

***MAGNOLIA SCIENCE ACADEMY-3***  
***AUDITED FINANCIAL STATEMENTS***  
***(A PART OF MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION)***  
***(A CALIFORNIA NOT-FOR-PROFIT ORGANIZATION)***  
***FOR THE YEAR ENDED***  
***JUNE 30, 2014***

**MAGNOLIA SCIENCE ACADEMY-3**

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# **HILL, MORGAN AND ASSOCIATES, LLP**

## *Certified Public Accountants*

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Partners  
Jeffrey Hill, CPA  
Raymond Morgan, CPA

To the Board of Directors  
**Magnolia Science Academy-3**  
Carson, California

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of **Magnolia Science Academy-3** which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2013 financial statements and in our report dated October 21, 2013 an unqualified opinion was expressed on those 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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 due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Magnolia Science Academy-3** as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2014 on our consideration of **Magnolia Science Academy-3's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 **Magnolia Science Academy-3's** internal control over financial reporting and compliance.

Hill, Morgan and Associates, LLP

Carson, California  
November 25, 2014

**MAGNOLIA SCIENCE ACADEMY-3**  
**STATEMENT OF FINANCIAL POSITION**

At June 30, 2014

(With comparative totals at June 30, 2013)

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 213,882	\$ 70,014
Prepaid expense	20,035	1,813
Accounts receivable	496,489	460,606
Intra-company receivable (Note 2)	<u>224,700</u>	<u>299,700</u>
<b>Total current assets</b>	<u>955,106</u>	<u>832,133</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Furniture and equipment (Note 3)	136,648	125,958
Less: accumulated depreciation (Note 3)	<u>(105,557)</u>	<u>(79,298)</u>
<b>Net property and equipment</b>	<u>31,091</u>	<u>46,660</u>
<b>Total assets</b>	<u>\$ 986,197</u>	<u>\$ 878,793</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 176,783	\$ 231,348
Advances on program revenue		50,600
Accrued payroll and related liability	<u>116,523</u>	<u>101,308</u>
<b>Total current liabilities</b>	<u>293,306</u>	<u>383,256</u>
<b>Total liabilities</b>	<u>293,306</u>	<u>383,256</u>
<b>NET ASSETS:</b>		
Unrestricted (deficit)	<u>692,891</u>	<u>495,537</u>
<b>Total net assets</b>	<u>692,891</u>	<u>495,537</u>
<b>Total liabilities and net assets</b>	<u>\$ 986,197</u>	<u>\$ 878,793</u>

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

**MAGNOLIA SCIENCE ACADEMY-3**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2014  
(With comparative for the year ended June 30, 2013)

	2014	2013
<b>REVENUES:</b>		
Federal support	\$ 396,381	\$ 204,939
State support	3,115,549	2,707,070
Local support	54,589	55,654
<b>Total revenues</b>	<b>3,566,519</b>	<b>2,967,663</b>
<b>EXPENSES:</b>		
Certificated salaries	1,365,459	1,213,835
Classified salaries	96,730	63,959
Fringe benefits	361,475	312,291
Books and supplies	529,062	166,921
Services and other operating expenses	990,180	928,844
Interest expense		887
Depreciation	26,259	25,038
<b>Total expenses</b>	<b>3,369,165</b>	<b>2,711,775</b>
<b>(Decrease) increase in net assets before operating transfers</b>	<b>197,354</b>	<b>255,888</b>
<b>Increase in net assets</b>	<b>197,354</b>	<b>255,888</b>
Net assets, beginning of the year	495,537	239,649
<b>Net assets, end of the year</b>	<b>\$ 692,891</b>	<b>\$ 495,537</b>

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

**MAGNOLIA SCIENCE ACADEMY-3**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2014  
(With comparative totals for the year ended June 30, 2013)

	2014	2013
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 197,354	\$ 255,888
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	26,259	25,038
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in assets:		
Prepaid expense	(18,222)	6,812
Accounts receivable	(35,883)	18,325
Intra-company receivable	75,000	76,300
Increase (decrease) in liabilities:		
Accounts payable	(54,565)	79,316
Advances on programe revenue	(50,600)	50,600
Accrued payroll and related liabilities	15,215	86,719
<b>Net cash provided by operating activities</b>	154,558	598,998
<b>Cash flows from investing activities:</b>		
Cash used to purchase fixed assets	(10,690)	(12,228)
<b>Net cash used in investing activities</b>	(10,690)	(1,538)
<b>Cash flows from financing activities:</b>		
Cash used to pay down loan principal		(573,917)
<b>Net cash provided by (used in) financing activities</b>		(573,917)
<b>Net Increase in cash</b>	143,868	12,853
Cash and cash equivalents, beginning of the year	70,014	46,471
<b>Cash and cash equivalents, end of the year</b>	\$ 213,882	\$ 70,014
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest expense	\$	887

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

## MAGNOLIA SCIENCE ACADEMY-3

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### NATURE OF BUSINESS

Magnolia Science Academy-3 (School) is a charter school located in Carson, California that provides sixth through twelfth grade education to approximately 423 students. The School 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. The School is economically dependent on Federal and State funding. The School is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as the School's CMO, Charter School Management Organization, that manages the School's nonacademic operation such as financial, general administration, and human resource management. The School's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

##### FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

##### ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### CASH AND CASH EQUIVALENTS

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

##### INCOME TAXES

The School is a part of the Foundation, a not-for-profit organization that is exempt from Federal and State income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. The Foundation's management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

These notes are an integral part of the preceding financial statements.



## MAGNOLIA SCIENCE ACADEMY-3

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### INCOME TAXES (continued)

The School is included in the Foundation's Forms 990. The Foundation's Form 990, Return of Organization Exempt from Income Tax for the years ending June 30, 2011, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

##### PROPERTY AND EQUIPMENT

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. 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.

##### NET ASSET CLASSES

Magnolia Science Academy-3 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-3 consist of the following:

##### **Unrestricted**

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

##### **Temporarily restricted**

These net assets are restricted by donors to be used for specific purposes. The School does not have temporarily restricted net assets.

##### **Permanently restricted**

These net assets are permanently restricted by donors and cannot be used by the school. The School does not have permanently restricted net assets.

These notes are an integral part of the preceding financial statements.

# MAGNOLIA SCIENCE ACADEMY-3

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized 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 the School's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

### **NOTE 2 - INTRA-COMPANY RECEIVABLE**

The June 30, 2014 intra-company receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to the School and reimbursement for those resources from the School to the Foundation, and cash transfers for cash flow purposes. The School 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, 2014, the School had an intercompany receivable balance of \$224,700 from the Foundation.

### **NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 comprise the following:

<u>Description</u>	<u>Cost</u>	<u>Accum. deprec.</u>	<u>Net book Value</u>
Software	\$ 15,296	\$ (9,280)	\$ 6,016
Computer equipment	79,979	(60,228)	19,751
Furniture	41,373	(36,049)	5,324
Net property and equipment	<u>\$ 136,648</u>	<u>\$ (105,557)</u>	<u>\$ 31,091</u>

### **NOTE 4 - OPERATING LEASES**

The School has entered into lease agreements for educational facility and equipment. The characteristics of these lease agreements are such that they are recorded on the general ledger as operating type leases.

These notes are an integral part of the preceding financial statements.

## MAGNOLIA SCIENCE ACADEMY-3

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 4 - OPERATING LEASES (continued)**

On August 17, 2009, the School entered a lease agreement with Los Angeles Unified School District for the use of an education facility in Los Angeles. The lease is renewed yearly based on mutual agreement. The annual lease amount for fiscal year 2014 was \$196,078.

The total expense for equipment leases for the fiscal year ended June 30, 2014 was \$10,282.

#### **NOTE 5 - EMPLOYEE RETIREMENT PLANS**

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

#### **STATE TEACHERS RETIREMENT SYSTEM (STRS)**

##### **Plan Description**

Magnolia Science Academy-3 contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

##### **Funding Policy**

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. For the year ended June 30, 2014, Magnolia Science Academy-3's contribution to CalSTRS was approximately \$102,340.

These notes are an integral part of the preceding financial statements.

## MAGNOLIA SCIENCE ACADEMY-3

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 5 – EMPLOYEE RETIREMENT PLANS (continued)**

##### **PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

###### **Plan Description**

Magnolia Science Academy-3 contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

###### **Funding Policy**

Active plan members are required to contribute 7% of their salary, and Magnolia Science Academy-3 is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.417%. The contribution requirements of the plan members are established by state statute. For the year ended June 30, 2014, Magnolia Science Academy-3's contribution to CalPERS was \$0.

#### **NOTE 6 - RELATED PARTY TRANSACTIONS**

The School is part of the Foundation. The School 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, 2014 is \$277,676.

#### **NOTE 7 - SUBSEQUENT EVENTS**

The School's Management has evaluated subsequent events for the period from June 30, 2014 through November 25, 2014, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.

***SUPPLEMENTARY INFORMATION***

# MAGNOLIA SCIENCE ACADEMY-3

## SUPPLEMENTARY INFORMATION

### LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

Name of School	Magnolia Science Academy-3
Sponsoring District	LAUSD
Original date of charter	7/12/2007
Charter expiration date	6/30/2017

### GOVERNING BOARD

<u>Member</u>	<u>Title</u>	<u>Term Expires</u>
Umit Yapanel, Ph.D.	President	10/11/17
Saken Sherkhanov	Secretary	12/11/18
Dr. Bayram Yenikaya, Ph.D.	Director	11/18/14
Dr. Mustafa Kaynak, Ph.D.	Director	11/18/14
Mr. Francisco Huidobro	Director	10/11/17
Mrs. Noel Russell-Unterburger	Director	10/11/17

### MANAGEMENT TEAM

Mr. Steven (Selcuk) Keskindurk - Principal  
Mekan Muhammedov, Chief Financial Officer

## MAGNOLIA SCIENCE ACADEMY-3

### SUPPLEMENTARY INFORMATION

#### **SCHEDULE OF AVERAGE DAILY ATTENDANCE**

	Annual ADA	Second Period ADA
<i><b>Elementary School</b></i>		
Grades four through six-classroom based	82.45	84.00
<i><b>Middle School</b></i>		
Grades seven through eight-classroom based	177.55	179.77
<i><b>High School</b></i>		
Grades nine through twelve-classroom based	146.22	147.80
Total	406.22	411.57

The above schedule of average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

#### **SCHEDULE OF INSTRUCTIONAL TIME**

Grade level	Minute requirement	Actual Minutes	Number of days	Status
Grade 4	52,457	64,130	176	Complied
Grade 5	52,457	64,130	176	Complied
Grade 6	52,457	64,130	176	Complied
Grade 7	52,457	64,130	176	Complied
Grade 8	52,457	64,130	176	Complied
Grade 9	62,949	64,130	176	Complied
Grade 10	62,949	64,130	176	Complied
Grade 11	62,949	64,130	176	Complied
Grade 12	62,949	64,130	176	Complied

The above schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46206.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS***



# HILL, MORGAN AND ASSOCIATES, LLP

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Partners  
Jeffrey Hill, CPA  
Raymond Morgan, CPA

To the Board of Directors  
**Magnolia Science Academy-3**  
Carson, California

### **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**

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-3**, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Magnolia Science Academy-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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Magnolia Science Academy-3's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Magnolia Science Academy-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 the entity's financial statements will not be

prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 **Magnolia Science Academy-3's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California  
November 25, 2014

# HILL, MORGAN AND ASSOCIATES, LLP

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To the Board of Directors  
**Magnolia Science Academy-3**  
Carson, California

### **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

#### **Compliance**

We have audited **Magnolia Science Academy-3's** compliance with the types of compliance requirements identified in the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14 that could have a direct and material effect on each of **Magnolia Science Academy-3's** State programs as noted below for the year ended June 30, 2014.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of **Magnolia Science Academy-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 Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14. Those 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 direct and material effect on the applicable State programs listed below. An audit includes examining, on a test basis, evidence about **Magnolia Science Academy-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 opinion. Our audit does not provide a legal determination of **Magnolia Science Academy-3's** compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine **Magnolia Science Academy-3** compliance with the State laws and regulations applicable to the following:

	<u>Procedures in Audit Guide</u>	<u>Procedures performed</u>
Attendance Accounting:		
Attendance reporting	6	Not applicable
Teacher certification and misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable
Instructional Time:		
School districts	10	Not applicable
Instructional Materials:		
General requirements	8	Not applicable
Ratios of Administrative Employees to Teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Not applicable
School accountability report card	3	Not applicable
Juvenile court schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After school education and safety program: (Including Charter Schools):		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous record of attendance	8	Yes
Mode of instructions	1	Yes
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non-classroom-based instruction	3	Not applicable
Annual instructional minutes-classroom based	4	Yes
Charter School Facility Grant Program	1	Yes

**Opinion**

In our opinion, **Magnolia Science Academy-3** complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Hill, Morgan and Associates, LLP

Carson, California  
November 25, 2014

**MAGNOLIA SCIENCE ACADEMY-3**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FINANCIAL STATEMENT FINDINGS**

None noted.

**STATE AWARDS FINDINGS AND QUESTIONED COSTS**

None noted.

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings noted.

**MAGNOLIA SCIENCE ACADEMY-3**  
**RECONCILIATION OF UNAUDITED ACTUALS**  
**WITH AUDITED FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

<b>June 30, 2014, annual financial and budget report fund balance:</b>	\$ 691,634
<b>Adjustments:</b>	
Revenues	(1,974)
Depreciation expense	
Other expenses	<u>3,231</u>
<b>Total adjustments:</b>	\$ <u>1,257</u>
<b>June 30, 2014 audited financial statements net assets</b>	\$ <u><u>692,891</u></u>

This schedule provides the information necessary to reconcile the net assets as reported on the Charter School Unaudited Actuals Financial Report-Alternative Form