



Annual Financial Report  
June 30, 2019

# Magnolia Science Academy 8 (No. 1236)



**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

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**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Magnolia Science Academy Bell  
(A California Nonprofit Public Benefit Corporation)  
Bell, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Magnolia Science Academy Bell (MSA Bell) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSA Bell'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 MSA Bell'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 audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MSA Bell, as of June 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of MSA Bell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of MSA Bell's 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 MSA Bell's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 15, 2019



## **FINANCIAL STATEMENTS**

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**(With comparative financial information at June 30, 2018)**

**JUNE 30, 2019**

|   | 2019         | 2018         |
|---|--------------|--------------|
| <b>Assets</b>                             |              |              |
| Current Assets                            |              |              |
| Cash and cash equivalents                 | \$ 2,529,656 | \$ 1,907,434 |
| Accounts receivable                       | 536,075      | 385,404      |
| Intercompany receivable                   | 1,811,055    | 1,722,916    |
| Prepaid expenses and other current assets | 233          | 79,980       |
| Total Current Assets                      | 4,877,019    | 4,095,734    |
| Non-Current Assets                        |              |              |
| Property and equipment                    | 353,397      | 320,329      |
| Less: accumulated depreciation            | (253,100)    | (187,190)    |
| Total Non-Current Assets                  | 100,297      | 133,139      |
| Total Assets                              | \$ 4,977,316 | \$ 4,228,873 |
| <b>Liabilities</b>                        |              |              |
| Current Liabilities                       |              |              |
| Accounts payable                          | \$ 721,283   | \$ 144,722   |
| Deferred revenue                          | 20,038       | -            |
| Intercompany payable                      | 434          | 434          |
| Total Current Liabilities                 | 741,755      | 145,156      |
| <b>Net Assets</b>                         |              |              |
| Without donor restrictions                |              |              |
| Designated                                | -            | 272,911      |
| Unrestricted                              | 4,235,561    | 3,810,806    |
| Total Net Assets                          | 4,235,561    | 4,083,717    |
| Total Liabilities and Net Assets          | \$ 4,977,316 | \$ 4,228,873 |

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

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**(With comparative financial information at June 30, 2018)**

**FOR THE YEAR ENDED JUNE 30, 2019**

|                                      | <u>2019</u>         | <u>2018</u>         |
|--------------------------------------|---------------------|---------------------|
| <b>Revenues</b>                      |                     |                     |
| Local Control Funding Formula        | \$ 4,646,128        | \$ 4,538,699        |
| Federal revenue                      | 334,005             | 342,604             |
| State revenue                        | 750,585             | 980,866             |
| Local revenue                        | 31,869              | 74,954              |
| Total Revenues                       | <u>5,762,587</u>    | <u>5,937,123</u>    |
| <b>Expenses</b>                      |                     |                     |
| Program services                     | 3,331,289           | 2,815,881           |
| Management and general               | 2,279,454           | 2,403,924           |
| Total Expenses                       | <u>5,610,743</u>    | <u>5,219,805</u>    |
| <b>Change in Net Assets</b>          | 151,844             | 717,318             |
| <b>Net Assets, Beginning of Year</b> | <u>4,083,717</u>    | <u>3,366,399</u>    |
| <b>Net Assets, End of Year</b>       | <u>\$ 4,235,561</u> | <u>\$ 4,083,717</u> |

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

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**(With comparative financial information at June 30, 2018)**

**FOR THE YEAR ENDED JUNE 30, 2019**

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 151,844          | \$ 717,318          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                     |
| Depreciation expense   | 65,910              | 57,572              |
| Changes in operating assets and liabilities  |                     |                     |
| (Increase) in accounts receivable  | (150,671)           | (533)               |
| (Increase) Decrease in intercompany receivable   | (88,139)            | 350,391             |
| (Increase) Decrease in prepaid expenses  | 79,747              | (59,534)            |
| Increase (Decrease) in accounts payable  | 576,561             | (63,838)            |
| (Decrease) in intercompany payable   | -                   | (12,754)            |
| Increase in deferred revenue   | 20,038              | -                   |
|  | <u>655,290</u>      | <u>988,622</u>      |
| Net Cash Provided by Operating Activities  |                     |                     |
| <b>Cash Flows From Investing Activities</b>  |                     |                     |
| Capital expenditures   | <u>(33,068)</u>     | <u>(7,027)</u>      |
| <b>Net Increase in Cash</b>  | 622,222             | 981,595             |
| <b>Cash, Beginning of Year</b>   | 1,907,434           | 925,839             |
| <b>Cash, End of Year</b>   | <u>\$ 2,529,656</u> | <u>\$ 1,907,434</u> |
| <b>Supplemental cash flow disclosure</b>   |                     |                     |
| Cash paid during the period for interest   | <u>\$ -</u>         | <u>\$ -</u>         |

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



**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**(With comparative financial information at June 30, 2018)**

**FOR THE YEAR ENDED JUNE 30, 2019**

|  | Program<br>Services | Management<br>and General | Total<br>Expenses   |
|--|---------------------|---------------------------|---------------------|
| Personnel                              |                     |                           |                     |
| Salaries and wages                     | \$ 1,847,602        | \$ 519,107                | \$ 2,366,709        |
| Employee benefits                      | 341,043             | -                         | 341,043             |
| Payroll taxes                          | 545,278             | 139,224                   | 684,502             |
| Total Personnel                        | <u>2,733,923</u>    | <u>658,331</u>            | <u>3,392,254</u>    |
| Operating                              |                     |                           |                     |
| Fees for services                      | -                   | 155,513                   | 155,513             |
| Advertising and promotions             | -                   | 5,054                     | 5,054               |
| Office expenses                        | 39,172              | 7,653                     | 46,825              |
| Information technology                 | 26,010              | -                         | 26,010              |
| Occupancy                              | -                   | 380,725                   | 380,725             |
| Conferences and meeting                | -                   | 1,536                     | 1,536               |
| Depreciation                           | 65,910              | -                         | 65,910              |
| Insurance                              | -                   | 23,483                    | 23,483              |
| Other expenses                         | 33,098              | 70,050                    | 103,148             |
| Capital outlay                         | 75,113              | -                         | 75,113              |
| Special Education Local Plan Area fees | 113,366             | -                         | 113,366             |
| Instructional materials                | 69,118              | -                         | 69,118              |
| Nutrition                              | 128,558             | -                         | 128,558             |
| District oversight fees                | 47,021              | -                         | 47,021              |
| Management fees                        | -                   | 977,109                   | 977,109             |
| Total Operating                        | <u>597,366</u>      | <u>1,621,123</u>          | <u>2,218,489</u>    |
| Total Functional Expenses              | <u>\$ 3,331,289</u> | <u>\$ 2,279,454</u>       | <u>\$ 5,610,743</u> |

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

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES***

**Organization**

Magnolia Science Academy Bell

Charter school number authorized by the State: 1236

Magnolia Science Academy-8 (MSA Bell) is a charter school located in Bell, California that provides sixth through eighth grade education to approximately 471 students. MSA Bell was created under the approval of the Los Angeles Unified School District (ending June 30, 2020) and the California State Board of Education, and receives public per-pupil funding to help support their operation. MSA Bell is economically dependent on Federal and State funding.

Magnolia Educational and Research Foundation

MSA Bell is an integral part of Magnolia Educational and Research Foundation (Foundation), which also serves as MSA Bell's Charter School Management Organization (CMO) that manages MSA Bell's nonacademic operation such as financial, general administration, and human resource management. MSA Bell's financial statements are included in the consolidated financial statements of Magnolia Educational and Research Foundation.

Administrative support provided to the individual schools and accounted for separately within the financial statements. School support uses a tier expense allocation structure based on student enrollment to calculate expenses to be charged out on each charter school.

**Comparative Financial Information**

The accompanying 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 (GAAP). Accordingly, such information should be read in conjunction with the Charter School's audited financial statements for the year ending June 30, 2018.

**Cash and Cash Equivalents**

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Intercompany Receivable/Payable**

Intercompany receivable/payable results from a net cumulative difference between resources provided by the Central Office account to each charter school and reimbursement for those resources from each charter school to the Central Office account. Operating transfers include certain costs of shared liabilities and shared assets between the Charter School.

**Prepaid Expenses**

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Charter School has reported prepaid items either when purchased or during the benefiting period.

**Fixed Assets**

Fixed assets additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Charter School reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Charter School's policy is to designate funds without restriction at the discretion of the board of directors. The board of directors has designated net assets without donor restrictions for the following uses:

Designated for Discretionary State Grants – Amounts remaining from annual spendable income of board-designated for discretionary grants.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of June 30, 2019, the Charter School has no net assets with donor restrictions.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

**Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

Management has elected to omit the analysis of expenses by functional classification for the prior period ending June 30, 2018.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Income Taxes**

The Charter School is a California nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Charter School is not aware of any such actions at this time.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Recent Accounting Pronouncements**

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Charter School for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Change in Accounting Policy**

As of July 1, 2019, the Charter School adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter School’s donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter School’s intermediate measure of operations as well as disclosures to improve a financial statement user’s ability to assess the Charter School’s liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter School has elected not to present comparative information for these amendments.

The Charter School has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter School’s financial reporting.

**Adjustments Resulting from Change in Accounting Policy**

As disclosed above, the Charter School adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Charter School’s June 30, 2018 net assets.

The effect on the Charter School’s statement of activities as of June 30, 2018 is as follows:

|                                       | As Previously<br>Reported | Adoption of<br>ASU 2016-14 | As Adjusted |
|---------------------------------------|---------------------------|----------------------------|-------------|
| Net assets, beginning of the year     |                           |                            |             |
| Unrestricted                          | \$ 3,366,399              | \$ (3,366,399)             | \$ -        |
| Net assets without donor restrictions |                           | 3,366,399                  | 3,366,399   |
| Net assets, end of the year           |                           |                            |             |
| Unrestricted                          | \$ 4,083,717              | \$ (4,083,717)             | \$ -        |
| Net assets without donor restrictions | -                         | 4,083,717                  | 4,083,717   |

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - CASH**

Cash at June 30, 2019 and 2018, consisted of the following:

|                           | 2019               |                 | 2018               |                 |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
|                           | Reported<br>Amount | Bank<br>Balance | Reported<br>Amount | Bank<br>Balance |
| Deposits                  |                    |                 |                    |                 |
| Cash on hand and in banks | \$ 2,529,656       | \$ 2,682,353    | \$ 1,907,434       | \$ 2,174,208    |

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). MSA Bell maintains its cash in bank deposit accounts that at times may exceed federally insured limits. MSA Bell has not experienced any losses in such accounts. At June 30, 2019 and 2018, MSA Bell had a balance of \$2,644,931 and \$2,139,207, respectively, in excess of FDIC insured limits. Management believes MSA Bell is not exposed to any significant risk related to cash.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

|  | 2019         | 2018         |
|--|--------------|--------------|
| Financial Assets:  |              |              |
| Cash and cash equivalents  | \$ 2,529,656 | \$ 1,907,434 |
| Accounts receivable  | 536,075      | 385,404      |
| Prepaid expenses and other assets  | 233          | 79,980       |
| Intercompany receivables   | 1,811,055    | 1,722,916    |
| Financial Assets, at year end  | 4,877,019    | 4,095,734    |
| Less those unavailable for general expenditures within one year, due to:               |              |              |
| Designated net assets  | -            | (272,911)    |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 4,877,019 | \$ 3,822,823 |

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 and 2018, consisted of the following:

|                               | 2019              | 2018              |
|-------------------------------|-------------------|-------------------|
| Local Control Funding Formula | \$ 348,166        | \$ 199,840        |
| Federal receivables           | 46,929            | 122,396           |
| State receivables             | 110,436           | 17,928            |
| Lottery                       | 29,345            | 45,240            |
| Local receivables             | 1,199             | -                 |
|                               | <u>\$ 536,075</u> | <u>\$ 385,404</u> |

**NOTE 5 - INTERCOMPANY RECEIVABLE**

The intercompany receivable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Bell and reimbursement for those resources from MSA Bell to the Foundation, and cash transfers for cash flow purposes. MSA Bell 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. At June 30, 2019 and 2018, MSA Bell had an intercompany receivable balance of \$1,811,055 and \$1,722,916, respectively, from the Foundation.

**NOTE 6 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses at June 30, 2019 and 2018, are as follows:

|                                     | 2019          | 2018             |
|-------------------------------------|---------------|------------------|
| Insurance and miscellaneous vendors | <u>\$ 233</u> | <u>\$ 79,980</u> |

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018, consisted of the following:

|                                | 2019              | 2018              |
|--------------------------------|-------------------|-------------------|
| Computers and equipment        | \$ 340,633        | \$ 307,565        |
| Work in progress               | 12,764            | 12,764            |
| Subtotal                       | 353,397           | 320,329           |
| Less: accumulated depreciation | (253,100)         | (187,190)         |
| Total property and equipment   | <u>\$ 100,297</u> | <u>\$ 133,139</u> |



**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

---

***NOTE 8 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2019 and 2018, consisted of the following:

|                       | 2019              | 2018              |
|-----------------------|-------------------|-------------------|
| Salaries and benefits | \$ 189,899        | \$ 98,996         |
| Vendor payable        | 531,384           | 45,726            |
|                       | <u>\$ 721,283</u> | <u>\$ 144,722</u> |

***NOTE 9 - INTERCOMPANY PAYABLE***

The intercompany payable results from a net cumulative difference between resources provided by Magnolia Educational and Research Foundation (Foundation) to MSA Bell and reimbursement for those resources from MSA Bell to the Foundation, and cash transfers for cash flow purposes. MSA Bell 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. At June 30, 2019 and 2018, MSA Bell had an intercompany payable balance of \$434 and \$434, respectively, from the Foundation.

***NOTE 10 - FACILITIES USE AGREEMENT***

Magnolia Science Academy Bell renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating MSA Bell education programs and related charter school activities. The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2019 and 2018, was \$343,535 and \$318,111, respectively.

***NOTE 11 - RELATED PARTY TRANSACTIONS***

MSA Bell is part of the Foundation. MSA Bell pays the Foundation management fees for services received. The amount is calculated based on management assessment. Management fees paid to the Foundation for fiscal year ended June 30, 2019 and 2018, were \$977,109 and \$1,095,870, respectively.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 12 – NET ASSETS**

Net assets consist of the following at June 30, 2019:

|   | 2019         | 2018         |
|---|--------------|--------------|
| Net Assets without Donor Restrictions       |              |              |
| Designated for State programs               | \$ -         | \$ 272,911   |
| Unrestricted                                | 4,235,561    | 3,810,806    |
| Total Net Assets without Donor Restrictions | \$ 4,235,561 | \$ 4,083,717 |

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if MSA Bell chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. MSA Bell has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

MSA Bell contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

---

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

MSA Bell contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

|   | <u>STRP Defined Benefit Program</u> |                                |
|---|-------------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012   | On or after<br>January 1, 2013 |
| Hire date   | December 31, 2012                   | January 1, 2013                |
| Benefit formula   | 2% at 60                            | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                  | 5 years of service             |
| Benefit payments  | Monthly for life                    | Monthly for life               |
| Retirement age  | 60                                  | 62                             |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4%                         | 2.0% - 2.4%                    |
| Required employee contribution rate                       | 10.25%                              | 10.205%                        |
| Required employer contribution rate                       | 16.28%                              | 16.28%                         |
| Required state contribution rate                          | 9.828%                              | 9.828%                         |

**Contributions**

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019 and 2018, are presented above and MSA Bell's total contributions were \$265,648 and \$232,680, respectively.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation,. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

|   | <u>School Employer Pool (CalPERS)</u> |                                |
|---|---------------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012     | On or after<br>January 1, 2013 |
| Hire date   | December 31, 2012                     | January 1, 2013                |
| Benefit formula   | 2% at 55                              | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                    | 5 years of service             |
| Benefit payments  | Monthly for life                      | Monthly for life               |
| Retirement age  | 55                                    | 62                             |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5%                           | 1.0% - 2.5%                    |
| Required employee contribution rate                       | 7.00%                                 | 7.00%                          |
| Required employer contribution rate                       | 18.062%                               | 18.062%                        |

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MSA Bell is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 and 2018, are presented above and the total Charter School contributions were \$47,279 and \$44,743, respectively.

**On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$254,065 (9.828 percent of salaries subject to CalSTRS and SB 90 contribution) and to CalPERS in the amount of \$19,736 (SB 90 contribution only). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CalSTRS and \$904 million for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, both amounts have been recorded in these financial statements.

***NOTE 14 - CONTINGENCIES***

**Grants**

MSA Bell has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. The LAUSD Office of Inspector General has been in the process of reviewing prior year's activity. Per the LAUSD Office of Inspector General letter dated November 6, 2017, "unless the Office of Inspector General receives new information or is directed otherwise by the Board, the office of Inspector General will not be moving forward on this matter at this time". Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

**Litigation**

MSA Bell is not currently a party to any legal proceedings.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITY***

MSA Bell is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation and charter school liability insurance. The relationship between MSA Bell and the CharterSAFE is such that the CharterSAFE is not considered a component unit of MSA Bell for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and MSA Bell are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019 and 2018, MSA Bell made payments of \$47,279 and \$50,548, respectively, to CharterSAFE for services received. At June 30, 2019 and 2018, respectively, MSA Bell had no recorded accounts receivable or accounts payable to the CharterSAFE.

***NOTE 16 - SUBSEQUENT EVENTS***

MSA Bell's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 15, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.



**SUPPLEMENTARY INFORMATION**

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**  
**JUNE 30, 2019**

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**ORGANIZATION**

Magnolia Science Academy Bell (Charter Number 1236) was granted on June 15, 2010, by the Los Angeles Unified School District and extended for a five year period ending June 30, 2020. MSA Bell operates one school, grades six through twelve.

**BOARD OF DIRECTORS**

| <u>MEMBER</u>          | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|------------------------|---------------|---------------------|
| Rabbi Haim Beliak      | Chair         | February 8, 2022    |
| Dr. Umit Yapanel       | Vice Chair    | October 11, 2022    |
| Ms. Sandra Covarrubias | Director      | August 10, 2022     |
| Dr. Salih Dikbas       | Director      | December 10, 2019   |
| Mr. Shohrat Glediyev   | Director      | March 11, 2020      |
| Mrs. Diane Gonzalez    | Director      | December 10, 2019   |
| Mr. Serdar Orazov      | Director      | September 9, 2020   |

**ADMINISTRATION**

|                   |   |
|-------------------|---|
| Alfredo Rubalcava | Chief Executive Officer, Superintendent |
| Nanie Montijo     | Chief Financial Officer                 |

See accompanying note to supplementary information.



**MAGNOLIA SCIENCE ACADEMY BELL  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

|                           | Final Report            |                  |
|---------------------------|-------------------------|------------------|
|                           | Second Period<br>Report | Annual<br>Report |
| <b>CHARTER SCHOOL</b>     |                         |                  |
| Regular ADA               |                         |                  |
| Fourth through sixth      | 122.81                  | 131.91           |
| Seventh and eighth        | 327.30                  | 340.97           |
| Total Regular ADA         | <u>450.11</u>           | <u>472.88</u>    |
| Classroom based ADA       |                         |                  |
| Fourth through sixth      | 122.81                  | 131.91           |
| Seventh and eighth        | 327.30                  | 340.97           |
| Total Classroom based ADA | <u>450.11</u>           | <u>472.88</u>    |

MSA Bell did not operate an independent study non-classroom based instruction program.

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY BELL  
(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

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| Grade Level  | 1986-87             | 2018-19        | Number of Days       |                     | Status   |
|--------------|---------------------|----------------|----------------------|---------------------|----------|
|              | Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar |          |
| Grade 6      | 54,000              | 62,625         | 181                  | N/A                 | Complied |
| Grades 7 - 8 | 54,000              |                |                      |                     |          |
| Grade 7      |                     | 62,625         | 181                  | N/A                 | Complied |
| Grade 8      |                     | 62,625         | 181                  | N/A                 | Complied |

See accompanying note to supplementary information.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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Summarized below are the net assets reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

**NET ASSETS**

|   |                            |
|---|----------------------------|
| Net Assets, June 30, 2019, Unaudited Actuals              | \$ 4,437,930               |
| Increase (Decrease) in:                                   |                            |
| Accounts receivable                                       | (1,652,552)                |
| Intercompany receivable                                   | 1,811,055                  |
| (Increase) in:  |                            |
| Accounts payable  | (340,400)                  |
| Deferred revenue  | (20,038)                   |
| Intercompany payable                                      | <u>(434)</u>               |
| Net Assets, June 30, 2019,<br>Audited Financial Statement | <u><u>\$ 4,235,561</u></u> |

**MAGNOLIA SCIENCE ACADEMY BELL  
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

**Local Education Agency Organization Structure**

This schedule provides information about the school operated, members of the governing board, and members of the administration.

**Schedule of Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of MSA Bell. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by MSA Bell and whether MSA Bell complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

**Reconciliation of Annual Financial Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.



**INDEPENDENT AUDITOR'S REPORTS**



**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***

Governing Board  
Magnolia Science Academy Bell  
(A California Nonprofit Public Benefit Corporation)  
Bell, California

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 Bell (MSA Bell) which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MSA Bell'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MSA Bell's internal control. Accordingly, we do not express an opinion on the effectiveness of MSA Bell'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 MSA Bell's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 MSA Bell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

## **Purpose of this Report**

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 MSA Bell's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MSA Bell's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 15, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Magnolia Science Academy Bell  
(A California Nonprofit Public Benefit Corporation)  
Bell, California

### **Report on State Compliance**

We have audited Magnolia Science Academy Bell's (MSA Bell) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of MSA Bell's State government programs as noted below for the year ended June 30, 2019.

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

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

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

Our responsibility is to express an opinion on compliance of each of MSA Bell'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 the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These 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 material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about MSA Bell'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 opinions. Our audit does not provide a legal determination of MSA Bell's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, MSA Bell complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.



In connection with the audit referred to above, we selected and tested transactions and records to determine MSA Bell's compliance with the State laws and regulations applicable to the following items:

|   | <u>Procedures<br/>Performed</u> |
|---|---------------------------------|
| <b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>                    |                                 |
| Attendance  | No, see below                   |
| Teacher Certification and Misassignments                                      | No, see below                   |
| Kindergarten Continuance  | No, see below                   |
| Independent Study   | No, see below                   |
| Continuation Education  | No, see below                   |
| Instructional Time  | No, see below                   |
| Instructional Materials   | No, see below                   |
| Ratios of Administrative Employees to Teachers                                | No, see below                   |
| Classroom Teacher Salaries  | No, see below                   |
| Early Retirement Incentive  | No, see below                   |
| Gann Limit Calculation  | No, see below                   |
| School Accountability Report Card   | No, see below                   |
| Juvenile Court Schools  | No, see below                   |
| Middle or Early College High Schools  | No, see below                   |
| K-3 Grade Span Adjustment   | No, see below                   |
| Transportation Maintenance of Effort  | No, see below                   |
| Apprenticeship: Related and Supplemental Instruction                          | No, see below                   |
| Comprehensive Schools Safety Plan   | No, see below                   |
| District of Choice  | No, see below                   |
| <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND<br/>CHARTER SCHOOLS</b> |                                 |
| California Clean Energy Jobs Act  | Yes                             |
| After/Before School Education and Safety Program:                             |                                 |
| General Requirements  | Yes                             |
| After School  | Yes                             |
| Before School   | No, see below                   |
| Proper Expenditure of Education Protection Account Funds                      | Yes                             |
| Unduplicated Local Control Funding Formula Pupil Counts                       | Yes                             |
| Local Control Accountability Plan   | Yes                             |
| Independent Study - Course Based  | No, see below                   |
| <b>CHARTER SCHOOLS</b>  |                                 |
| Attendance  |                                 |
| Mode of Instruction   | Yes                             |
| Non classroom-Based Instruction/Independent Study for Charter Schools         | No, see below                   |
| Determination of Funding for Non classroom-Based Instruction                  | No, see below                   |
| Annual Instruction Minutes Classroom-Based                                    | Yes                             |
| Charter School Facility Grant Program   | No, see below                   |

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

MSA Bell does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

MSA Bell does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

MSA Bell did not offer Non classroom-Based instruction; therefore, we did not perform any procedures related to Non classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non classroom-Based Instruction.

MSA Bell did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 15, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

|   |                      |
|---|----------------------|
| Type of auditor's report issued:                      | <u>Unmodified</u>    |
| Internal control over financial reporting:            |                      |
| Material weakness identified?                         | <u>No</u>            |
| Significant deficiency identified?                    | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u>            |

**STATE AWARDS**

|   |                   |
|---|-------------------|
| Type of auditor's report issued on compliance for programs: | <u>Unmodified</u> |
|---|-------------------|

**MAGNOLIA SCIENCE ACADEMY BELL  
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**MAGNOLIA SCIENCE ACADEMY BELL**  
**(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.