)						Year To Date					Annual Budget				
MSA SD	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim					
						SUMMARY									
Revenue															
LCFF Entitlement	79,176	175,960	363,080	253,842	872,058	3,724,672	3,170,904	(553,768)	2,298,846	28%					
Federal Revenue	-	-	-	-	-	134,778	144,175	9,397	144,175	0%					
Other State Revenues	9,620	-	26,936	28,239	64,795	590,983	741,961	150,978	677,166	9%					
Other Local Revenues	500	-	828	6,544	7,873	79,331	89,331	10,000	81,458	9%					
Total Revenue	89,296	175,960	390,844	288,625	944,726	4,529,764	4,146,371	(383,393)	3,201,645	23%					
Expenses															
Certificated Salaries	94,940	127,178	128,586	131,584	482,288	1,664,407	1,550,529	(113,878)	1,068,241	31%					
Classified Salaries	25,053	27,475	29,806	28,011	110,345	238,576	349,013	110,437	238,668	32%					
Benefits	19,286	67,724	55,169	34,341	176,521	696,366	709,499	13,133	532,978	25%					
Books and Supplies	-	13,908	19,806	27,488	61,202	136,427	159,098	22,671	97,896	38%					
Services and Operating Exp.	49,780	162,068	117,439	116,944	446,231	1,736,112	1,668,590	(67,522)	1,222,359	27%					
Depreciation & Cap Outlay	-	12,800	-	15,216	28,016	45,647	103,871	58,224	75,855	27%					
Other Outflows	-	-	-	-	(0)	12,006	-	(12,006)	0	-					
Total Expenses	189,058	411,153	350,807	353,584	1,304,601	4,529,541	4,540,600	11,059	3,235,998	29%					
Operating Income															
						(359,876)	223	(394,229)	(394,452)	(34,353)					
Fund Balance															
Beginning Balance (Unaudited)						1,165,312	1,165,312								
Operating Income						223	(394,229)								
Ending Fund Balance						1,165,535	771,083								



2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget									
MSA SD						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim					
Year To Date															
						Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim					
REVENUE DETAIL															
LCFF Entitlement															
8011	State Aid	40,408	41,202	74,958	74,164	230,732	1,016,244	833,021	(183,223)	602,289	28%				
8012	EPA Entitlement	-	-	19,399	-	19,399	92,299	78,074	(14,225)	58,675	25%				
8019	Prior Year Adjustments	-	-	(794)	-	(794)	-	-	-	794	-				
8096	InLieuPropTaxes	38,768	134,758	269,517	179,678	622,721	2,616,129	2,259,809	(356,320)	1,637,088	28%				
SUBTOTAL - LCFF Entitlement		79,176	175,960	363,080	253,842	872,058	3,724,672	3,170,904	(553,768)	2,298,846	28%				
Federal Revenue															
8181	SpEd - Revenue	-	-	-	-	-	50,500	50,500	-	50,500	0%				
8220	SchLunchFederal	-	-	-	-	-	33,724	33,724	-	33,724	0%				
8290	All Other Federal Revenue	-	-	-	-	-	50,554	59,951	9,397	59,951	0%				
SUBTOTAL - Federal Revenue		-	-	-	-	-	134,778	144,175	9,397	144,175	0%				
Other State Revenue															
8311	SpEd Revenue	9,620	-	26,936	17,316	53,872	240,900	240,900	-	187,028	22%				
8520	SchoolNtrState	-	-	-	-	-	2,172	2,172	-	2,172	0%				
8550	MandCstReimburs	-	-	-	-	-	139,401	77,741	(61,660)	77,741	0%				
8560	StateLotteryRev	-	-	-	10,923	10,923	89,530	89,530	-	78,607	12%				
8590	AllOthStateRev	-	-	-	-	-	118,980	331,618	212,638	331,618	0%				
SUBTOTAL - Other State Revenue		9,620	-	26,936	28,239	64,795	590,983	741,961	150,978	677,166	9%				
Local Revenue															
8634	StudentLunchFee	-	-	-	-	-	-	-	-	-	-				
8650	Leases & Rentals	-	-	-	-	-	2,500	2,500	-	2,500	0%				
8660	Interest	500	-	828	52	1,380	-	5,000	5,000	3,620	28%				
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-				
8699	Other Revenue	-	-	-	6,493	6,493	76,831	81,831	5,000	75,338	8%				
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-				
8999	Revenues-Susp	-	-	-	-	-	-	-	-	-	-				
SUBTOTAL - Local Revenue		500	-	828	6,544	7,873	79,331	89,331	10,000	81,458	9%				
TOTAL REVENUE						89,296	175,960	390,844	288,625	944,726	4,529,764	4,146,371	(383,393)	3,201,645	23%

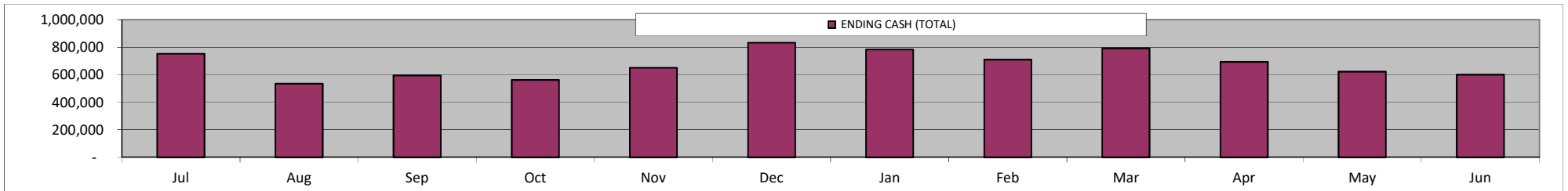
2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	Remaining		
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	42,300	93,718	95,189	98,202	329,409	1,238,279	1,137,941	(100,338)	808,532	29%
1300	Cert Adminis	52,640	33,460	33,397	33,382	152,879	426,128	412,588	(13,540)	259,709	37%
SUBTOTAL - Certificated Salaries		94,940	127,178	128,586	131,584	482,288	1,664,407	1,550,529	(113,878)	1,068,241	31%
Classified Salaries											
2400	Clerical & Tech	9,337	10,575	10,631	10,308	40,851	59,644	115,919	56,275	75,068	35%
2900	OtherClassStaff	15,716	16,900	19,175	17,703	69,493	178,932	233,094	54,162	163,601	30%
SUBTOTAL - Classified Salaries		25,053	27,475	29,806	28,011	110,345	238,576	349,013	110,437	238,668	32%
Employee Benefits											
3101	STRS	8,442	21,222	21,001	21,481	72,146	248,164	248,164	-	176,017	29%
3202	PERS	2,354	4,574	4,874	4,787	16,589	36,329	36,329	-	19,740	46%
3301	OASDI/Med	2,915	3,571	3,855	3,772	14,113	51,069	51,069	-	36,955	28%
3401	HlthWelfare	1,487	36,777	24,075	402	62,741	337,971	351,104	13,133	288,364	18%
3501	UnemployIns	-	217	-	216	434	1,141	1,141	-	707	38%
3601	WorkersCmp	4,088	1,363	1,364	3,683	10,498	21,428	21,428	-	10,930	49%
3901	OthBenes	-	-	-	-	-	264	264	-	264	0%
SUBTOTAL - Employee Benefits		19,286	67,724	55,169	34,341	176,521	696,366	709,499	13,133	532,978	25%
Books & Supplies											
4100	Text&CoreCurric	-	-	(1,001)	-	(1,001)	5,150	5,150	-	6,151	-19%
4200	BooksOthRefMats	-	-	-	-	-	5,150	2,150	(3,000)	2,150	0%
4310	Ins Mats & Sups	-	-	-	-	-	30,000	58,621	28,621	58,621	0%
4315	OthrSupplies	-	-	-	-	-	-	(0)	(0)	(0)	0%
4320	Office Supplies	-	-	677	549	1,226	9,270	9,270	-	8,044	13%
4326	Arts&MusicSupps	-	-	-	-	-	2,334	2,334	-	2,334	0%
4335	PE Supplies	-	-	-	-	-	3,605	1,280	(2,325)	1,280	0%
4340	Educat Software	-	375	3,282	-	3,657	13,654	14,029	375	10,372	26%
4345	NonInstStdntSup	-	-	74	-	74	6,365	6,365	-	6,291	1%
4346	TeacherSupplies	-	-	-	-	-	2,500	2,500	-	2,500	0%
4350	Cust. Supplies	-	-	-	-	-	6,365	6,365	-	6,365	0%
4430	OffceFurnEqp<5k	-	-	-	-	-	3,468	3,468	-	3,468	0%
4440	Computers <\$5k	-	-	-	-	-	1,000	-	(1,000)	-	-
4710	Food	-	-	-	-	-	40,670	40,670	-	40,670	0%
4720	Food:Other Food	-	-	242	2,044	2,286	6,896	6,896	-	4,610	33%
4999	Misc Exp-Suspense	-	13,533	16,531	24,896	54,960	-	-	-	(54,960)	-
SUBTOTAL - Books and Supplies		-	13,908	19,806	27,488	61,202	136,427	159,098	22,671	97,896	38%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	Remaining		
Services & Other Operating Expenses											
5101	CMO Fees	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%
5205	Conference Fees	-	-	-	-	-	4,790	4,790	-	4,790	0%
5210	MilesParkTolls	-	-	25	1,570	1,595	7,426	2,426	(5,000)	832	66%
5215	TravConferences	-	-	-	-	-	-	-	-	-	-
5220	TraLodging	-	-	76	1,839	1,915	7,210	6,210	(1,000)	4,295	31%
5300	DuesMemberships	-	-	1,020	-	1,020	5,729	5,729	-	4,709	18%
5450	Other Insurance	5,027	1,676	1,675	2,485	10,863	22,550	22,550	-	11,687	48%
5500	OpsHousekeeping	371	742	1,137	491	2,741	56,650	36,650	(20,000)	33,909	7%
5510	Gas & Electric	301	3,995	7,773	8,123	20,191	30,000	30,000	-	9,809	67%
5610	Rent & Leases	39,480	79,480	59,480	59,480	237,919	713,760	713,760	-	475,841	33%
5620	EquipmentLeases	-	700	1,479	1,250	3,429	10,609	10,609	-	7,180	32%
5630	Reps&MaintBldng	-	-	100	2,387	2,487	42,000	27,000	(15,000)	24,513	9%
5800	ProfessServices	3,534	(3,534)	1,740	3,982	5,721	80,660	22,310	(58,350)	16,589	26%
5810	Legal	-	-	728	-	728	15,450	15,450	-	14,723	5%
5811	Property Tax	-	-	-	-	-	-	-	-	-	-
5813	SchPrgAftSchool	-	-	-	-	-	79,380	79,380	-	79,380	0%
5814	SchPrgAcadComps	-	-	-	-	-	4,635	2,635	(2,000)	2,635	0%
5819	SchlProgs-Other	-	-	-	-	-	1,133	1,133	-	1,133	0%
5820	Audit & CPA	-	-	-	-	-	10,609	10,609	-	10,609	0%
5825	DMSBusinessSvcs	-	-	-	-	-	-	-	-	-	-
5835	Field Trips	-	-	-	-	-	45,000	20,000	(25,000)	20,000	0%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	-
5840	MarkngStdtRecrt	-	-	991	-	991	15,000	10,847	(4,153)	9,856	9%
5850	Oversight Fees	-	7,068	2,035	-	9,103	37,247	37,247	-	28,144	24%
5857	Payroll Fees	-	-	-	-	-	16,444	16,444	-	16,444	0%
5860	Service Fees	-	-	33	-	33	1,061	1,061	-	1,028	3%
5863	Prof Developmnt	-	-	-	-	-	12,360	12,360	-	12,360	0%
5864	Prof Dev-Other	-	-	-	-	-	15,725	8,725	(7,000)	8,725	0%
5869	SpEd Ctrct Inst	-	-	295	-	295	-	57,975	57,975	57,680	1%
5872	SpEd Fees	-	-	-	-	-	-	12,006	12,006	12,006	0%
5875	StaffRecruiting	-	-	-	-	-	-	-	-	-	-
5884	Substitutes	-	-	1,627	636	2,263	25,000	25,000	-	22,737	9%
5890	OthSvcsNon-Inst	-	-	-	-	-	1,500	1,500	-	1,500	0%
5900	Communications	-	-	-	280	280	35,063	35,063	-	34,783	1%
5920	TelecomInternet	1,068	3,076	3,083	280	7,507	24,258	24,258	-	16,751	31%
5930	PostageDelivery	-	579	-	-	579	5,150	5,150	-	4,571	11%
5940	Technology	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Services & Operations		49,780	162,068	117,439	116,944	446,231	1,736,112	1,668,590	(67,522)	1,222,359	27%

2018-19 First Interim Budget Actuals through October 31, 2018)						Annual Budget					
MSA SD	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	First Interim Remaining		
Capital Outlay & Depreciation											
6100	Site Imp (Pre-Capitalization)	-	12,800	-	-	12,800	-	29,224	29,224	16,424	44%
6400	EquipFixed	-	-	-	-	-	-	29,000	29,000	29,000	0%
6900	Depreciation	-	-	-	15,216	15,216	45,647	45,647	-	30,431	33%
SUBTOTAL - Cap Outlay & Depreciation		-	12,800	-	15,216	28,016	45,647	103,871	58,224	75,855	27%
Other Outflows											
7299	Encroachment	-	-	-	-	-	12,006	-	(12,006)	-	-
7438	InterestExpense	-	-	-	-	(0)	-	-	-	0	-
SUBTOTAL - Other Outflows		-	-	-	-	(0)	12,006	-	(12,006)	0	-
TOTAL EXPENSES		146,045	375,207	326,225	353,584	1,304,601	4,529,541	4,540,600	11,059	3,235,998	29%

Monthly Cash Flow (Actuals + Projections)

MSA-SD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	764,391	416,675	360,904	376,284	382,611	468,804	649,454	689,749	615,783	697,734	599,063	528,452	505,862	
Revenue														
LCFF Entitlement	79,176	175,960	363,080	253,842	253,842	273,241	253,842	253,842	397,678	214,189	214,189	237,264	200,758	3,170,904
Federal Revenue	-	-	-	-	14,260	4,248	4,248	14,260	4,248	29,498	14,260	4,248	54,906	144,175
Other State Revenues	9,620	-	26,936	28,239	27,789	256,798	65,824	29,403	52,143	29,761	72,388	108,016	35,044	741,961
Other Local Revenues	500	-	828	6,544	4,718	23,200	4,718	5,365	4,718	4,718	5,389	4,718	23,916	89,331
Total Revenue	89,296	175,960	390,844	288,625	300,609	557,487	328,632	302,870	458,787	278,166	306,226	354,246	314,624	4,146,371
Expenses														
Certificated Salaries	94,940	127,178	128,586	131,584	129,484	129,484	129,484	129,484	129,484	129,484	129,484	129,484	32,371	1,550,529
Classified Salaries	25,053	27,475	29,806	28,011	29,106	29,106	29,106	29,106	29,106	29,106	29,106	29,106	5,821	349,013
Benefits	19,286	67,724	55,169	34,341	62,703	62,703	62,703	62,703	62,703	62,703	62,703	62,703	31,352	709,499
Books and Supplies	-	13,908	19,806	27,488	(37,677)	17,282	17,282	17,282	17,282	17,282	17,282	17,282	14,598	159,098
Services and Operations	49,780	162,068	117,439	116,944	143,248	143,248	143,248	143,248	143,248	143,248	143,248	143,248	76,374	1,668,590
Depreciation / Cap Outlay	-	12,800	-	15,216	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	-	103,871
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	189,058	411,153	350,807	353,584	336,346	391,305	391,305	391,305	391,305	391,305	391,305	391,305	160,515	4,540,600
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	155,268	(352)	16,391	11,803	102,205	-	-	-	-	-	-	-	-	285,315
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	(18,357)	13,483	-	2,890	8,182	-	-	-	-	-	-	-	-	6,198
Fixed Assets	-	-	-	15,216	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	9,482	91,071
Due To (From)	13,371	-	-	-	-	-	-	-	-	-	-	-	-	13,371
Expenses - Prior Year Accruals	(67,214)	-	-	-	-	-	-	-	-	-	-	-	-	(67,214)
Accounts Payable - Current Year	-	-	(1,416)	(3,111)	-	-	-	-	-	-	-	-	-	(4,527)
Summer Holdback for Teachers	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	4,987	59,844
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	88,055	18,118	19,962	31,785	124,856	14,469	14,469	14,469	14,469	14,469	14,469	14,469	14,469	384,059
Total Change in Cash	(11,707)	(217,075)	59,999	(33,174)	89,120	180,650	(48,205)	(73,967)	81,951	(98,671)	(70,611)	(22,591)		(10,170)
ENDING CASH (Local Bank 9120)	416,675	360,904	376,284	382,611	468,804	649,454	689,749	615,783	697,734	599,063	528,452	505,862		
ENDING CASH (County Treas. & Other)	336,009	174,705	219,324	179,823	182,750	182,750	94,250	94,250	94,250	94,250	94,250	94,250		
ENDING CASH (TOTAL)	752,684	535,609	595,608	562,434	651,554	832,204	783,999	710,033	791,984	693,313	622,702	600,112		



MERF Executive Summary

SUMMARY OF RESULTS

This latest First Interim Budget update projects a budget deficit of (\$421,886).

This is an decrease of (\$671,886) from the original July 1 Budget projected surplus of \$250,000.

This will allow MERF to end this fiscal year with a balance of \$372,073, which is 6.3% of annual expenditures.

CASH FLOW

Operating cash flow is projected to remain positive throughout this fiscal year, as shown in the attached monthly cash flow schedule.

The lowest projected ending cash balance this fiscal year is \$368,643, which represents 23 days of operating costs on average.

This cash flow takes into account all intercompany loans made to date, but does not assume additional loans until approved by the Board.

SIGNIFICANT CHANGES IN REVENUE (Total change from July Budget = decrease of (\$566,269), or -9.3% of July Budget revenues)

Other Local Revenues: This category includes all MERF revenues from the sites, as well as other schoolwide revenue sources.

LCFF Entitlement projected revenues are \$0 lower than in the July Budget, due to average daily attendance (ADA) decreasing by 0.

SIGNIFICANT CHANGES IN EXPENSES (Total change from July Budget = increase of \$105,617, or 1.8% of July Budget expenses)

Salaries and Benefits: This includes all employee pay, plus benefits such as retirement, healthcare, Medicare, Social Security, etc.

Salaries and Benefits costs are \$18,417 higher than in the July Budget, reflecting budget adjustments to address changes in enrollment and other factors.

Books & Supplies: This category includes textbooks, computers, supplies, and other instructional and non-instructional materials and equipment.

Books & Supplies costs are projected at \$12,781 higher than in the July Budget, due to targeted budget adjustments (see detail).

Services & Operating Expenses: These include all contracted services as well as travel, insurance, rent, legal costs, and other service-related expenses.

Services & Operating costs are projected to be \$63,419 higher than in the July Budget, due to targeted budget adjustments (see detail).

Depreciation, Capital Outlay, and Other Outgo: This category includes depreciation on fixed assets, interest, and SELPA encroachment.

These costs are projected at \$11,000 higher than in the July Budget, reflecting updated depreciation and encroachment projections.

2018-19 First Interim Budget As of August 31, 2018		Year To Date					Annual Budget				
MSA MERF		Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
SUMMARY											
Revenue											
LCFF Entitlement		-	-	-	-	-	-	-	-	-	-
Federal Revenue		-	-	-	-	-	-	-	-	-	-
Other State Revenues		-	-	-	-	-	-	-	-	-	-
Other Local Revenues		158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%
Total Revenue		158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%
Expenses											
Certificated Salaries		46,813	(5,797)	48,213	47,379	136,608	378,982	384,571	5,589	247,963	36%
Classified Salaries		138,198	150,746	171,295	155,738	615,976	2,115,146	2,127,974	12,828	1,511,998	29%
Benefits		38,690	73,406	36,124	59,281	207,501	772,961	772,961	-	565,460	27%
Books and Supplies		-	1,790	54,489	5,628	61,906	89,201	101,982	12,781	40,076	61%
Services and Operating Exp.		29,627	167,935	87,673	206,354	491,590	2,451,260	2,514,679	63,419	2,023,089	20%
Depreciation & Cap Outlay		-	-	-	10,575	10,575	515	11,515	11,000	940	92%
Other Outflows		-	-	-	-	-	-	-	-	-	-
Total Expenses		253,328	388,081	397,794	484,954	1,524,156	5,808,065	5,913,682	105,617	4,389,526	26%
Operating Income						937,650	250,000	(421,886)	(671,886)	(1,359,536)	
Fund Balance											
Beginning Balance (Unaudited)							793,959	793,959			
Operating Income							250,000	(421,886)			
Ending Fund Balance							1,043,959	372,073			



2018-19 First Interim Budget As of August 31, 2018					Year To Date		Annual Budget							
MSA MERF					Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals	Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim
REVENUE DETAIL														
LCFF Entitlement														
8011	State Aid	-	-	-	-	-	-	-	-	-	-	-	-	-
8012	EPA Entitlement	-	-	-	-	-	-	-	-	-	-	-	-	-
8019	Prior Year Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
8096	InLieuPropTaxes	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - LCFF Entitlement		-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue														
SUBTOTAL - Federal Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-
Other State Revenue														
SUBTOTAL - Other State Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-
Local Revenue														
8600	StudentLunchFee	-	-	25,000	(25,000)	-	-	-	-	-	-	-	-	-
8650	Leases & Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-
8660	Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
8698	OthRev-Suspense	-	-	-	-	-	-	-	-	-	-	-	-	-
8699	Other Revenue	375	445,540	(397,725)	279,606	327,795	50,000	75,000	25,000	(252,795)	437%			
8701	CMO Fee - MSA-1	-	165,806	82,903	82,903	331,612	994,835	994,835	-	663,223	33%			
8702	CMO Fee - MSA-2	-	149,815	74,908	74,908	299,631	898,892	898,892	-	599,261	33%			
8703	CMO Fee - MSA-3	82,592	82,592	82,592	82,592	330,368	991,104	991,104	-	660,736	33%			
8704	CMO Fee - MSA-4	6,471	6,471	6,471	6,471	25,886	77,657	77,657	-	51,771	33%			
8705	CMO Fee - MSA-5	8,604	8,604	8,604	8,604	34,418	103,253	103,253	-	68,835	33%			
8706	CMO Fee - MSA-6	3,871	3,871	3,871	3,871	15,484	46,452	46,452	-	30,968	33%			
8707	CMO Fee - MSA-7	41,399	41,399	41,399	41,399	165,595	496,785	496,785	-	331,190	33%			
8708	CMO Fee - MSA-8	-	165,239	82,620	82,620	330,479	991,436	991,436	-	660,957	33%			
8709	CMO Fee - MSA-SA	-	269,311	89,770	89,770	448,852	997,937	406,668	(591,269)	(42,184)	110%			
8712	CMO Fee - MSA-SD	-	68,286	34,143	34,143	136,571	409,714	409,714	-	273,143	33%			
8791	SpEd Revenue (Local)	-	-	-	-	-	-	-	-	-	-	-	-	-
8999	Revenues-Susp	15,228	2,493	-	(2,605)	15,116	-	-	-	(15,116)	-			
SUBTOTAL - Local Revenue		158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%			
TOTAL REVENUE		158,541	1,409,427	134,556	759,283	2,461,806	6,058,065	5,491,796	(566,269)	3,029,990	45%			

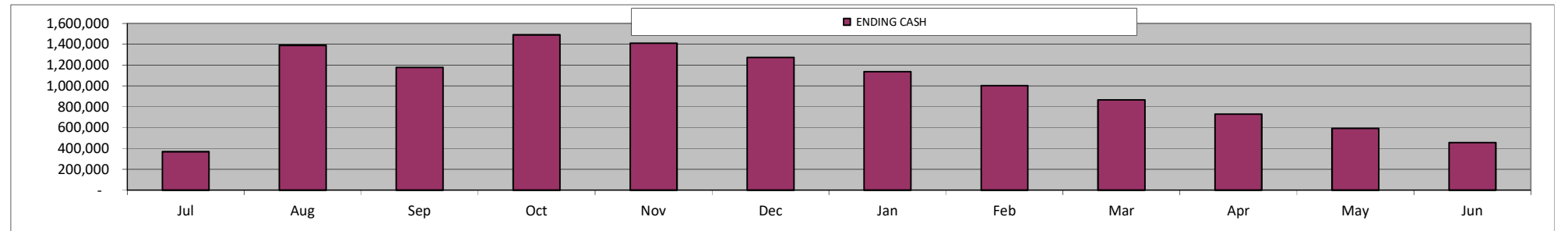
2018-19 First Interim Budget As of August 31, 2018						Annual Budget					
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				First Interim	First Interim Remaining		
EXPENSES DETAIL											
Certificated Salaries											
1100	TeacherSalaries	-	-	-	-	-	-	-	-	-	
1300	Cert Adminis	46,813	(5,797)	48,213	47,379	136,608	378,982	384,571	5,589	247,963	36%
SUBTOTAL - Certificated Salaries		46,813	(5,797)	48,213	47,379	136,608	378,982	384,571	5,589	247,963	36%
Classified Salaries											
2400	Clerical & Tech	106,667	104,367	120,362	104,805	436,200	1,855,793	1,879,062	23,269	1,442,862	23%
2900	OtherClassStaff	31,531	46,379	50,933	50,933	179,776	259,353	248,912	(10,441)	69,136	72%
SUBTOTAL - Classified Salaries		138,198	150,746	171,295	155,738	615,976	2,115,146	2,127,974	12,828	1,511,998	29%
Employee Benefits											
3101	STRS	10,071	13,233	13,498	14,082	50,884	94,038	94,038	-	43,154	54%
3202	PERS	4,036	4,165	4,165	4,165	16,531	49,981	49,981	-	33,450	33%
3301	OASDI/Med	9,531	9,991	10,079	8,782	38,383	141,870	141,870	-	103,487	27%
3401	HlthWelfare	1,539	37,102	(41)	24,070	62,669	292,748	292,748	-	230,079	21%
3501	UnemployIns	635	667	-	-	1,302	11,919	11,919	-	10,617	11%
3601	WorkersCmp	8,586	2,862	2,862	2,862	17,172	28,088	28,088	-	10,916	61%
3901	OthBenes	4,292	5,388	5,561	5,320	20,561	154,317	154,317	-	133,757	13%
SUBTOTAL - Employee Benefits		38,690	73,406	36,124	59,281	207,501	772,961	772,961	-	565,460	27%
Books & Supplies											
4100	Text&CoreCurric	-	-	-	-	-	1,051	1,051	-	1,051	0%
4200	BooksOthRefMats	-	-	-	-	-	-	-	-	-	-
4310	Ins Mats & Sups	-	-	-	136	136	5,500	5,500	-	5,364	2%
4315	OthrSupplies	-	-	-	-	-	-	-	-	-	-
4320	Office Supplies	-	135	1,069	1,727	2,931	34,000	34,500	500	31,569	8%
4325	ProfDevMat&Sups	-	-	-	-	-	-	-	-	-	-
4326	Arts&MusicSupps	-	-	-	-	-	-	-	-	-	-
4335	PE Supplies	-	-	-	-	-	-	-	-	-	-
4340	Educat Software	-	-	-	-	-	9,000	9,000	-	9,000	0%
4400	NonCapEquip-Gen	-	-	-	1,334	1,334	1,500	8,971	7,471	7,637	15%
4430	OfficeFurnEqp<5k	-	-	-	-	-	-	-	-	-	-
4440	Computers <\$5k	-	-	-	1,110	1,110	5,000	7,310	2,310	6,200	15%
4460	Fixed Asset Suspense	-	-	-	-	-	-	-	-	-	-
4710	Food	-	-	-	-	-	-	-	-	-	-
4720	Food:Other Food	-	165	133	382	680	33,150	35,650	2,500	34,970	2%
4990	Prior Year Exp	-	-	-	-	-	-	-	-	-	-
4999	Misc Exp-Suspense	-	1,490	53,288	938	55,715	-	-	-	(55,715)	-
SUBTOTAL - Books and Supplies		-	1,790	54,489	5,628	61,906	89,201	101,982	12,781	40,076	61%

2018-19 First Interim Budget As of August 31, 2018						Annual Budget					
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim	First Interim Remaining	Actuals as % of First Interim	
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals							
Services & Other Operating Expenses											
5101	CMO Fees	-	-	-	-	-	-	-	-	-	
5205	Conference Fees	-	-	-	-	37,950	36,990	(960)	36,990	0%	
5210	MilesParkTolls	2,178	4,267	2,341	3,208	11,993	116,000	-	104,007	10%	
5215	TravConferences	-	-	-	-	-	-	-	-	-	
5220	TraLodging	-	20	802	-	822	92,150	114,650	22,500	113,828	1%
5300	DuesMemberships	75	150	1,017	75	1,317	10,900	35,000	24,100	33,683	4%
5450	Other Insurance	5,834	1,945	5,621	12,472	25,872	40,000	40,000	-	14,128	65%
5500	OpsHousekeeping	-	-	-	-	-	26,545	25,000	(1,545)	25,000	0%
5510	Gas & Electric	-	-	-	-	-	-	-	-	-	
5610	Rent & Leases	13,850	15,457	14,525	14,995	58,827	176,200	177,745	1,545	118,918	33%
5620	EquipmentLeases	286	286	286	286	1,143	13,000	13,000	-	11,857	9%
5630	Reps&MaintBldng	-	-	-	-	-	2,500	2,500	-	2,500	0%
5800	ProfessServices	6,750	27,225	37,201	39,220	110,396	548,750	549,500	750	439,104	20%
5810	Legal	-	4,707	15,747	7,807	28,261	335,000	335,000	-	306,739	8%
5811	Property Tax	-	-	-	-	-	-	-	-	-	
5813	SchPrgAftSchool	-	-	-	-	-	-	-	-	-	
5814	SchPrgAcadComps	-	-	-	-	-	-	-	-	-	
5819	SchlProgs-Other	-	-	-	-	-	-	-	-	-	
5820	Audit & CPA	-	-	-	-	-	50,000	50,000	-	50,000	0%
5825	DMSBusinessSvcs	-	103,404	-	69,130	172,534	500,000	500,000	-	327,466	35%
5835	Field Trips	-	-	-	20,437	20,437	-	25,000	25,000	4,563	82%
5836	FieldTrip Trans	-	-	-	-	-	-	-	-	-	
5840	MarkngStdtdRecrt	-	-	3,500	2,036	5,536	58,000	58,000	-	52,464	10%
5850	Oversight Fees	-	-	-	-	-	-	-	-	-	
5857	Payroll Fees	-	-	-	-	-	20,000	20,000	-	20,000	0%
5860	Service Fees	-	-	-	146	146	20,000	20,000	-	19,854	1%
5863	Prof Developmnt	-	150	960	180	1,290	77,000	73,100	(3,900)	71,810	2%
5864	Prof Dev-Other	-	-	-	10,552	10,552	50,500	38,500	(12,000)	27,948	27%
5869	SpEd Ctrct Inst	-	-	-	-	-	-	-	-	-	
5872	SpEd Fees	-	-	-	-	-	-	-	-	-	
5875	StaffRecruiting	-	1,223	173	3,288	4,684	15,000	15,000	-	10,316	31%
5884	Substitutes	-	-	-	-	-	-	-	-	-	
5890	OthSvcsNon-Inst	-	-	-	-	-	-	-	-	-	
5900	Communications	655	657	100	655	2,067	32,000	32,000	-	29,933	6%
5920	TelecomInternet	-	-	-	703	703	-	-	-	(703)	
5930	PostageDelivery	-	649	(0)	-	649	13,000	13,000	-	12,351	5%
5940	Technology	-	7,796	5,400	21,164	34,360	216,765	224,694	7,929	190,334	15%
SUBTOTAL - Services & Operations		29,627	167,935	87,673	206,354	491,590	2,451,260	2,514,679	63,419	2,023,089	20%

2018-19 First Interim Budget As of August 31, 2018						Annual Budget				
MSA MERF	Year To Date				Actual YTD	Adopted (July 1) Budget	Proposed First Interim Budget	Adopted Budget vs. Proposed 1st Interim		Actuals as % of First Interim
	Jul Actuals	Aug Actuals	Sep Actuals	Oct Actuals				Proposed 1st Interim	First Interim Remaining	
Capital Outlay & Depreciation										
6100 Site Imp (Pre-Capitalization)	-	-	-	-	-	-	-	-	-	-
6400 EquipFixed	-	-	-	10,403	10,403	-	11,000	11,000	597	95%
6900 Depreciation	-	-	-	172	172	515	515	-	343	33%
SUBTOTAL - Cap Outlay & Depreciation	-	-	-	10,575	10,575	515	11,515	11,000	940	92%
Other Outflows										
7299 Encroachment	-	-	-	-	-	-	-	-	-	-
7438 InterestExpense	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - Other Outflows	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	253,328	388,081	397,794	484,954	1,524,156	5,808,065	5,913,682	105,617	4,389,526	26%

Monthly Cash Flow (Actuals + Projections)

MERF	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Accruals	TOTAL
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	
BEGINNING CASH	475,054	368,643	1,389,372	1,177,066	1,490,509	1,409,692	1,273,160	1,136,628	1,003,054	866,522	730,051	593,519	456,987	
Revenue														
LCFF Entitlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other State Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Local Revenues	158,541	1,409,427	134,556	759,283	387,988	387,988	387,988	390,947	387,988	388,049	387,988	387,988	(76,936)	5,491,796
Total Revenue	158,541	1,409,427	134,556	759,283	387,988	387,988	387,988	390,947	387,988	388,049	387,988	387,988	(76,936)	5,491,796
Expenses														
Certificated Salaries	46,813	(5,797)	48,213	47,379	30,056	30,056	30,056	30,056	30,056	30,056	30,056	30,056	7,514	384,571
Classified Salaries	138,198	150,746	171,295	155,738	184,390	184,390	184,390	184,390	184,390	184,390	184,390	184,390	36,878	2,127,974
Benefits	38,690	73,406	36,124	59,281	66,525	66,525	66,525	66,525	66,525	66,525	66,525	66,525	33,262	772,961
Books and Supplies	-	1,790	54,489	5,628	(44,704)	11,011	11,011	11,011	11,011	11,011	11,011	11,011	7,707	101,982
Services and Operations	29,627	167,935	87,673	206,354	232,539	232,539	232,539	232,539	232,539	232,539	232,539	232,539	162,777	2,514,679
Depreciation / Cap Outlay	-	-	-	10,575	118	118	118	118	118	118	118	118	-	11,515
Other Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	253,328	388,081	397,794	484,954	468,923	524,638	524,638	524,638	524,638	524,638	524,638	524,638	248,139	5,913,682
Other Transactions Affecting Cash														
Revenues - Prior Year Accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable - Current Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets	-	-	-	171	118	118	118	118	118	118	118	118	118	1,111
Due To (From)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses - Prior Year Accruals	(11,625)	(617)	-	-	-	-	-	-	-	-	-	-	-	(12,242)
Accounts Payable - Current Year	-	-	50,931	38,944	-	-	-	-	-	-	-	-	-	89,875
Summer Holdback for Teachers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans Payable (Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Transactions	(11,625)	(617)	50,931	39,115	118	118	118	118	118	118	118	118	118	78,744
Total Change in Cash	(106,411)	1,020,730	(212,307)	313,443	(80,817)	(136,532)	(136,532)	(133,574)	(136,532)	(136,472)	(136,532)	(136,532)		(343,142)
ENDING CASH	368,643	1,389,372	1,177,066	1,490,509	1,409,692	1,273,160	1,136,628	1,003,054	866,522	730,051	593,519	456,987		





QUESTIONS & COMMENTS



Cover Sheet

MSA-4 Fiscal Benchmarks Update

Section: III. Discussion Item
Item: A. MSA-4 Fiscal Benchmarks Update
Purpose: Discuss
Submitted by:
Related Material: III B MSA 4 Financial Benchmarks.pdf



Board Agenda Item #	III B - Discussion Item
Date:	12-5-18
To:	Magnolia Board of Directors- Finance Committee
From:	Alfredo Rubalcava, CEO & Superintendent
Lead:	Nanie Montijo, Chief Finance Officer
RE:	MSA 4 Fiscal Benchmarks

Proposed Board Recommendation

Information and discussion – no actions required.

Background

MSA 4 received the renewal letter dated January 9, 2018 from LAUSD CSD stating LAUSD Board of Education voted to renew with benchmarks the MSA 4 charter for 5 years beginning July 1, 2018 until June 30, 2023. MSA 4 must meet academic and fiscal benchmarks during the 2018-2023 charter term.

Fiscal Benchmark #1-4 has been submitted and completed as of July 12, 2018.

To comply with the requirements of benchmark #5-6, the attached report is presented to board to demonstrate improvements on fiscal management and operations; and continued implementation of recommendations from Fiscal Oversight Report and SSC's Management letter. Please see attached.

Budget Implications

None

Attachments:

MERF's action Plan and Proof of Implementation
LAUSD Renewal Letter with Benchmarks

As per 2017-2018 Annual Oversight Visit Report (Fiscal Operations)	MERF's governing board approved plan of action (meeting date: July 12, 2018)	MERF's governing board approved plan of action (meeting date: December 13, 2018)
Areas noted for further growth and/or improvement:		
1) Bank Reconciliation Reports	All bank reconciliations are reviewed and approved via email by Designees/Financial Analysts on a monthly basis. In order to adopt a recommendation by School Services of California ("SSCal"), as of January 2017 MERF Financial Analysts approve, sign and date all bank reconciliation statements before scanning and emailing the same to MERF's back office provider. The new back office provider Delta Managed Services ("DMS") has been notified of the MERF policy about the bank reconciliation timeline (20th of the following month).	Bank Reconciliations starting July 1, 2018 are prepared by DMS, the new back office service providers. CFO or designee reviews and signs all bank reconciliations before returning to DMS and filing for records.
2) Credit Cards	As of April 2018, all credit cards issued to former employees have been closed. All school site credit cards are held at the home office and are in the name of the CEO. Every month, MERF Financial Analysts review all credit card statements and charges. Balances of all active credit cards are paid in full unless there are disputed transactions.	The credit card processes approved by board of directors in the July 2018 meeting is still being followed consistently every month. All credit cards are paid in full every month. Statements are reviewed and coded correctly by senior financial analysts.
3) Automated Clearing House (ACH)/Recurring Automatic Payments	MERF's Magnolia Public Schools Financial Policies and Procedures Manual, provided to LAUSD on March 1, 2018, covers all payments types regardless of the manner of issuance. However, for the avoidance of doubt and to institute CSD's recommendations, MERF will revise its policy to make it clear that the policy applies to ACH transactions and recurring payment processes. Such revision will be presented to the MERF Board of Directors for adoption at its September 13, 2018 board meeting.	All ACH transactions are in compliance with the board approved MERF Fiscal Policies.
Other Observations:		
1) MERF needs to improve the timeliness of its responses to the CSD	MERF responds as soon as possible to all CSD information requests. Staff adhered to the deadlines the great majority of the time and kept CSD staff informed whenever information could not be provided according to the stated deadline. Prospectively, MERF Staff will inform CSD when requested information cannot be provided by the stated deadline and the reason for such delay. In such instances, MERF staff will provide CSD with its best approximation of when the information will be provided. In all instances, MERF will use its best reasonable efforts to provide the information as quickly as possible.	Staff has been very conscientious in ensuring that responses to emails and requests from CSD staff are provided within 48 hours, if possible.
2) The CSC recommends that MERF update its fiscal policies and procedures to require original detailed receipts for all purchases made via check disbursements or credit cards.	MERF's fiscal policies already require that detailed receipts are required for all purchases made via check disbursements or credit cards. Finance Department staff has commenced and will continue to make regular visits to all school sites to train and review fiscal processes with school staff. On an ongoing basis, MERF Finance Department staff will attend and offer trainings to principals during their monthly meetings at MERF's home office.	Finance team ensures that all reimbursement requests and purchases are supported by detailed receipts and all documentations required based on our fiscal policies.
3) The CSD recommends that MERF present and discuss the CSD's Annual Performance-Based Oversight Reports with its governing board.	MERF staff presented CSD's Oversight report to its Board of Directors during the May 2018 meeting. It was again discussed in more detail at the July 2018 Board of Directors meeting. The approved board minutes for the July 2018 Board of Directors meeting were submitted to LAUSD on August 14, 2018.	MERF staff presented CSD's Oversight report to its Board of Directors during the May 2018 meeting. It was again discussed in more detail at the July 2018 Board of Directors meeting. The approved board minutes for the July 2018 Board of Directors meeting were submitted to LAUSD on August 14, 2018.

As per the SSC's Management Letter (dated July 27, 2018)	MERF's Response	MERF's governing board approved plan of action (meeting date: December 13, 2018)
Current Recommendations		
1) Consider consolidating to one financial system.	<p>MERF previously agreed to Implement a more integrated system structure and a PO system that interfaces with the accounting system in order to create improved overall processes and internal controls. In order to meet this commitment, as of July 1, 2018 MERF transitioned to new back office service provider Delta Managed Solutions, Inc. ("DMS"). DMS uses a financial software package called Escape/SchoolAbility ("SchoolAbility") that incorporates purchasing and accounting processes into one database. SchoolAbility covers purchasing, payables, budget, financial reporting that is SACS compliant and compatible. Significantly, SchoolAbility allows for the generation of real-time reports for budget status, purchase requests, encumbrances, payments processed and other pertinent accounting records. MERF's previous software (CoolSIS and NetSuite) and back office provider did not have the capability to generate real-time reports. MERF will amend its fiscal policy and procedures manual at its October 2018 Board of Directors meeting to reflect the change in financial software. MERF continues to use Paycom software for human resource and payroll functions. Payroll registers are uploaded to SchoolAbility on a semimonthly basis. MERF has reduced the number of software systems it uses from three to two. MERF believes that this change is consistent with the recommendation to streamline services and increase accessibility to information.</p>	<p>The selection of DMS was approved by MERF's Board of Directors. This recommendation has been implemented insofar as establishing a more integrated system and lessening the number of software packages used.</p> <p>As of July 1, 2018, MERF uses two instead of three software packages. MERF will continue to work towards consolidating into one financial software package.</p> <p>Schoolability is currently the financial software being utilized for requisition, purchasing, reimbursements, accounts payable, accounts receivable, general ledger and financial reporting.</p> <p>Paycom is the software being used to maintain personnel records, payroll information and generates pay checks.</p>
2) Consider developing a more streamlined and standardized process for accounts payable.	<p>As mentioned, MERF has hired a new service provider, DMS. DMS uses SchoolAbility which Incorporates all financial processes (including but not limited to purchasing, A/P, bank reconciliation, and state and federal reporting) into one database. MERF's Finance Department has centralized its accounts payable processing to have all invoices go to MERF's head office in order to provide more visibility of MERF's different vendors, their terms and conditions and to more closely monitor aging of payables. In addition, all approval processes are integrated into the SchoolAbility software (including home office executive team and school site principals' routing and approval, as required per MERF fiscal policy handbook) thereby creating an appropriate audit trail. The approval process is enhanced because Finance Department staff review all purchase requisitions, payment requests and employee reimbursements.</p>	<p>The selection of DMS and the use of SchoolAbility was approved by MERF's Board of Directors. The new financial system is more streamlined and standardized in processing purchase requests, payables, reimbursements and budgets.</p>
3) Consider reviewing cash receipts for timely deposits.	<p>MERF Finance Department staff will continue to support school staff in making timely cash and check deposits. Finance Department staff will continue to make regular visits to all school sites to train and review fiscal processes with school staff. For example, from July 30, 2018 to August 2, 2018, Finance Department staff attended and participated in beginning of school year professional development training for office managers and principals. On an ongoing basis, MERF Finance Department staff will attend and offer trainings to principals during their monthly meetings at home office. MERF Finance Department staff will continue to monitor the timeliness of cash and check deposits. Where noncompliance is found, MERF Finance Department staff will work with the noncompliant school or staff to address and remedy any issues that contribute to noncompliance.</p>	<p>Continues trainings and communication with site staff is ongoing. CFO meets with all principals every month during the principals' meeting to address current issues and provide additional training. In addition, Senior Financial Analyst conducts site visits at least once a month to all school sites.</p>
4) Consider reviewing cash deposits for appropriate coding.	<p>Effective July 1, 2018 all transactions will be in compliance with SACS coding. Unlike its previous software, SchoolAbility is SACS compliant. MERF Finance Department staff will review all coding and GL postings before submission of interim reports and unaudited actual thereby insuring that all transactions are codified to the correct account.</p>	<p>Schoolability is a SACS compliant financial software. All transactions are coded based on CDE's SACS. Each entry is reviewed and approved by MPS Senior Financial Analyst and CFO before posting.</p>



LOS ANGELES UNIFIED SCHOOL DISTRICT CHARTER SCHOOLS DIVISION

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MICHELLE KING, Ed.D.
Superintendent of Schools

FRANCES GIPSON, Ph.D.
Chief Academic Officer
Division of Instruction

JOSÉ COLE-GUTIÉRREZ
Director, Charter Schools Division

January 9, 2018

Dr. Caprice Young, Lead Petitioner
Magnolia Science Academy 4
11330 W Graham Place
Los Angeles, CA 90064

Sent By Email and U.S. Mail

Dear Dr. Caprice Young:

Congratulations! On November 7, 2017, the Los Angeles Unified School District (LAUSD) Board of Education voted to renew with benchmarks the Magnolia Science Academy 4 charter for 5 years, beginning July 1, 2018, until June 30, 2023, to serve 240 students in grades 6-12 in year 1 and up to 360 students in grades 6-12 by the end of the charter term.

We, the LAUSD Charter Schools Division, look forward to continuing to work with you throughout the term of the charter. As your assigned administrator from our office, I will continue to keep in close contact with you in order to perform our state-mandated oversight duties. If this assignment should change, we will notify you of the change and provide contact information for your new administrator.

Please keep in mind, Magnolia Science Academy 4 must meet the following academic and fiscal benchmarks during the 2018-2023 charter term as described below:

ACADEMIC BENCHMARKS

The school shall provide an update to the Charter Schools Division no later than December 15th of each year of the charter term (after CAASPP (SBAC) scores have been released by the CDE).

1. The school will demonstrate at least one performance level growth per academic year, as reported on the California School Dashboard, for numerically significant subgroups in ELA as measured by the CAASPP (SBAC) Assessment at a rate equal to or greater than the Resident and Similar Schools Median, with the goal of achieving and maintaining the “Green” performance level or higher.
2. The school will demonstrate at least one performance level growth per academic year, as reported on the California School Dashboard, for numerically significant subgroups in Math as measured by the CAASPP (SBAC) Assessment at a rate equal to or greater than the Resident and Similar Schools Median, with the goal of achieving and maintaining the “Green” performance level or higher.

FISCAL BENCHMARK

1. The school shall provide the Charter Schools Division (CSD) the complete, executed service contract signed between Magnolia Educational & Research Foundation (MERF) and School Services of California's (SSCal), as approved by MERF's governing board on May 20, 2017, no later than November 30, 2017. This contract shall reflect SSCal's scope of work for the six-month period spanning from January 2017 through June 2017.
2. MERF shall continue to apprise the CSD of SSCal's findings and recommendations pertaining to its reviews of Magnolia schools' May and June 2017 transactions. MERF will provide the CSD with SSCal's review status in writing on a monthly basis, beginning December 1, 2017, until SSCal completes its six-month reviews.
3. MERF will provide the CSD with SSCal's management letters and MERF's action items in response to SSCal's findings, if any, within 30 days from the date of the management letter issued by SSCal. SSCal's final management letter, along with MERF's response and action items, shall be provided to the Charter Schools Division no later than December 1, 2018.
4. Upon the CSD's review of SSCal's first six (6) months of oversight when completed, the District will determine if it is necessary to extend SSCal's oversight period, pursuant to the February 8, 2017 letter issued by LAUSD legal counsel to MERF, which states, "MERF must remain subject to fiscal oversight by FCMAT or an equivalent entity for six (6) consecutive months in 2017, to commence as soon as possible, with an option, at the District's request and sole discretion, to extend the oversight depending on the results of the first six (6) months of oversight." MERF may *not* terminate or cease SSCal's work without the CSD's or District's prior consent in writing.
5. MERF will continue to take steps to remediate its fiscal practices and demonstrate improvement in its fiscal management and operations, based on the recommendations made by the Fiscal Crisis & Management Assistance Team and SSCal, through the end of the term of MSA 4's charter or by the end of fiscal year 2022-2023.
6. MERF must provide an annual update to the Charter Schools Division starting by December 15 of each year through the end of the term of MSA 4's charter or by the end of fiscal year 2022-2023, as to its progress in improving the school's fiscal management and operations as mentioned in the fiscal benchmark 5 above.

Please communicate with us by February 6, 2018 the name of the person who will be responsible for monitoring and following up on the benchmarks during the term of the charter.

Again, we congratulate your accomplishment and offer our best wishes as you continue to serve the students at your school and move forward the work of providing an excellent educational opportunity for all students.

Sincerely,

Yolanda Jordan

Yolanda Jordan
Specialist

Attachment: Stamped Board of Education Order of Business

c: Dr. Robert Perry, Administrative Coordinator
James Robinson, Fiscal Administrator
René Cardona, Senior Coordinator
Lillian Lee, Fiscal Oversight Administrator
Lourdes Echevarria, Fiscal Services Manager
Saken Sherkhanov, Ph.D., Magnolia Public Schools Board President