

Agenda Item:	II A: Information/Discussion Item
Date:	February 9, 2023
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”) Board of Directors (the “Board”)
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead(s):	David Yilmaz, Chief Accountability Officer
RE:	MPS Annual Authorizer Oversight Reports

**1. Action Proposed:**

N/A

**2. Purpose:**

It is imperative that we share authorizer oversight reports with our Board, highlight any findings, and discuss possible next steps for actions that should be taken based on the feedback provided by the authorizers.

**3. 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. The Home Office supports the schools in preparation for the oversight visits through mock visits, document review, and attendance to the visits.

*2021-22 Oversight Visits*

All ten of our MPS schools have been visited by their respective authorizers. Following are the oversight visit details for 2021-22:

School	Authorizer	Visited?	Dates/Notes
MSA-1	LACOE	Yes	11/17/21; 3/21/22
MSA-2	LACOE	Yes	11/30/21; 3/21/22
MSA-3	LACOE	Yes	12/7/21; 5/10/22
MSA-4	LAUSD	Yes	3/2/22
MSA-5	LACOE	Yes	11/17/21; 3/21/22
MSA-6	LAUSD	Yes	3/3/22
MSA-7	LAUSD	Yes	3/15/22
MSA-Bell	LAUSD	Yes	3/9/22
MSA-San Diego	SDUSD	Yes	5/6/22
MSA-Santa Ana	SBE	Yes	4/26/22; 4/27/22

**4. Analysis:**

The summary and recommendations from LAUSD, LACOE, and the CDE were presented to the Board at prior meetings. This agenda is about SDUSD’s oversight visit report. The full report is attached. Following are excerpts of the summary and recommendations from the report.

*Students With Disabilities*

The tables below provide an overview of Magnolia enrollment as grouped by the California Department of Education (“CDE”). Magnolia has increased its schoolwide enrollment percentage of Students with Disabilities for the past five school years.

Subgroup	2017-18	2018-19	2019-20	2020-21	2021-22
English Learners	4.5%	4.5%	6.1%	8.4%	7.4%
Foster Youth	0%	0%	0%	0.2%	0.0%
Homeless Youth	3.0%	2.5%	1.1%	2.5%	2.6%
Migrant Education	0%	0%	0%	0%	0.0%
Students with Disabilities	10.6%	14.6%	15.1%	16.1%	17.3%
Socioeconomically Disadvantaged	26.5%	26.7%	34.1%	39.5%	37.5%
All Students	404	404	443	441	421

During the 2021-22 school year, approximately 80 students with individualized education programs (“IEPs”) were enrolled at Magnolia, comprising 17.3% of the schoolwide enrollment. At the time of the site visit, Magnolia did not provide the District with the requested list of special education and related services. The District will request this information during the 2022-23 site visit.

	Schoolwide	Students with Disabilities
Grade 6	135	24
Grade 7	140	34
Grade 8	146	22
Total	421	80

### *Notification of Mental Health Services*

As of the site visit date, notification of access to mental health services had not yet been sent to Magnolia families. The Magnolia administration reported that information would go out as part of “Mental Health Awareness Month.” For the 2022-23 site visit, the District requests the two or more dates in the 2021-22 and the 2022-23 school years that the mental health notifications were sent, or will be scheduled to be sent, to Magnolia families. Resources for mental health support can also be assessed on the Magnolia website [https://msasd.magnoliapublicschools.org/apps/pages/index.jsp?uREC\\_ID=472711&type=d](https://msasd.magnoliapublicschools.org/apps/pages/index.jsp?uREC_ID=472711&type=d) which was last accessed June 6, 2022.

### *AB-1505 Verified Data*

Assembly Bill (“AB”) 1505 amended sections of the Education Code regarding charter renewal which included specific information regarding Verified Data. See Education Code section 47607(b). Documents that were provided to the District show Magnolia has adopted the Northwest Evaluation Association (“NWEA”) Measuring Academic Progress (“MAP”) assessments as the Verified Data that may be used as part of the charter renewal criteria for middle and low performing schools. For additional information regarding Verified Data criteria, data use procedures, adopted assessments, and postsecondary indicators, please review the CDE website at <https://www.cde.ca.gov/sp/ch/verifdata.asp>. The District will request the 2021-22 Verified Data results as part of the 2022-23 Annual Site Visit.

### *Recruitment of Additional Board Members*

At the time of the site visit, the Magnolia board members interviewed indicated they are looking to recruit two additional members. Information regarding recruitment, including an application, is also posted on the website. The Magnolia website provides information for the public to contact any Magnolia board member directly through individual email addresses which are listed here: [https://magnoliapublicschools.org/apps/pages/index.jsp?uREC\\_ID=291746&type=d&termREC\\_ID=&pREC\\_ID=648546](https://magnoliapublicschools.org/apps/pages/index.jsp?uREC_ID=291746&type=d&termREC_ID=&pREC_ID=648546) (last accessed June 6, 2022).

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

The preliminary annual budget for fiscal year 2021-22 was submitted on time.	Met
The first interim financial report for fiscal year 2021-22, for the period of July 1 through October 31, was submitted on time.	Met
The annual audit for fiscal year 2020-21 was submitted on time.	Met
The second interim financial report for fiscal year 2021-22, for the period of July 1 through January 31, was submitted on time.	Met
The unaudited actuals financial report for fiscal year 2020-21, for the period of July 1 through June 30, was submitted on time.	Met

All Education Code required financial reports were board approved and submitted to the district on or before the statutory due dates.

*Finance Part Two*

Per the FY21-22 Second Interim Report, Magnolia Science Academy San Diego, (“Magnolia”) met most of the district’s criteria of financial stability and sustainability with the exception of projecting to end the year with operating income. The school is projected to end FY21-22 with an operating deficit of (\$118,978), however, the projected ending fund balance of \$1,321,478 met the district’s minimum reserve requirement.

Per Magnolia’s leadership, the reason for the deficit is due to additional resources above the one time funding that were needed in the classroom that were not originally anticipated to accommodate students, such as mental health, school psychologist, special education instructional aide, and having students acclimate back in the classroom. The school also did not expect ADA to be as low as it was, or for the additionally high substitute teacher expenses. Magnolia has been closely monitoring expenses, and advocating for SB579 to be held harmless which would be retroactive for this fiscal year. The school is anticipating additional revenues with the May Revise and COLA & SELPA increase to offset some of the deficit.

Per the FY20-21 Audit Report, Magnolia met the district’s criteria of financial stability and sustainability.

There were no findings and questioned costs related to the basic financial statements, or state awards during FY20-21. The prior year finding has been implemented.

**Finance Part Three. This section addresses financial management topics.**

<u>Chart of Accounts and Restricted Funding:</u> 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.	<b>Met</b>
<u>Accounting System:</u> 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.	<b>Met</b>
<u>Safeguarding of Assets:</u> The Fiscal Control Policy includes internal control procedures to protect their assets and prevent misuse of charter school funds.	<b>Met</b>
<u>Liabilities:</u> Loans, debts and outstanding obligations are properly accounted for and paid in a timely manner, as required by legal agreements.	<b>Met</b>
<u>Budget Development:</u> The staff, management, and governing board are involved in the charter school’s budget development.	<b>Met</b>
<u>Board Oversight:</u> The management and governing board 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.	<b>Met</b>
<u>Adjusted Budgets:</u> The current fiscal year’s operating budget is updated for new revenue received and new expenses incurred.	<b>Met</b>
<u>Other observations:</u> As applicable.	<b>See Below</b>

Article XIII, Section 36, Subdivision (e), Paragraph (6) of the California Constitution requires all districts, counties and charter schools to report on their websites an accounting of how much money was received from the Education Protection Account (“EPA”) and how that money was spent. Magnolia was informed of the requirement to include their Board-approved fiscal year 2021-22 estimated expenditure plan and 2020-21 actual expenditures on their website. Following the site visit, the school provided updated links to the plans on their website.

COVID 19 one-time relief funds were recorded under the correct resource codes as reflected in the school’s FY20-21 and FY21-22 general ledger reports.

Multiple entries in the fiscal year 2021-22 GL have descriptions that contain only the vendor’s name and account description. District requests that transactions entered into the GL contain a more detailed description of the items and/or services purchased.

The Magnolia March 2022 Bank Reconciliation of Citibank Account ending x6494 showed two checks over six months old that had not cleared the bank. The District asked what policies or procedures are in place for clearing checks outstanding over six months. Per Magnolia’s representative, after 120 days, the check is record as a stale check liability, and the school communicates with the related party to let them know the check is uncashed and after a 1-year period, the check is sent to the State.

Magnolia Educational & Research Foundation and Subsidiaries applied for and received loan forgiveness from the SBA on their Paycheck Protection Program (“PPP”) loan for \$5,461,600 for the year ending June 30, 2021. Of this \$418,151 was for Magnolia Science Academy of San Diego.

**Charter School's Response (Optional):**

On page two it states that the mental health notifications were not sent. The first communication was actually sent on October 18, 2021 as part of the student/parent hand book and two more sent on 5/5/22 and 5/23/22.

Here is the list of Special Education services that were not originally provided:

Speech and Language Therapy  
Occupational Therapy  
Adapted Physical Education  
Specialized Academic Instruction  
-push-in services in the general education classroom  
-pull-out small group instruction  
Psychological Services  
Individual Counseling  
Counseling and Guidance

5. **Impact:**

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 teams review those reports very carefully. It is critically important to have positive oversight reports from our authorizers and to act on their feedback for continuous improvement of our schools and systems. The Home Office will continue to provide the board with any oversight report and feedback from the authorizer visits.

6. **Budget Implications:**

N/A

7. **Exhibits:**

- Oversight Visit Report for MSA-San Diego

Charter School Name: Magnolia Science Academy San Diego  
 Contact Persons for this Report: Richard Farace and Deidre Walsh  
 Dates of Site Visit: May 6, 2022

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”). The current charter term began on July 1, 2020, and ends June 30, 2027, based on the two-year extension in Education Code section 47607.4. Magnolia serves grades 6-8 at a District facility located at 6525 Estrella Avenue 92120.

Gokhan Serce is the School Principal of Magnolia, and Alfredo Rubalcava is the CEO of MPS. The administrative team also includes the Dean of Academics Megan Craig, the Dean of Students Neil Egasani, and the Dean of Culture Halil Akdeniz.

The following additional designated roles were identified for Magnolia.

Special Education Administrator	Meagan Tracy	mebtracy@magnoliapublicschools.org
504 Coordinator	Megan Craig	mcraig@magnoliapublicschools.org
Title IX Coordinator	Megan Craig	mcraig@magnoliapublicschools.org
Homeless Liaison	Neil Egasani	cegasani@magnoliapublicschools.org
Foster Liaison	Serce Gokhan	gserce@magnoliapublicschools.org
Uniform Complaint Policy Contact	Serce Gokhan	gserce@magnoliapublicschools.org
Free/Reduced Price Meals Contact	Susana Davila	sdavila@magnoliapublicschools.org

The table below summarizes enrollment by grade level.

	2017-18	2018-19	2019-20	2020-21	2021-22
6	125	148	140	124	135
7	141	131	174	157	140
8	138	125	129	160	146
Total	404	404	443	441	421



The Comprehensive School Safety Plan (“Safety Plan”) provided for review during the site visit showed the 2021-22 Safety Plan was approved by the Magnolia Board on February 11, 2021.

The tables below provide an overview of Magnolia enrollment as grouped by the California Department of Education (“CDE”). Magnolia has increased its schoolwide enrollment percentage of Students with Disabilities for the past five school years.

<b>Subgroup</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
English Learners	4.5%	4.5%	6.1%	8.4%	7.4%
Foster Youth	0%	0%	0%	0.2%	0.0%
Homeless Youth	3.0%	2.5%	1.1%	2.5%	2.6%
Migrant Education	0%	0%	0%	0%	0.0%
Students with Disabilities	10.6%	14.6%	15.1%	16.1%	17.3%
Socioeconomically Disadvantaged	26.5%	26.7%	34.1%	39.5%	37.5%
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The Magnolia Complaint Notice was accessible on the school website under the “enrollment” tab and included information on how the public can contact the District Office of Charter Schools office with a complaint related to enrollment, lottery, or disenrollment.

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Total	421	80

Primary disability eligibility categories for the students enrolled at Magnolia were reported as follows:

**Schoolwide total of students’ primary eligibility categories:**

<b>Category</b>	<b>Number of Students 2020-21</b>	<b>Number of Students 2021-22</b>
<b>Autism (AUT)</b>	17	15
<b>Speech or Language Impairment (SLI)</b>	2	5
<b>Other Health Impairment (OHI)</b>	17	25
<b>Specific Learning Disability (SLD)</b>	31	32
<b>Orthopedic Impairment (OI)</b>	0	1
<b>Hard of Hearing (HH)</b>	0	0
<b>Emotional Disturbance (ED)</b>	2	2
<i>Add any not listed from last year here</i>		

Table provided by Magnolia.

Magnolia provided the Fair Political Practices Commission (“FPPC”) 2020 Multi-County Agency Biennial Notice for Magnolia’s Amended Conflict of Interest Code signed and dated August 16, 2021.

On July 23, 2020, the Magnolia Board approved the Uniform Complaint Policy (“UCP”). The UCP is offered in English and Spanish, includes procedures on how to file a complaint, and information on the appeals process with the CDE. Information regarding filing the UCP can be found on the Magnolia website and is provided to Magnolia families in the Annual Notice. With regard to the UCP information provided for review, it is noted that the total number of complaints filed in 2020-21 and 2021-22 were included in the information provided to the District.

Magnolia Board meetings are held at 6:00pm and were conducted via Zoom for the 2021-22 school year due to COVID restrictions. Information about the Magnolia Board, as well as meeting agendas and minutes, can be accessed from the Magnolia website by selecting the “About Us - MSP Board” tab at <https://msasd.magnoliapublicschools.org/#>, which was last accessed June 6, 2022.

The meeting calendar included the following 25 meeting dates for 2021-22:

July 8, 2021	December 21, 2021 (special)
August 12, 2021	January 13, 2022 (special)
August 19, 2021 (special)	January 20, 2022
September 9, 2021	February 10, 2022
September 23, 2021 (special)	February 24, 2022
October 7, 2021 (special)	March 10, 2022
October 14, 2021	March 24, 2022
October 28, 2021	April 7, 2022
November 4, 2021	April 21, 2022
November 18, 2021	May 12, 2022
December 2, 2021	May 26, 2022
December 9, 2021	June 2, 2022 (special)
December 16, 2021	

The Magnolia Board is comprised of the following persons:

<b>Magnolia Public Schools Board Member Roster</b>						<b>1st Term</b>		<b>2nd Term</b>		
	<b>Name</b>	<b>Lastname</b>	<b>Designation</b>	<b>Contact Email</b>	<b>Phone</b>	<b>Beginning Term</b>	<b>End term</b>	<b>Beginning Term</b>	<b>End term</b>	
1	Ms.	Sandra	Covarrubias	Chair	scovarrubias@magnoliapublicschools.org	213-628-3634	8/11/2017	8/10/2022		
2	Dr.	Umit	Yapanel	Vice-Chair	uyapanel@magnoliapublicschools.org	213-628-3634	10/11/2012	10/10/2017	10/12/2017	10/11/2022
3	Mrs.	Diane	Gonzalez	Director	drgonzalez@magnoliapublicschools.org	213-628-3634	12/11/2014	12/10/2019	12/10/2019	12/9/2024
4	Dr.	Salih	Dikbas	Director	sdikbas@magnoliapublicschools.org	213-628-3634	4/21/2016	12/10/2019	12/10/2019	12/9/2024
5	Mr.	Mekan	Muhammedov	Director	mekan@magnoliapublicschools.org	213-628-3634	4/24/2020	4/23/2025		

At the time of the site visit, the Magnolia board members interviewed indicated they are looking to recruit two additional members. Information regarding recruitment, including an application, is also posted on the website. The Magnolia website provides information for the public to contact any Magnolia board member directly through individual email addresses which are listed here:

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

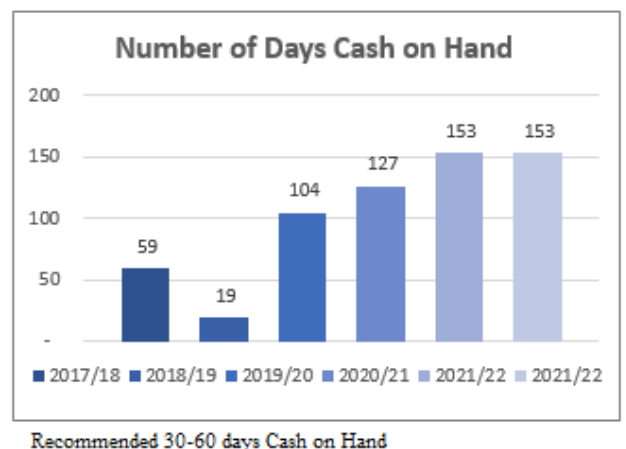
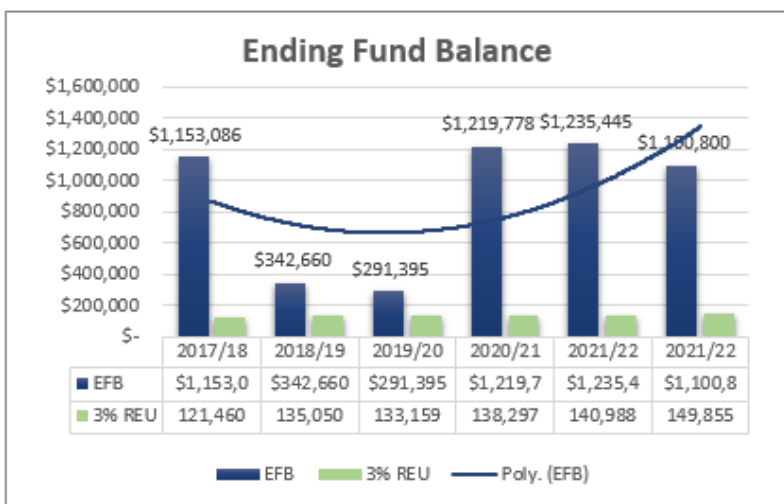
Magnolia Science Academy San Diego 09228

Spending Trend | 3% REU

Source	Fiscal Year	A Beg. Balance	B Revenues	C Expense	D EFB	E=D-A Surplus/deficit	E/C Percent Deficit	C * 3% 3% REU	REU Met?
Audit Report	2017/18	\$ 1,248,686	\$ 3,953,078	\$ 4,048,678	\$ 1,153,086	\$ (95,600)	-2.4%	121,460	Met
Audit Report	2018/19	\$ 1,153,086	\$ 3,691,251	\$ 4,501,677	\$ 342,660	\$ (810,426)	-18.0%	135,050	Met
Audit Report	2019/20	\$ 342,660	\$ 4,387,361	\$ 4,438,626	\$ 291,395	\$ (51,265)	-1.2%	133,159	Met
Audit Report	2020/21	\$ 291,395	\$ 5,538,289	\$ 4,609,906	\$ 1,219,778	\$ 928,383	0.0%	138,297	Met
First Interim Report (projected as of 6/30/22)	2021/22	\$ 1,219,778	\$ 4,715,270	\$ 4,699,603	\$ 1,235,445	\$ 15,667	0.0%	140,988	Met
Second Interim Report (projected as of 6/30/22)	2021/22	\$ 1,219,778	\$ 4,876,200	\$ 4,995,178	\$ 1,100,800	\$ (118,978)	-2.4%	149,855	Met

Current Ratio | Solvency | Cash on Hand

Source	Fiscal Year	A Assets	B Liability	C=A-B EFB	D Current Assets	E Current Liabilities	F=D/E Ratio ≥ 1	G Total Cash	H=G-E Solvency	I Expenses	J=G/(I/365) No. of Days
Audit Report	2017/18	1,657,935	504,849	1,153,086	1,164,855	353,043	3.30	657,784	304,741	4,048,678	59
Audit Report	2018/19	1,069,985	727,325	342,660	485,513	575,519	0.84	235,322	(340,197)	4,501,677	19
Audit Report	2019/20	2,280,806	1,989,409	291,397	1,792,967	1,837,603	0.98	1,269,671	(567,932)	4,438,626	104
Audit Report	2020/21	2,748,476	1,528,696	1,219,780	2,286,971	1,528,696	1.50	1,598,406	69,710	4,609,906	127
First Interim Report (as of 10/31/21)	2021/22	2,517,299	1,166,825	1,350,474	2,268,306	1,015,019	2.23	1,975,043	960,024	4,699,603	153
Second Interim Report (as of 1/31/22)	2021/22	2,597,530	1,276,052	1,321,478	2,362,250	1,124,245	2.10	2,094,077	969,832	4,995,178	153



Per the FY21-22 Second Interim Report, Magnolia Science Academy San Diego, (“Magnolia”) met most of the district’s criteria of financial stability and sustainability with the exception of projecting to end the year with operating income. The school is projected to end FY21-22 with an operating deficit of (\$118,978), however, the projected ending fund balance of \$1,321,478 met the district’s minimum reserve requirement.

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<u>Board Oversight:</u> The management and governing board 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.	<b>Met</b>
<u>Adjusted Budgets:</u> The current fiscal year’s operating budget is updated for new revenue received and new expenses incurred.	<b>Met</b>
<u>Other observations:</u> As applicable.	<b>See Below</b>

Magnolia contracts with Delta Managed Solutions for accounting and financial reporting services.

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Multiple entries in the fiscal year 2021-22 GL have descriptions that contain only the vendor’s name and account description. District requests that transactions entered into the GL contain a more detailed description of the items and/or services purchased.

The Magnolia March 2022 Bank Reconciliation of Citibank Account ending x6494 showed two checks over six months old that had not cleared the bank. The District asked what policies or procedures are in place for clearing checks outstanding over six months. Per Magnolia’s representative, after 120 days, the check is record as a stale check liability, and the school communicates with the related party to let them know the check is uncashed and after a 1-year period, the check is sent to the State.

Magnolia Educational & Research Foundation and Subsidiaries applied for and received loan forgiveness from the SBA on their Paycheck Protection Program (“PPP”) loan for \$5,461,600 for the year ending June 30, 2021. Of this \$418,151 was for Magnolia Science Academy of San Diego.

**Charter School's Response (Optional):**

On page two it states that the mental health notifications were not sent. The first communication was actually sent on October 18, 2021 as part of the student/parent hand book and two more sent on 5/5/22 and 5/23/22.

Here is the list of Special Education services that were not originally provided:

Speech and Language Therapy  
Occupational Therapy  
Adapted Physical Education  
Specialized Academic Instruction  
-push-in services in the general education classroom  
-pull-out small group instruction  
Psychological Services  
Individual Counseling  
Counseling and Guidance