



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	IIF
Date:	10.02.2015
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D. CEO & Superintendent
Staff Lead:	Oswaldo Diaz
RE:	Resolution Authorizing the Revision of the Home Office Intra-Company Loan to MSA Santa Ana

Proposed Board Recommendation

I move that the board adopt the revision of the Home Office Intra-Company loan to MSA Santa Ana as presented in the board agenda, item IIF.

Background

Magnolia Science Academy Santa Ana is expected to experience a cash flow shortage for FY 2015-16 due to an expected operating loss totaling \$ 327,000. The operating loss is primarily due to the current enrollment of 145 students as of October 1, 2015.

Based on the estimated operating expenses that will be incurred during FY 2015-16, MSA Santa Ana requires that the current board-approved loan be increased by an additional \$200,000 to a total of \$700,000. This increase will assist MSA-SA to mitigate the temporary financial hardship and to provide funds that will be used for the operation of MSA-SA during the current FY 2015-16.

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 and/or low student enrollment.

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

Budget Implications

No Budget Implications

Attachments:

1. Loan Document

Name of Staff Originator: Oswaldo Diaz, CFO



MAGNOLIA PUBLIC SCHOOLS

13950 Milton Ave. 200B Westminster, CA 92683

P: (714) 892-5066 F: (714) 362-9588

MSA-SANTA ANA INTRA-COMPANY LOAN

Summary

Based on the current estimated operating expenses for FY 2015-16, MSA Santa Ana is required to receive a loan totaling \$700,000 from the Home Office to mitigate the temporary financial hardship. This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with General Accepted Accounting Principles.

Intra-Company Loan Terms

Total Revised Loan Amount: \$ 700,000

Date of Disbursements:	March 25, 2015	\$100,000
	April 25, 2015	\$100,000
	May 25, 2015	\$50,000
	June 26, 2015	\$80,000
	October 25, 2015	\$100,000
	November 25, 2015	\$ 70,000
	December 25, 2015	\$200,000

Repayment Period: 1 year

Interest Rate: 0.00%

Intra-Company Repayment Schedule

Repayment schedule will include eleven (11) payments as follows:

Date	Payment Amount
09/30/2015	37,500.00
1/31/2016	12,500.00
2/28/2016	25,000.00
3/31/2016	25,000.00
4/30/2016	25,000.00
5/31/2016	25,000.00
6/30/2016	25,000.00
7/31/2016	25,000.00
9/30/2016	150,000.00
10/31/2016	150,000.00
11/30/2016	200,000.00
Total Payments	700,000.00



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RESOLUTION AUTHORIZING THE REVISION OF HOME OFFICE INTRA-COMPANY LOAN TO MSA SANTA ANA

Resolution _____

WHEREAS, MSA Santa Ana requires an increase temporary loan of \$200,000 (from the original loan of \$500,000) up to \$700,000 from the Home Office to mitigate the temporary financial hardship;

NOW, THEREFORE BE IT RESOLVED THAT

The Board of Magnolia Educational and Research Foundation have approved the temporary intra-company loan up to \$700,000 to MSA Santa Ana from the Home Office in accordance with the stipulated loan terms;

PASSED AND ACCEPTED THE 8TH DAY OF October 2015.

Magnolia Educational and Research Foundation A California non-profit corporation.

Secretary of the Board

Date

Magnolia Science Academy - Santa Ana

Loan Disbursements and Payments

Intra-Company Loan Terms

Board Approved Loan Amount: \$ 500,000.00

Date Payments Begin: September 30, 2015

Repayment Period: 1 year

Interest Rate: 0.00%

Date	Description	Amount	Balance
3/26/2015	1st Loan Disbursement	100,000.00	100,000.00
4/30/2015	2nd Loan Disbursement	100,000.00	200,000.00
5/27/2015	3rd Loan Disbursement	50,000.00	250,000.00
6/26/2015	4th Loan Disbursement	80,000.00	330,000.00
9/29/2015	Loan Repayment	(37,500.00)	292,500.00
Loan Balance as of October 1, 2015			292,500.00

Board Approved Loan Amount: \$ 500,000.00	500,000.00
Less: Loan Disbursements as of 10/01/2015	<u>(330,000.00)</u>
Remaining Loan Disbursements	170,000.00
Expected Operating Loss as of June 30, 2016	<u>(326,579.00)</u>
Estimated Cash Requirements	<u>(156,579.00)</u>

Magnolia Science Academy - Santa Ana
 Revised 2015-16 Budget

	Budget		
	Approved Budget 06/19/2015	Revised Budget	(Approved Budget vs. Revised Budget)
SUMMARY			
Revenue			
General Block Grant	1,931,126	1,136,266	(794,860)
Federal Revenue	340,684	290,627	(50,056)
Other State Revenues	161,998	305,292	143,294
Local Revenues	34,000	34,000	-
Fundraising and Grants	20,000	17,500	(2,500)
Total Revenue	2,487,808	1,783,685	(704,123)
Expenses			
Compensation and Benefits	1,285,358	1,092,089	193,269
Books and Supplies	246,400	378,294	(131,894)
Services and Other Operating Expenditures	650,024	621,611	28,413
Capital Outlay	-	-	-
Total Expenses	2,181,781	2,091,993	89,788
Operating Income (excluding Depreciation)	306,026	(308,309)	(614,335)
<i>Operating Income (including Depreciation)</i>	275,526	(326,579)	(602,105)
Fund Balance			
Beginning Restricted Balance (Unaudited)	276,785	2,040,698	
Beginning Unrestricted Balance (Unaudited)		260,012	
Total Beginning Balances	276,785	2,300,710	
Operating Income (including Depreciation)	275,526	(326,579)	
Unrestricted Fund Balance		(66,567)	
Restrcted Fund Balance		2,040,698	
Ending Fund Balance (including Depreciation)	552,312	1,974,131	
Total Enrolled	250	145	(105)
Total ADA	242.5	140.7	(102)

Magnolia Science Academy - Santa Ana
 Revised 2015-16 Budget

		Budget		
		Approved Budget 06/19/2015	Revised Budget	(Approved Budget vs. Revised Budget)
LCFF Entitlement				-
8011	Charter Schools LCFF - State Aid	1,882,626	874,197	(1,008,429)
8012	Education Protection Account Entitlement	48,500	28,130	(20,370)
8096	Charter Schools in Lieu of Property Taxes	-	233,939	233,939
		1,931,126	1,136,266	(794,860)
8100 Federal Revenue				
8181	Special Education - Entitlement	30,684	27,057	(3,627)
8220	Child Nutrition Programs	63,000	35,872	(27,128)
8291	Title I	45,000	26,705	(18,295)
8292	Title II	2,000	465	(1,535)
8293	Title III	-	528	528
8298	Implementation Grant	200,000	200,000	-
SUBTOTAL - Federal Income		340,684	290,627	(50,056)
8300 Other State Revenues				
8380	Special Ed	15,000	15,000	-
8381	Special Education - Entitlement (State)	121,250	69,671	(51,579)
8520	Child Nutrition - State	-	4,138	4,138
8545	School Facilities Apportionments	-	105,488	105,488
8550	Mandated Cost Reimbursements	-	5,256	5,256
8560	State Lottery Revenue	25,748	22,785	(2,963)
8590	All Other State Revenue	-	82,954	82,954
SUBTOTAL - Other State Income		161,998	305,292	143,294
8600 Other Local Revenue				
8634	Food Service Sales	9,000	9,000	-
8636	Uniforms	15,000	15,000	-
8693	Field Trips	10,000	10,000	-
8999	Uncategorized Revenue	-	-	-
SUBTOTAL - Local Revenues		34,000	34,000	-
8800 Donations/Fundraising				
8801	Donations - Parents	10,000	7,500	(2,500)
8803	Fundraising	10,000	10,000	-
SUBTOTAL - Fundraising and Grants		20,000	17,500	(2,500)
TOTAL REVENUE		2,487,808	1,783,685	(704,123)

Magnolia Science Academy - Santa Ana

Revised 2015-16 Budget

		Budget		
		Approved Budget 06/19/2015	Revised Budget	(Approved Budget vs. Revised Budget)
EXPENSES				
Compensation & Benefits				
Certificated Employees Summary				
1100	Teachers Salaries	785,743	661,087	124,656
1300	Certificated Supervisor & Administrator Salaries	142,825	87,290	55,535
SUBTOTAL - Certificated Employees		928,568	748,377	180,191
Classified Employees Summary				
2400	Classified Clerical & Office Salaries	35,836	66,149	(30,313)
2900	Classified Other Salaries	42,560	61,706	(19,146)
SUBTOTAL - Classified Employees		78,396	127,854	(49,458)
Employee Benefits				
3000	Employee Benefits			
3100	STRS	86,309	73,449	12,859
3200	PERS	4,245	7,692	(3,447)
3300	OASDI-Medicare-Alternative	27,162	27,162	-
3400	Health & Welfare Benefits	136,000	98,889	37,111
3500	Unemployment Insurance	503	503	-
3600	Workers Comp Insurance	10,674	8,161	2,512
3900	Other Employee Benefits	13,500	-	13,500
SUBTOTAL - Employee Benefits		278,393	215,858	62,536
Books & Supplies				
4000	Books & Supplies			
4100	Approved Textbooks & Core Curricula Materials	47,500	156,000	(108,500)
4200	Books & Other Reference Materials	10,900	10,330	570
4320	Educational Software	5,000	4,739	261
4325	Instructional Materials & Supplies	45,000	45,000	-
4330	Office Supplies	20,000	20,000	-
4400	Noncapitalized Equipment	12,500	12,500	-
4410	Classroom Furniture, Equipment & Supplies	11,000	21,000	(10,000)
4420	Computers (individual items less than \$5k)	-	50,000	(50,000)
4710	Student Food Services	94,500	58,625	35,875
4720	Other Food	-	100	(100)
SUBTOTAL - Books and Supplies		246,400	378,294	(131,894)

Magnolia Science Academy - Santa Ana
 Revised 2015-16 Budget

		Budget		
		Approved Budget 06/19/2015	Revised Budget	(Approved Budget vs. Revised Budget)
5000	Services & Other Operating Expenses			
5101	CMO Fees	60,000	60,000	-
5200	Travel & Conferences	40,000	20,000	20,000
5215	Travel - Mileage, Parking, Tolls	-	20,000	(20,000)
5300	Dues & Memberships	6,000	5,333	667
5450	Insurance - Other	13,750	13,750	-
5500	Operations & Housekeeping	-	5,000	(5,000)
5510	Utilities - Gas and Electric	7,800	2,800	5,000
5605	Equipment Leases	5,400	3,672	1,728
5610	Rent	228,000	209,000	19,000
5615	Repairs and Maintenance - Building	12,000	12,000	-
5803	Accounting & Audit Fees	3,009	3,009	-
5809	Banking Fees	500	1,400	(900)
5822	Other Professional Services	15,000	15,000	-
5824	District Oversight Fees	19,311	11,363	7,949
5843	Interest - Loans Less than 1 Year	500	500	-
5845	Legal Fees	25,000	25,000	-
5851	Marketing and Student Recruiting	24,000	24,000	-
5857	Payroll Fees	3,600	2,880	720
5863	Professional Development	19,000	19,000	-
5869	Special Education Contract Instructors	112,000	112,000	-
5872	Special Education Encroachment	6,077	3,869	2,208
5884	Substitutes	26,276	26,276	0
5887	Technology Services	18,000	17,059	941
5899	Miscellaneous Operating Expenses	-	-	-
5900	Communications	-	3,900	(3,900)
5915	Postage and Delivery	4,800	4,800	-
	SUBTOTAL - Services & Other Operating Exp.	650,024	621,611	28,413
6000	Capital Outlay			
6100	Sites & Improvement of Sites	-	-	-
	SUBTOTAL - Capital Outlay	-	-	-
TOTAL EXPENSES		2,181,781	2,091,993	89,788
6900	Total Depreciation (includes Prior Years)	30,500	18,270	12,230
TOTAL EXPENSES including Depreciation		2,212,281	2,110,263	102,018