



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	III F
Date:	April 21, 2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Approval of Intra Company Loan from MSA-7 to MSA-1

Proposed Board Recommendation

I move that the Board approves the Intra Company Loan from MSA-7 to MSA-1.

Background

On March 4, 2016, a special loan from MSA-7 to MSA-1 was required in order to meet construction payments for MSA-Santa Ana facility. The loan was issued to fund legitimate educational and operational expenses in accordance to contract obligations approved by the Board, and in accordance with Generally Accepted Accounting Principles.

As of March 31, 2016, MSA-SA has received a total of \$3,192,500 in Intra-Company Loans relating to construction projects and operational expenses, of the total amount provided to MSA-SA \$2.8 million has been used as interim construction financing of the new MSA - Santa Ana facility. The funds will be paid back to the schools as soon as the California Prop-1D funds have been received.

Magnolia Science Academy - Santa Ana Construction of Facilities Intra-Company Loan

Date	Description	Amount	Balance
12/15/2015	1st Loan Disbursement	1,000,000	1,000,000
2/3/2016	2nd Loan Disbursement	500,000	1,500,000
2/25/2016	4th Loan Disbursement	50,000	1,550,000
3/4/2016	3rd Loan Disbursement	1,050,000	2,600,000
3/30/2016	5th Loan Disbursement	200,000	2,800,000
Loan Balance as of 03/31/2016			2,800,000

Magnolia Science Academy - Santa Ana Operational Expenses Intra-Company Loan

Date	Description	Amount	Balance
3/26/2015	1st Loan Disbursement	100,000	100,000
4/30/2015	2nd Loan Disbursement	100,000	200,000
5/24/2015	3rd Loan Disbursement	50,000	250,000
6/26/2015	4th Loan Disbursement	80,000	330,000
9/29/2015	Loan Repayment	(37,500)	292,500
11/26/2015	5th Loan Disbursement	100,000	392,500
Loan Balance as of 03/31/2016			392,500



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Budget Implications:

Taking into consideration the specific cash requirements of MSA-7, and in order to allow MSA-7 to deliver high-quality education consistent with its charter, the short term loan has taken into consideration current needs and obligations of the school. These loans will be used to fund legitimate educational and operational expenses in accordance with Generally Accepted Accounting Principles.

A potential risk associated with this loan is that the school will be unable to pay due to mitigating circumstances related to one-time unexpected expenses.

The non-approval of the Intra-Company Loan will require the organization to secure a short term bridge loan financing that will include a high interest rate ranging from 6.5% to 9.5%.

Name of Staff Originator:

Oswaldo Diaz, Chief Financial Officer



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MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION INTRA-COMPANY LOAN FROM MSA-1 to MSA-7

Summary

MSA-7 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to secure school facilities, fund initial stages of construction projects, and to meet financial obligations in accordance with board approved contracts. The temporary short-term intra-company loan will be used for:

- 1) Interim financing to expedite acquisition and to fund initial construction projects phases based on school requirements, and to provide additional time to secure long-term permanent financing with favorable interest rates.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$400,000

Date of Disbursements: March 4, 2016

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%