



Board Agenda Item #	IV B: Information/Discussion Item
Date:	February 11, 2021
To:	Magnolia Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	David Yilmaz, Chief Accountability Officer
RE:	MSA-San Diego Annual Authorizer Oversight Report

Proposed Board Recommendation

Information/Discussion Item

Background

Oversight Visits Overview

Per the Education Code, charter authorizers need to conduct at least one annual oversight visit to their authorized schools. During an oversight visit, authorizers meet with the school leadership, visit classrooms, conduct interviews with staff, parents, and students, check student and staff records, interview some staff (for segregation of duties, etc.), and review a list of documents that our schools provide in physical and electronic binders or folders. The Home Office supports the schools in preparation for the oversight visits through mock visits, document preparation and review, and attendance to the oversight visits.

2019-20 Oversight Visits

All MPS schools have been visited by their respective authorizers. Following are the oversight visit details for 2019-20:

School	Authorizer	Visited?	Dates/Notes
MSA-1	LACOE	Yes	10/4/19; 5/11/20; 5/12/20
MSA-2	LACOE	Yes	11/5/19; 5/18/20; 5/27/20
MSA-3	LACOE	Yes	10/15/19; 5/13/20; 5/14/20
MSA-4	LAUSD	Yes	Zoom meeting on 4/28/20
MSA-5	LACOE	Yes	11/5/19; 5/18/20; 5/19/20
MSA-6	LAUSD	Yes	2/20/20
MSA-7	LAUSD	Yes	2/19/20

MSA-Bell	LAUSD	Yes	2/27/20
MSA-San Diego	SDUSD	Yes	Zoom meeting on 4/8/20
MSA-Santa Ana	SBE	Yes	2/5-6/20

Oversight Visit Reports

Authorizers typically provide the school with a report after their visit to delineate the school’s areas of strength and areas for improvement as well as areas of compliance and non-compliance, if applicable. The school leadership and the Home Office review those reports very carefully for continuous improvement of our schools.

Summary / Recommendations from the MSA-San Diego Oversight Visit Report

We provided the board with a summary of the oversight reports at the past board meetings with a focus on the LAUSD and LACOE reports. Now that we have recently received the report from SDUSD, we would like to share the following summary and recommendations from the reports for MSA-San Diego.

- Magnolia provided its 2019-20 Local Control and Accountability Plans (“LCAP”) and COVID-19 Operations Written Report to the District in a timely manner.
- Following the MPS Board’s decision to shut down operations at its physical school site on March 13, 2020, Magnolia rolled out emergency distance learning plans to be implemented beginning March 16, 2020. Magnolia gathered input from families and offered Chromebooks and internet hot spots to students in need. Magnolia reported that synchronous and asynchronous learning opportunities were provided to students. Teachers used the Google Classroom platform to post assignments and provide feedback to students. Magnolia uses the Parent Square app to communicate with families, in addition to telephone calls and other correspondence methods.
- The Safety Plan for Magnolia was presented for public input on September 17, 2019, and approved by the MPS Board on November 14, 2019. The Safety Plan identifies staff emergency roles and also includes information about child abuse mandated reporting responsibilities, harassment and discrimination, and the disciplinary, suspension and expulsion policy.
- In addition to the MPS Board, which is the decision-making body for all of the charter schools in the Magnolia network, there is a Magnolia Science Academy - San Diego Local Governance Committee, which met on September 23, 2019, and is comprised of the following:

Committee Members:

- Dr. Salih Dikbas
- Mr. Serdar Orazov
- Ms. Heidi DeClue
- Ms. Mary Meier
- Ms. Marijke Leeuwangh

- *Finance Review 2019-20*
 - Magnolia submitted all financial reports on or before the statutory due dates.
 - Per the 2018-19 independent audit report, Magnolia had a decrease in net assets of (\$810,426) and an ending fund balance of \$342,660. Magnolia's ending fund balances met the District's minimum reserve requirement of the greater of 3% of expenditures or \$50,000.
 - Magnolia had available cash of \$235,322 which was not sufficient to satisfy current liabilities of \$575,519.
 - Per the 2019-20 second interim report, Magnolia is projecting a deficit in net assets of (\$204,937) and ending fund balance of \$137,723. Magnolia's projected ending fund balance meets the District's minimum reserve requirement.
 - As of January 31, 2020, Magnolia does not have enough cash to cover its current liabilities. Cash available was \$448,420, current assets was \$498,385 and current liabilities was \$598,812. Magnolia's current ratio was .75, meaning the charter school does not have enough financial resources to meet short term obligations. Magnolia's days of cash on hand, which measures the number of days of expenses a school can pay with cash on hand, was 76 days. This indicated that Magnolia has adequate cash to meet its operating expenses in the event of unexpected costs or delays in cash receipts. Further, Magnolia's debt ratio was .96, a debt ratio below 1.0 indicates that in the long term, Magnolia's operations are likely to remain sustainable.
 - On April 22, 2020, the District met with Magnolia's finance leadership which represented that Magnolia entered into a five-year \$800,000 intercompany loan with 1.90% interest rate to meet its current financial obligations. Per the loan amortization schedule provided by Magnolia, the loan is due January 15, 2025, with 19 quarterly payments of \$44,342.34 starting July 15, 2020.
 - Magnolia contracts with Delta Managed Solutions ("DMS"), for basic accounting and financial reporting services.

- Magnolia’s financial systems are in general alignment with SACS. This enables Magnolia to prepare and submit financial reports that comply with CSAM, as they relate to charter school financial reporting.
- Magnolia’s chart of accounts consists of object codes which align with SACS.
- Separate accounts are maintained in the general ledger for restricted and unrestricted funds in accordance with CSAM.
- The MPS Board reviews financial reports before they are submitted to the District, San Diego County Office of Education, and California Department of Education. The MPS Board reviews and approves revisions to the Magnolia budgets.

Finance Part One. This section addresses the charter school’s submission of financial reports in a timely and accurate manner.

	YES	NO
The preliminary annual budget for fiscal year 2019-20 was submitted on time.	YES	
The first interim financial report for fiscal year 2019-20, to include the period from July 1 through October 31, was submitted on time.	YES	
The annual audit for fiscal year 2018-19 was submitted on time.	YES	
The second interim financial report for fiscal year 2019-20, to include the period from July 1 through January 31, was submitted on time.	YES	
The unaudited actuals financial report for fiscal year 2018-19, to include the period from July 1 through June 30, was submitted on time.	YES	

Magnolia submitted all financial reports on or before the statutory due dates.

Independent Audit Report 2018-19	YES	NO
Net Operating surplus: Operating revenues were greater than operating expenses in the last fiscal year.		NO
Positive Ending Fund Balance: Assets were greater than liabilities at the end of the last fiscal year.	YES	
Adequate Reserve for Economic Uncertainty: Ending fund balance for last fiscal year was at least 3% of expenditures or \$50,000, whichever is greater.	YES	
Audit Results: Any audit findings have been appropriately addressed in a timely manner.	N/A	
Cash Ratio: Available cash is sufficient to satisfy current liabilities.		NO
Current Ratio: Current assets exceed current liabilities.		NO

Second Interim Report 2019-20	YES	NO
Net Operating surplus: Operating revenues are projected to be greater than operating expenses in the fiscal year.		NO
Positive Ending Fund Balance: Assets are projected to be greater than liabilities at the end of the fiscal year.	YES	
Adequate Reserve for Economic Uncertainty: The ending fund balance is projected to be at least 3% of expenditures or \$50,000, whichever is greater.	YES	
Cash Ratio: As of January 31, 2020, available cash is sufficient to satisfy current liabilities.		NO
Current Ratio: As of January 31, 2020, current assets exceed current liabilities.		NO

- Chart of Accounts and Restricted Funding: Chart of Accounts corresponds to appropriate Standardized Account Code Structure (“SACS”) compliant object and resource codes, as per Procedure 810, Charter Schools of the California School Accounting Manual (“CSAM”). Restricted funds are accounted for separately and expenditures are limited to those allowed by grantors.
- Accounting System: Accounting system utilizes a SACS compliant Chart of Accounts. Tracks unrestricted and restricted resources in order to meet various specialized reporting requirements and categorical activities. Provides data necessary for accurate completion of reports such as, but not limited to, those required by Education Code Section 47604.33(a)(3-5), including, First Interim Report, Second Interim Report, and Charter School Unaudited Actuals Financial Report – Alternative Form.
- Safeguarding of Assets: Internal control procedures are implemented to protect assets of the charter school and comply with accounting procedures adequate to prevent misuse of charter school funds.
- Required Funding Documentation: Supplemental funding applications, plans, claims and required documentation are filed with the appropriate funding agency by the specified deadline.
- Liabilities: Loans, debts and outstanding obligations are properly accounted for and paid in a timely manner, as required by legal agreements.
- Budget Development: The staff, management and Board of Directors are involved in the charter school’s budget development.
- Board Oversight: The management and Board of Directors regularly review the budget in comparison to actual revenue and expenditures and make necessary adjustments to the budget as new information is available to the charter school.
- Adjusted Budgets: Current fiscal year’s operating budget is updated for new revenue received and new expenses incurred.
- Other, as appropriate.

Budget Implications

N/A

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

N/A

Name of Staff Originator:

David Yilmaz, Chief Accountability Officer

Exhibits (Attachments):

- Oversight Visit Report for MSA-San Diego

Charter School Name: Magnolia Science Academy San Diego
 Contact Persons for this Report: Susan Park and Deidre Walsh

*****Due to COVID-19 school closures that began March 16, 2020, the in-person site visit scheduled for April 14, 2020, was converted into a Zoom video conference that occurred on April 8, 2020, along with document review.*****

San Diego Unified School District (“District”) is the charter granting authority of Magnolia Science Academy San Diego (“Magnolia”), which is part of a network of charter schools called Magnolia Public Schools (“MPS”). MPS is operated by the nonprofit public benefit corporation Magnolia Educational & Research Foundation (“MERF”). Gokhan Serce is the School Principal of Magnolia, and Alfredo Rubalcava is the CEO of MPS.

Magnolia serves grades 6-8 at a District facility located at 6525 Estrella Avenue 92120. The table below summarizes enrollment by grade level.

	2017-18	2018-19	2019-20
6	125	148	140
7	141	131	174
8	138	125	129
Total	404	404	443

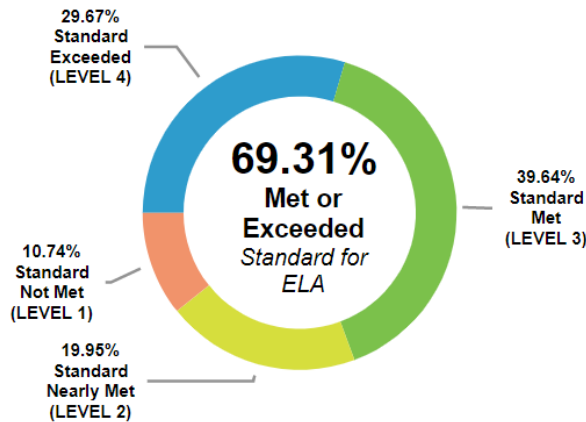
Magnolia is a local educational agency member of the El Dorado County Charter Special Education Local Plan Area. The table below summarizes enrollment by subgroup.

	2017-18	2018-19	2019-20
English Learners	4.5%	4.5%	6.1%
Foster Youth	0.0%	0.0%	0.0%
Homeless Youth	3.0%	2.5%	1.1%
Migrant Education	0.0%	0.0%	0.0%
Students with Disabilities	10.6%	14.6%	15.1%
Socioeconomically Disadvantaged	26.5%	26.7%	34.1%
All Students	404	404	443

The most recent, 2018-19, CAASPP scores for Magnolia are summarized in the below graph.

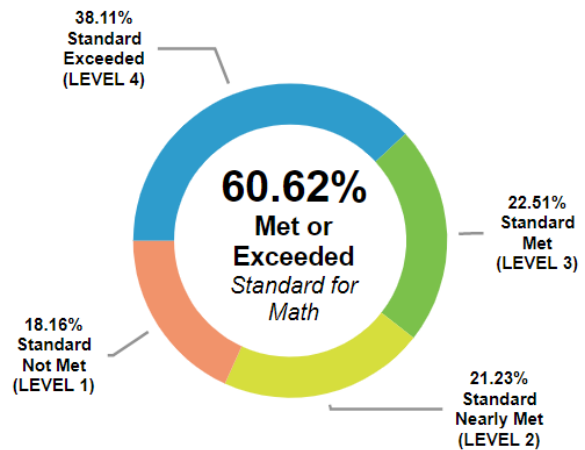
ELA

Percent of students within each achievement level



Mathematics

Percent of students within each achievement level



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Leadership changes in 2019-20 included the hiring of Serdar Orazov as the Chief Financial Officer.

Following the MPS Board’s decision to shut down operations at its physical school site on March 13, 2020, Magnolia rolled out emergency distance learning plans to be implemented beginning March 16, 2020. Magnolia gathered input from families and offered Chromebooks and internet hot spots to students in need. Magnolia reported that synchronous and asynchronous learning opportunities were provided to students. Teachers used the Google Classroom platform to post assignments and provide feedback to students. Magnolia uses the Parent Square app to communicate with families, in addition to telephone calls and other correspondence methods.

The Conflict of Interest Code for MERF was last approved by the Board of Supervisors of the County of San Diego on February 13, 2018, and can be viewed the following website:

https://www.sandiegocounty.gov/content/sdc/cob/conflict_interest.html#m

The MPS Board is summarized in the below table.

Board Member	Designation	Start Term	End Term	Email:
Haim Beliak	Chair	2/9/2017	2/8/2022	hbeliak@magnoliapublicschools.org
Umit Yapanel	Vice-Chair	10/12/2017	10/11/2022	uyapanel@magnoliapublicschools.org
Diane Gonzalez	Director	12/10/2019	12/9/2024	drgonzalez@magnoliapublicschools.org
Salih Dikbas	Director	12/10/2019	12/9/2024	sdikbas@magnoliapublicschools.org
Sandra Covarrubias	Director	8/11/2017	8/10/2022	scovarrubias@magnoliapublicschools.org
Mekan Muhammedov	Director	4/24/2020	4/23/2025	mekan@magnoliapublicschools.org

The schedule for 2019-20 regular board meetings included the following dates:

- July 18, 2019
- August 8, 2019
- September 12, 2019
- October 10, 2019
- November 14, 2019
- December 5, 2019
- January 23, 2020
- February 13, 2020
- March 5 & 20, 2020
- April 23, 2020
- May 14, 2020
- June 11 & 29, 2020

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Finance Part Two. This section addresses financial stability and sustainability of the charter school.

Independent Audit Report 2018-19	YES	NO
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Positive Ending Fund Balance: Assets were greater than liabilities at the end of the last fiscal year.	YES	
Adequate Reserve for Economic Uncertainty: Ending fund balance for last fiscal year was at least 3% of expenditures or \$50,000, whichever is greater.	YES	
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Finance Part Three. This section addresses financial management topics.

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Budget, Accounting, and Financial Reporting

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Charter School's Response (Optional):