



Consolidated Financial Statements
June 30, 2021 and 2020

Magnolia Educational & Research Foundation

(Operating Magnolia Science Academy #0438,
Magnolia Science Academy 2 #0906,
Magnolia Science Academy 3 #0917,
Magnolia Science Academy 4 #0986,
Magnolia Science Academy 5 #0987,
Magnolia Science Academy 6 #0988,
Magnolia Science Academy 7 #0989,
Magnolia Science Academy Bell #1236,
Magnolia Science Academy Santa Ana #1686, and
Magnolia Science Academy San Diego #0698)



Magnolia Educational & Research Foundation

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June 30, 2021 and 2020

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Independent Auditor's Report

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Magnolia Educational & Research Foundation and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization, as of June 30, 2021, 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 consolidated financial statements as a whole. The accompanying supplementary information such as the Consolidated Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and other supplementary information on pages 26-50 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The consolidated schedule of expenditures of federal awards and the other supplementary information on pages 26-50 is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards and the other accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022 on our consideration of the Organization’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 the Organization’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 the Organization’s internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
January 25, 2022

Magnolia Educational & Research Foundation
Consolidated Statement of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 22,858,187	\$ 24,880,403
Accounts receivable	13,703,840	6,470,352
Prepaid expenses	89,418	119,785
Total current assets	36,651,445	31,470,540
Non-current assets		
Security deposit	110,000	-
Restricted cash	2,282,261	2,282,168
Property and equipment, net	52,781,413	52,645,675
Total non-current assets	55,173,674	54,927,843
Total assets	\$ 91,825,119	\$ 86,398,383
Liabilities		
Current liabilities		
Accounts payable	\$ 4,808,664	\$ 8,188,964
Accrued liabilities	498,038	-
Refundable advance	2,562,674	446,653
Refundable advance - Paycheck Protection Program (PPP)	-	5,461,600
Current portion of notes payable	104,583	99,583
Current portion of bonds payable	685,000	655,000
Current portion of revolving loan	237,272	232,597
Total current liabilities	8,896,231	15,084,397
Long-term liabilities		
Notes payable, less current portion	3,883,751	3,986,805
Bonds payable, less current portion and net of unamortized bond issuance costs	27,801,561	28,447,667
Revolving loan, less current portion	7,566,760	7,957,783
Total long-term liabilities	39,252,072	40,392,255
Total liabilities	48,148,303	55,476,652
Net Assets		
Without donor restrictions	43,676,816	30,921,731
Total liabilities and net assets	\$ 91,825,119	\$ 86,398,383

Magnolia Educational & Research Foundation

Consolidated Statement of Activities
Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Support and revenues		
Local Control Funding Formula	\$ 41,352,580	\$ 40,431,155
Federal revenue	7,307,706	2,847,974
Other state revenue	9,080,047	6,801,756
PPP loan forgiveness revenue	5,461,600	-
Local revenues	373,024	1,290,510
Interest income	34,748	-
	<u>63,609,705</u>	<u>51,371,395</u>
Expenses		
Program services	33,869,275	32,229,176
Management and general	16,985,345	16,334,191
	<u>50,854,620</u>	<u>48,563,367</u>
Change in Net Assets	<u>12,755,085</u>	<u>2,808,028</u>
Net Assets, Beginning of Year	<u>30,921,731</u>	<u>28,113,703</u>
Net Assets, End of Year	<u><u>\$ 43,676,816</u></u>	<u><u>\$ 30,921,731</u></u>

Magnolia Educational & Research Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Total Expenses
Salaries	\$ 20,159,025	\$ 6,873,144	\$ 27,032,169
Employee benefits	3,129,666	452,805	3,582,471
Payroll taxes	5,527,047	1,341,398	6,868,445
Fees for services	-	2,137,003	2,137,003
Advertising and promotions	-	90,487	90,487
Office expenses	366,417	163,232	529,649
Information technology	261,994	-	261,994
Occupancy	-	2,302,178	2,302,178
Travel	-	7,430	7,430
Conferences and meeting	-	1,289	1,289
Interest	-	2,235,029	2,235,029
Depreciation and amortization	1,923,697	-	1,923,697
Insurance	-	423,720	423,720
Other expenses	517,201	957,630	1,474,831
Capital outlay	367,950	-	367,950
Special education	916,862	-	916,862
Instructional materials	254,802	-	254,802
Nutrition	23,474	-	23,474
District oversight fees	421,140	-	421,140
	<u>\$ 33,869,275</u>	<u>\$ 16,985,345</u>	<u>\$ 50,854,620</u>
Total functional expenses			

Magnolia Educational & Research Foundation

Consolidated Statement of Cash Flows

Year Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 12,755,085	\$ 2,808,028
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	1,897,617	1,071,913
Interest expense attributable to the amortization of bond issuance costs	26,080	26,080
PPP loan forgiveness	(5,461,600)	-
Changes in operating assets and liabilities		
Accounts receivable	(7,233,488)	(1,599,152)
Prepaid expenses	30,367	(66,321)
Security deposits	(110,000)	-
Accounts payable	(3,380,300)	2,137,508
Accrued liabilities	498,038	-
Refundable advance	1,964,215	(1,921,197)
Refundable advance - PPP	-	5,461,600
Net Cash from Operating Activities	986,014	7,918,459
Investing Activities		
Purchases of property and equipment	(2,020,541)	(3,226,898)
Financing Activities		
Principal payments on notes	(98,054)	(93,866)
Principal payments on bonds	(655,000)	(620,000)
Principal payments on revolving loan	(234,542)	(228,013)
Net Cash used for Financing Activities	(987,596)	(941,879)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(2,022,123)	3,749,682
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	27,162,571	23,412,889
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 25,140,448	\$ 27,162,571
Cash and cash equivalents	\$ 22,858,187	\$ 24,880,403
Cash restricted to Series 2014A and 2017A Bond Reserve Fund	2,282,261	2,282,168
Total Cash, Cash Equivalents, and Restricted Cash	\$ 25,140,448	\$ 27,162,571
Supplemental Cash Flow Disclosure		
Cash paid during the period in interest	\$ 2,235,029	\$ 2,223,875

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Magnolia Educational & Research Foundation (the Organization) is a California not-for-profit organization. During the fiscal year ended June 30, 2021, The organization operated ten charter schools currently serves approximately 3,870 students in grades kindergarten through twelve throughout California. The Organization dedicated to inspiring students to choose career paths in science, technology, engineering, and math (STEM), while providing a robust, standards-based education program within a supportive culture of excellence.

To ensure students have the tools to succeed, the Organization offer the following programs, which are mostly free of charge:

- Academic programs
- Student support programs
- After school programs
- Parent involvement programs

The Organization operate under the approval of the California State Board of Education, Los Angeles Unified School District and San Diego Unified School District. Each school receives public per-pupil funding from the State of California, in addition to grants from various government sources.

Magnolia Science Academy

Charter school number authorized by the State: 0438

Magnolia Science Academy (MSA) is a charter school located in Reseda, California that provides education for grades six through twelve. MSA 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. Los Angeles County Office of Education approved a new charter agreement in 2016 for a period of five years ending in 2022. MSA is economically dependent on Federal and State funding.

Magnolia Science Academy 2

Charter school number authorized by the State: 0906

Magnolia Science Academy 2 (MSA 2) is a charter school located in Van Nuys, California that provides sixth through twelfth grade education to approximately 464 students. MSA 2 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education and receives public per-pupil funding to help support their operation. Los Angeles County Office of Education approved a new charter agreement in 2018 for a period of five years ending June 30, 2022. MSA 2 is economically dependent on Federal and State funding. Magnolia Public Schools provides a college preparatory educational program emphasizing science, technology, engineering, and math (STEM) in a safe environment that cultivates respect for self and others. Graduates of Magnolia Public Schools are scientific thinkers who contribute to the global community as socially responsible and educated members of society.

Magnolia Science Academy 3

Charter school number authorized by the State: 0917

Magnolia Science Academy 3 (MSA 3) is a charter school located in Carson, California that provides sixth through twelfth grade education to approximately 417 students. MSA 3 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education and receives public per-pupil funding to help support their operation. Los Angeles County Office of Education approved a new charter agreement in 2016 for a period of five years ending June 30, 2022. MSA 3 is economically dependent on Federal and State funding.

Magnolia Science Academy 4

Charter school number authorized by the State: 0986

Magnolia Science Academy 4 (MSA 4) is a charter school located in Los Angeles, California that provides sixth through twelfth grade education to approximately 100 students. MSA 4 was created under the approval of the Los Angeles Unified School District (LAUSD) and the California State Board of Education and receives public per-pupil funding to help support their operation. MSA 4 was granted a five-year extension through June 30, 2023. MSA 4 is economically dependent on Federal and State funding.

Magnolia Science Academy 5

Charter school number authorized by the State: 0987

Magnolia Science Academy 5 (MSA 5), formerly located in Hollywood, now located in Reseda, California provides sixth through ninth grade education to approximately 290 students. MSA 5 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. During 2018, MSA 5 was approved for a five -year period ending June 30, 2023 under Los Angeles County Office of Education. MSA 5 is economically dependent on Federal and State funding.

Magnolia Science Academy 6

Charter school number authorized by the State: 0988

Magnolia Science Academy-6 (MSA 6) is a charter school located in Los Angeles, California that provides sixth through eighth grade education to approximately 163 students. The School was created under the approval of the Los Angeles Unified School District (ending June 30, 2024) 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.

Magnolia Science Academy 7

Charter school number authorized by the State: 0989

Magnolia Science Academy 7 (MSA 7) is a charter school located in Northridge, California that provides kindergarten through sixth grade education to approximately 294 students. MSA 7 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. Los Angeles Unified School District approved the charter on February 26, 2008 and renewed the charter agreement in 2019 for a period of five years ending in 2024. MSA 7 is economically dependent on Federal and State funding.

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 440 students. MSA Bell was created under the approval of the Los Angeles Unified School District (ending June 30, 2025) 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 Science Academy Santa Ana

Charter school number authorized by the State: 1686

Magnolia Science Academy Santa Ana (MSA Santa Ana), formerly Pacific Technology School Santa Ana, is a charter school located in Santa Ana, California that provides transitional kindergarten through twelfth grade education to approximately 544 students. MSA Santa Ana was created under the approval the California State Board of Education (ending June 30, 2024), and receives public per-pupil funding to help support their operation. MSA Santa Ana is economically dependent on Federal and State funding.

Magnolia Science Academy San Diego

Charter school number authorized by the State: 0698

Magnolia Science Academy San Diego (MSA San Diego), formerly Momentum Middle Charter School, is a charter school located in San Diego, California that provides educational activities for students in grades sixth through eighth serving approximately 441 students. The School offers a rich academic program with elective classes, tutoring, and after school clubs. It was the most improved middle school according to all API scores in the year 2007. The School was created under the approval of the San Diego Unified School District (SDUSD) and the California State Board of Education (ending June 30, 2024), and receives public per-pupil funding to help support their operation. The School is economically dependent on Federal and State funding.

Other Related Entity

Magnolia Properties Management, Inc. (MPM Inc.)

On January 12, 2012, MPM Inc., a separate 501(c)(3) nonprofit public benefit corporation, was formed for the primary purposes to facilitate the development of charter schools. Additional purposes are to lease, to own, manage and operate an educational institution, to provide charter school facilities and operational and other support to charter schools, to assist philanthropists and foundations in accelerating the growth of high quality charter schools, and to provide and otherwise obtain or assist in obtaining charter school financing. MPM Inc. was formed and is operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Organization.

MPM Sherman Way, LLC

The Organization formed the MPM Sherman Way, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The MSA makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA Reseda Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

MPM Santa Ana, LLC

The Organization formed the MPM Santa Ana, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. MSA Santa Ana makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA Santa Ana Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

MPM San Diego, LLC

The Organization formed the MPM San Diego, LLC exclusively for the acquisition of property and assets of the Organization, for charitable purposes as specified in Section 501(c)(3) of the Internal Revenue Service. The MSA San Diego makes lease payments to the LLC, in accordance with the lease agreement specifically for the MSA San Diego Project. Accordingly, the financial activities of the LLC have been included in the consolidated financial statements of the Organization. MPM Inc. is the sole member of the LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and the Subsidiaries, of which include MSA, MSA 2, MSA 3, MSA 4, MSA 5, MSA 6, MSA 7, MSA Bell, MSA Santa Ana, MSA San Diego, MPM, Inc., MPM Sherman Way, LLC, MPM Santa Ana, LLC, and MPM San Diego, LLC. All significant intracompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Comparative Financial Information

The accompanying consolidated 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 Organization's audited consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

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. The Governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary 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 Organization did not have net assets with donor restrictions for the year ended June 30, 2021.

Cash and Cash Equivalents

The Organization considers all cash including cash in County Investment Pool 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. Cash and highly liquid financial instruments restricted to bond reserve funds or other long-term purposes are excluded from this definition.

Restricted Cash

Non-current restricted cash in the amount of \$2,282,261 relates to the debt service reserve requirements related to the Charter School Revenue Bonds and is held as non-current to satisfy the long-term obligation.

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. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2020 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Intra-Entity Transactions

Intra-entity transactions results from a net cumulative difference between resources provided by the home office account to each charter school and reimbursement for those resources from each charter school to the home office account. Intra-entity transfers include certain costs of shared liabilities and shared assets between the Organization.

Capital Contribution

MSA invested \$161,923 in a capital contribution to the MPM Sherman Way, LLC as an investment for the building improvement located at 18238 Sherman Way in the city of Reseda, CA 91335 for its campus location.

MSA Santa Ana invested \$75,554 in a capital contribution to the MPM Santa Ana, LLC as an investment for the building improvement located at 2840 West 1st Street in the city of Santa Ana, CA 92703 for its campus location.

MSA San Diego invested \$198,191 in a capital contribution to the MPM San Diego, LLC as an investment for the building improvement located at 6525 Estrella Avenue in the city of San Diego, CA 92120 for its campus location.

Property and Equipment

Property and equipment 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 Organization reviews the carrying values of property and equipment 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, 2021.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization received cost-reimbursable grants of \$6,984,855 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of \$2,562,674 recognized in the consolidated statement of financial position as a refundable advance.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Organization would otherwise purchase the services. No amounts have been reflected in the accompanying consolidated financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Organization was granted a \$5,461,600 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$5,461,600 as PPP loan forgiveness revenue for the year ended June 30, 2021.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable approximation of the effective interest method. Debt issuance costs are included within bonds payable in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include salaries, employee benefits, payroll taxes, fees for services, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization’s financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2019, the Organization adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Management has determined that the adoption of this standard did not have a significant impact on the Organization’s financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization has adopted this ASU as of July 1, 2020. Management has determined that the adoption of this standard did not have a significant impact on the Organization’s financial statements.

Note 2 - Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	\$ 22,858,187	\$ 24,880,403
Accounts receivable	13,703,840	6,470,352
Total	\$ 36,562,027	\$ 31,350,755

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 2,566,854	\$ 2,566,854
Leasehold improvements	3,469,347	2,360,135
Building	49,271,682	47,628,894
Computer and equipment	5,300,434	3,606,511
Work in progress	990	2,426,372
	60,609,307	58,588,766
Total property and equipment		
Less accumulated depreciation	(7,827,894)	(5,943,091)
Total	\$ 52,781,413	\$ 52,645,675

Note 4 - Notes Payable

Notes payable consist of the following at June 30, 2021:

<p>Note payable, due in monthly installments of \$42,708, principal and interest at 10%, collateralized by the Magnolia Science Academy Santa Ana school facility with a carrying value of \$11,389,575; maturing July 1, 2044.</p>	\$ 3,988,334
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Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2022	\$ 104,583
2023	109,583
2024	114,583
2025	119,583
2026	129,167
Thereafter	3,410,835
Total	\$ 3,988,334

Note 5 - Bonds Payable

Charter School Facilities Revenue Bonds, Series 2014A and 2014B

On June 26, 2014, the Organization issued \$6,020,000 in uncollateralized Charter School Facilities Revenue Bonds. The bonds mature on July 1, 2044, with interest rate ranging from 5.25 to 7.00 percent. Unamortized bonds issuance costs are amortized an effective interest rate of 5.25 percent. Proceeds of the bonds will be used for based on acquisition, construction renovation, improving, and equipping certain educational facilities. The bonds require the Organization to comply with certain financial and non-financial covenants.

\$ 5,490,000

Charter School Facilities Revenue Bonds, Series 2017A

On September 6, 2017, the Organization issued \$25,000,000 in uncollateralized Charter School Facilities Revenue Bonds. The bonds mature on July 1, 2044, with interest rate of 5.25 percent. Unamortized bonds issuance costs are amortized based on an effective interest rate of 5.25 percent. Proceeds of the bonds will be used for based on acquisition, construction renovation, improving, and equipping certain educational facilities. The bonds require the Organization to comply with certain financial and non-financial covenants.

23,930,000

Subtotal outstanding bonds

29,420,000

Bond issuance costs on Charter School Facilities Revenue Bonds,
Series 2014A and 2014B

(307,527)

Bond issuance costs on Charter School Facilities Revenue Bonds,
Series 2017A

(625,912)

Subtotal debt issuance costs on bonds

(933,439)

Total

\$ 28,486,561

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal
2022	\$ 685,000
2023	720,000
2024	760,000
2025	800,000
2026	845,000
Thereafter	25,610,000
	29,420,000
Less unamortized debt issuance costs	(933,439)
Total	\$ 28,486,561

Note 6 - Revolving Loan

MSA Santa Ana has been approved by the State of California's Charter School Facilities Program (CCSFP) for \$17,413,956 for constructing a new facility, which will cost the same amount. The State will fund 50% of the total amount of \$17,413,956; the State will fund 50% of the total project cost through a loan in the amount of \$8,706,990 and the other 50% through a grant in the amount of \$8,706,978. The loan has an annual interest rate of 3.00% and it matures 30 years after the completion of the project.

The future minimum payments are as follows:

Year Ending June 30,	Principal
2022	\$ 237,272
2023	242,040
2024	246,906
2025	251,869
2026	256,931
Thereafter	6,569,014
Total	\$ 7,804,032

Note 7 - Operating Leases

The Organization entered into a lease agreement with Kajima Development Corporation in which the Organization will occupy for its home office location. The term of this agreement expires on April 30, 2023. Lease expense for the fiscal year ending June 30, 2021 was \$199,785, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 184,600
2023	173,800
Total	\$ 358,400

MSA entered into a lease agreement with MPM Sherman Way, LLC in which the MSA will occupy for its campus location. The term of this agreement expires on July 1, 2044. Lease expense for the fiscal year ending June 30, 2021 was \$1,306,816, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 1,297,584
2023	1,301,956
2024	1,307,132
2025	1,312,540
2026	1,314,576
Thereafter	24,737,565
Total	\$ 31,271,353

MSA 6 entered into a lease agreement with First Lutheran Church of Culver City and Palms, California in which the MSA 6 will occupy for its campus location. The term of this agreement expires on July 31, 2021. Lease expense for the fiscal year ending June 30, 2021 was \$128,350, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 10,750

MSA 7 entered into a lease agreement with First Lutheran Church of Northridge in which the MSA 7 will occupy for its campus location. The term of this agreement expires on June 30, 2022. Lease expense for the fiscal year ending June 30, 2021 was \$295,122, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 281,832

MSA San Diego entered into a lease agreement with MPM San Diego, LLC in which the MSA San Diego will occupy for its campus location. The term of this agreement expires on July 1, 2044. Lease expense for the fiscal year ending June 30, 2021 was \$808,727, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 477,984
2023	481,010
2024	482,064
2025	485,876
2026	486,128
Thereafter	9,349,318
Total	\$ 11,762,380

Note 8 - 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 the Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization 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

The Organization 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, 2019, 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>.

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% 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.

The Organization 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, Organization, 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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the Organization's total contributions were \$3,030,616.

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, 2019, 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, 2021, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	20.700%	20.700%

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. The Organization 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, 2021, are presented above and the total Organization's contributions were \$839,465.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Organization. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,117,645 (10.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 9 - Contingencies, Risks, and Uncertainties

The Organization has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

The Organization applied for and received loan forgiveness from the SBA on its PPP loan in \$5,461,600. In accordance with PPP loan requirements, the Organization is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Organization is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Note 10 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through January 25, 2022, which is the date the financial statements were issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Assembly Bill 130 approved on July 9, 2021 extends the terms of all charter schools whose terms expire on or between January 1, 2022 and June 30, 2025, inclusive, by two years. No action is required of charter authorizers or charter schools for this extension.



Supplementary Information
June 30, 2021

Magnolia Educational & Research Foundation

Magnolia Educational & Research Foundation
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury Passed through CDE COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	\$ 3,613,125
U.S. Department of Education Passed through California Department of Education (CDE) Special Education Cluster Basic Local Assistance	84.027	13379	<u>627,458</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,347,391
Title II, Part A, Supporting Effective Instruction	84.367	14341	177,629
Title III, Immigrant Student Program	84.365	15146	2,663
Title III, English Learner Student Program	84.365	14346	<u>81,043</u>
Subtotal			<u>83,706</u>
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	136,763
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	783,778
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	18,609
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	<u>2,241</u>
Subtotal			<u>941,391</u>
Title IV, Part A, Student Support and Academic Enrichment State Charter School Facilities Incentive Grant Program	84.424 84.282D	15396 [1]	154,973 <u>291,662</u>
Total U.S. Department of Education			<u>7,237,335</u>
U.S. Department of Health and Human Services Passed through Los Angeles County Office of Education COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	[1]	<u>70,371</u>
Total Federal Financial Assistance			<u><u>\$ 7,307,706</u></u>

[1] Pass-Through Entity Identifying Number not available.

ORGANIZATION

The Organization operates ten schools in California. Each school is operated on the same tax identification number as the Organization. Charters were granted for each school for up to five years, with an opportunity for renewal. Charters may be revoked by the charter authorizer for material violations of the charter, failure to meet or make progress toward student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. As of June 30, 2021, the schools operated by the Organization were as follows:

Charter School Name	Charter Number	Sponsoring District	Charter Expiration	Grades Served	Students Served
Magnolia Science Academy	0438	Los Angeles County Office of Education	June 30, 2022	6 - 12	717
Magnolia Science Academy 2	0906	Los Angeles County Office of Education	June 30, 2022	6 - 12	464
Magnolia Science Academy 3	0917	Los Angeles County Office of Education	June 30, 2022	6 - 12	417
Magnolia Science Academy 4	0986	Los Angeles Unified School District	June 30, 2023	6 - 12	100
Magnolia Science Academy 5	0987	Los Angeles County Office of Education	June 30, 2023	6 - 12	290
Magnolia Science Academy 6	0988	Los Angeles Unified School District	June 30, 2024	6 - 8	163
Magnolia Science Academy 7	0989	Los Angeles Unified School District	June 30, 2024	K - 5	294
Magnolia Science Academy Bell	1236	Los Angeles Unified School District	June 30, 2025	6 - 8	440
Magnolia Science Academy Santa Ana	1686	California Department of Education	June 30, 2024	K - 12	544
Magnolia Science Academy San Diego	0698	San Diego Unified School District	June 30, 2024	6 - 8	441

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Rabbi Haim Beliak	Chair	No Term Limit
Umit Yapanel, Ph.D.	Vice Chair	No Term Limit
Salih Dikbas, Ph.D.	Member	No Term Limit
Sandra Covarrubias	Member	No Term Limit
Diane Gonzalez	Member	No Term Limit
Mekan Muhammedov	Member	No Term Limit

ADMINISTRATION

Alfredo Rubalcava	Chief Executive Officer and Superintendent
Serdar Orazov ¹	Chief Financial Officer
Harun Ciftci ²	Interim Chief Financial Officer

¹ Resigned September 2021

² Started September 2021

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2021

Magnolia Science Academy

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	175	N/A	-	175	Complied
Grade 7	175	N/A	-	175	Complied
Grade 8	175	N/A	-	175	Complied
Grades 9 - 12					
Grade 9	175	N/A	-	175	Complied
Grade 10	175	N/A	-	175	Complied
Grade 11	175	N/A	-	175	Complied
Grade 12	175	N/A	-	175	Complied

Magnolia Science Academy 2

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Magnolia Science Academy 3

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	175	N/A	-	175	Complied
Grade 7	175	N/A	-	175	Complied
Grade 8	175	N/A	-	175	Complied
Grades 9 - 12					
Grade 9	175	N/A	-	175	Complied
Grade 10	175	N/A	-	175	Complied
Grade 11	175	N/A	-	175	Complied
Grade 12	175	N/A	-	175	Complied

Magnolia Educational & Research Foundation

Schedule of Instructional Time

Year Ended June 30, 2021

Magnolia Science Academy 4

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Magnolia Science Academy 5

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	181	N/A	-	181	Complied
Grade 7	181	N/A	-	181	Complied
Grade 8	181	N/A	-	181	Complied
Grades 9 - 12					
Grade 9	181	N/A	-	181	Complied
Grade 10	181	N/A	-	181	Complied
Grade 11	181	N/A	-	181	Complied
Grade 12	181	N/A	-	181	Complied

Magnolia Science Academy 6

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied

Magnolia Educational & Research Foundation
 Schedule of Instructional Time
 Year Ended June 30, 2021

Magnolia Science Academy 7

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	181	N/A	-	181	Complied
Grades 1 - 3					
Grade 1	181	N/A	-	181	Complied
Grade 2	181	N/A	-	181	Complied
Grade 3	181	N/A	-	181	Complied
Grades 4 - 5					
Grade 4	181	N/A	-	181	Complied
Grade 5	181	N/A	-	181	Complied

Magnolia Science Academy Bell

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied

Magnolia Science Academy Santa Ana

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 6 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Magnolia Science Academy San Diego

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied

Magnolia Educational & Research Foundation
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2021 and 2020

	MERF	MSA	MSA 2
Assets			
Current assets			
Cash and cash equivalents	\$ 2,713,961	\$ 2,702,957	\$ 2,270,880
Accounts receivable	808,476	2,867,714	1,608,000
Intra-entity receivable	68,571	550,890	-
Prepaid expenses	17,578	7,354	5,785
Total current assets	<u>3,608,586</u>	<u>6,128,915</u>	<u>3,884,665</u>
Non-current assets			
Security deposit	100,000	-	-
Capital contribution	-	161,923	-
Restricted cash	-	-	-
Property and equipment, net	14,900	3,714,373	249,146
Total non-current assets	<u>114,900</u>	<u>3,876,296</u>	<u>249,146</u>
Total assets	<u>\$ 3,723,486</u>	<u>\$ 10,005,211</u>	<u>\$ 4,133,811</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 240,309	\$ 727,597	\$ 773,249
Accrued liabilities	-	74,286	83,754
Refundable advance	-	359,256	224,384
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	525,146	842,004	10,852
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>765,455</u>	<u>2,003,143</u>	<u>1,092,239</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>765,455</u>	<u>2,003,143</u>	<u>1,092,239</u>
Net Assets			
Without donor restrictions	<u>2,958,031</u>	<u>8,002,068</u>	<u>3,041,572</u>
Total liabilities and net assets	<u>\$ 3,723,486</u>	<u>\$ 10,005,211</u>	<u>\$ 4,133,811</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2021 and 2020

	<u>MSA 3</u>	<u>MSA 4</u>	<u>MSA 5</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,191,007	\$ 1,137,866	\$ 1,648,188
Accounts receivable	1,596,768	445,377	1,057,849
Intra-entity receivable	3,479	-	801,242
Prepaid expenses	4,958	3,934	330
Total current assets	<u>2,796,212</u>	<u>1,587,177</u>	<u>3,507,609</u>
Non-current assets			
Security deposit	-	-	-
Capital contribution	-	-	-
Restricted cash	-	-	-
Property and equipment, net	178,219	76,947	144,082
Total non-current assets	<u>178,219</u>	<u>76,947</u>	<u>144,082</u>
Total assets	<u>\$ 2,974,431</u>	<u>\$ 1,664,124</u>	<u>\$ 3,651,691</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 495,594	\$ 319,050	\$ 432,564
Accrued liabilities	65,309	19,250	40,959
Refundable advance	223,557	100,725	143,911
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	11,645	3,152	954
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>796,105</u>	<u>442,177</u>	<u>618,388</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>796,105</u>	<u>442,177</u>	<u>618,388</u>
Net Assets			
Without donor restrictions	<u>2,178,326</u>	<u>1,221,947</u>	<u>3,033,303</u>
Total liabilities and net assets	<u>\$ 2,974,431</u>	<u>\$ 1,664,124</u>	<u>\$ 3,651,691</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2021 and 2020

	MSA 6	MSA 7	MSA Bell
Assets			
Current assets			
Cash and cash equivalents	\$ 2,037,758	\$ 1,421,162	\$ 3,386,788
Accounts receivable	528,476	941,156	1,329,705
Intra-entity receivable	-	1,691	1,802,179
Prepaid expenses	3,804	29,438	4,424
Total current assets	<u>2,570,038</u>	<u>2,393,447</u>	<u>6,523,096</u>
Non-current assets			
Security deposit	10,000	-	-
Capital contribution	-	-	-
Restricted cash	-	-	-
Property and equipment, net	82,611	498,580	361,073
Total non-current assets	<u>92,611</u>	<u>498,580</u>	<u>361,073</u>
Total assets	<u>\$ 2,662,649</u>	<u>\$ 2,892,027</u>	<u>\$ 6,884,169</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 139,511	\$ 221,391	\$ 450,804
Accrued liabilities	23,936	31,559	66,607
Refundable advance	87,171	136,904	251,666
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	1,487	3,027	2,273
Current portion of notes payable	-	-	-
Current portion of bonds payable	-	-	-
Current portion of revolving loan	-	-	-
Total current liabilities	<u>252,105</u>	<u>392,881</u>	<u>771,350</u>
Long-term liabilities			
Notes payable, less current portion	-	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	-
Revolving loan, less current portion	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>252,105</u>	<u>392,881</u>	<u>771,350</u>
Net Assets			
Without donor restrictions	<u>2,410,544</u>	<u>2,499,146</u>	<u>6,112,819</u>
Total liabilities and net assets	<u>\$ 2,662,649</u>	<u>\$ 2,892,027</u>	<u>\$ 6,884,169</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2021 and 2020

	MSA Santa Ana	MSA San Diego	MPM Inc. / LLC
Assets			
Current assets			
Cash and cash equivalents	\$ 634,784	\$ 1,598,406	\$ 2,114,430
Accounts receivable	2,645,299	683,496	-
Intra-entity receivable	419	270	-
Prepaid expenses	7,014	4,799	-
Total current assets	<u>3,287,516</u>	<u>2,286,971</u>	<u>2,114,430</u>
Non-current assets			
Security deposit	-	-	-
Capital contribution	75,554	198,191	-
Restricted cash	-	-	2,282,261
Property and equipment, net	<u>20,336,365</u>	<u>263,314</u>	<u>26,861,803</u>
Total non-current assets	<u>20,411,919</u>	<u>461,505</u>	<u>29,144,064</u>
Total assets	<u><u>\$ 23,699,435</u></u>	<u><u>\$ 2,748,476</u></u>	<u><u>\$ 31,258,494</u></u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,314,550	\$ 502,521	\$ -
Accrued liabilities	51,895	40,483	-
Refundable advance	304,836	283,694	446,570
Refundable advance - Paycheck Protection Program (PPP)	-	-	-
Intra-entity payable	1,126,203	701,998	-
Current portion of notes payable	104,583	-	-
Current portion of bonds payable	-	-	685,000
Current portion of revolving loan	<u>237,272</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>3,139,339</u>	<u>1,528,696</u>	<u>1,131,570</u>
Long-term liabilities			
Notes payable, less current portion	3,883,751	-	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	-	27,801,561
Revolving loan, less current portion	<u>7,566,760</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>11,450,511</u>	<u>-</u>	<u>27,801,561</u>
Total liabilities	<u>14,589,850</u>	<u>1,528,696</u>	<u>28,933,131</u>
Net Assets			
Without donor restrictions	<u>9,109,585</u>	<u>1,219,780</u>	<u>2,325,363</u>
Total liabilities and net assets	<u><u>\$ 23,699,435</u></u>	<u><u>\$ 2,748,476</u></u>	<u><u>\$ 31,258,494</u></u>

Magnolia Educational & Research Foundation
Consolidating Statement of Financial Position
June 30, 2021 and 2020

	Eliminations	2021 Consolidated	2020 Consolidated
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 22,858,187	\$ 24,880,403
Accounts receivable	(808,476)	13,703,840	6,470,352
Intra-entity receivable	(3,228,741)	-	-
Prepaid expenses	-	89,418	119,785
Total current assets	<u>(4,037,217)</u>	<u>36,651,445</u>	<u>31,470,540</u>
Non-current assets			
Security deposit	-	110,000	-
Capital contribution	(435,668)	-	-
Restricted cash	-	2,282,261	2,282,168
Property and equipment, net	-	52,781,413	52,645,675
Total non-current assets	<u>(435,668)</u>	<u>55,173,674</u>	<u>54,927,843</u>
Total assets	<u>\$ (4,472,885)</u>	<u>\$ 91,825,119</u>	<u>\$ 86,398,383</u>
Liabilities			
Current liabilities			
Accounts payable	\$ (808,476)	\$ 4,808,664	\$ 8,188,964
Accrued liabilities	-	498,038	-
Refundable advance	-	2,562,674	446,653
Refundable advance - Paycheck Protection Program (PPP)	-	-	5,461,600
Intra-entity payable	(3,228,741)	-	-
Current portion of notes payable	-	104,583	99,583
Current portion of bonds payable	-	685,000	655,000
Current portion of revolving loan	-	237,272	232,597
Total current liabilities	<u>(4,037,217)</u>	<u>8,896,231</u>	<u>15,084,397</u>
Long-term liabilities			
Notes payable, less current portion	-	3,883,751	3,986,805
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	27,801,561	28,447,667
Revolving loan, less current portion	-	7,566,760	7,957,783
Total long-term liabilities	<u>-</u>	<u>39,252,072</u>	<u>40,392,255</u>
Total liabilities	<u>(4,037,217)</u>	<u>48,148,303</u>	<u>55,476,652</u>
Net Assets			
Without donor restrictions	<u>(435,668)</u>	<u>43,676,816</u>	<u>30,921,731</u>
Total liabilities and net assets	<u>\$ (4,472,885)</u>	<u>\$ 91,825,119</u>	<u>\$ 86,398,383</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2021 and 2020

	Magnolia Educational & Research Foundation	Magnolia Science Academy	Magnolia Science Academy 2
Support and revenues			
Local Control Funding Formula	\$ -	\$ 7,836,133	\$ 4,777,023
Federal revenue	-	1,263,525	940,843
Other state revenue	268,221	2,113,209	756,770
PPP loan forgiveness revenue	534,572	789,701	632,270
Local revenues	5,209,169	197,968	167,669
Interest income	-	2,203	-
Rental income	-	-	-
	<u>6,011,962</u>	<u>12,202,739</u>	<u>7,274,575</u>
Expenses			
Program services	1,378,352	5,486,665	3,724,637
Management and general	3,553,999	4,016,121	2,085,340
	<u>4,932,351</u>	<u>9,502,786</u>	<u>5,809,977</u>
Change in Net Assets before intra-entity transfers	<u>1,079,611</u>	<u>2,699,953</u>	<u>1,464,598</u>
Intra-entity transfers			
Transfer in	152,044	-	-
Transfer out	(228,326)	-	-
Change in Net Assets	<u>1,003,329</u>	<u>2,699,953</u>	<u>1,464,598</u>
Net Assets, Beginning of Year	<u>1,954,702</u>	<u>5,302,115</u>	<u>1,576,974</u>
Net Assets, End of Year	<u>\$ 2,958,031</u>	<u>\$ 8,002,068</u>	<u>\$ 3,041,572</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2021 and 2020

	Magnolia Science Academy 3	Magnolia Science Academy 4	Magnolia Science Academy 5
Support and revenues			
Local Control Funding Formula	\$ 5,042,856	\$ 1,432,188	\$ 3,186,286
Federal revenue	790,803	249,562	565,235
Other state revenue	928,558	260,635	498,346
PPP loan forgiveness revenue	627,597	229,930	349,985
Local revenues	3,018	2,285	1,892
Interest income	-	-	23,553
Rental income	-	-	-
	<u>7,392,832</u>	<u>2,174,600</u>	<u>4,625,297</u>
Total support and revenues			
Expenses			
Program services	3,486,932	1,390,106	2,297,752
Management and general	2,528,289	470,836	1,401,626
	<u>6,015,221</u>	<u>1,860,942</u>	<u>3,699,378</u>
Total expenses			
Change in Net Assets before intra-entity transfers	<u>1,377,611</u>	<u>313,658</u>	<u>925,919</u>
Intra-entity transfers			
Transfer in	-	-	-
Transfer out	-	-	-
	<u>1,377,611</u>	<u>313,658</u>	<u>925,919</u>
Change in Net Assets			
Net Assets, Beginning of Year	<u>800,715</u>	<u>908,289</u>	<u>2,107,384</u>
Net Assets, End of Year	<u>\$ 2,178,326</u>	<u>\$ 1,221,947</u>	<u>\$ 3,033,303</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2021 and 2020

	Magnolia Science Academy 6	Magnolia Science Academy 7	Magnolia Science Academy Bell
Support and revenues			
Local Control Funding Formula	\$ 1,589,787	\$ 2,997,393	\$ 4,792,000
Federal revenue	304,177	496,114	857,934
Other state revenue	327,974	847,009	907,036
PPP loan forgiveness revenue	193,294	358,254	576,190
Local revenues	-	28,865	4,500
Interest income	-	-	8,992
Rental income	-	-	-
	<u>2,415,232</u>	<u>4,727,635</u>	<u>7,146,652</u>
Expenses			
Program services	1,305,826	2,495,343	3,400,159
Management and general	550,406	1,612,038	2,421,621
	<u>1,856,232</u>	<u>4,107,381</u>	<u>5,821,780</u>
Change in Net Assets before intra-entity transfers	<u>559,000</u>	<u>620,254</u>	<u>1,324,872</u>
Intra-entity transfers			
Transfer in	-	-	-
Transfer out	-	-	-
	<u>559,000</u>	<u>620,254</u>	<u>1,324,872</u>
Change in Net Assets	<u>559,000</u>	<u>620,254</u>	<u>1,324,872</u>
Net Assets, Beginning of Year	<u>1,851,544</u>	<u>1,878,892</u>	<u>4,787,947</u>
Net Assets, End of Year	<u>\$ 2,410,544</u>	<u>\$ 2,499,146</u>	<u>\$ 6,112,819</u>

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2021 and 2020

	Magnolia Science Academy Santa Ana	Magnolia Science Academy Santa Diego	MPM Inc. / LLC
Support and revenues			
Local Control Funding Formula	\$ 5,904,292	\$ 3,794,622	\$ -
Federal revenue	1,434,255	405,258	-
Other state revenue	1,307,445	864,844	-
PPP loan forgiveness revenue	751,656	418,151	-
Local revenues	93,346	55,414	361
Interest income	-	-	-
Rental income	-	-	2,387,317
	9,490,994	5,538,289	2,387,678
Expenses			
Program services	5,149,377	2,976,840	777,286
Management and general	2,850,591	1,633,066	1,640,192
	7,999,968	4,609,906	2,417,478
Change in Net Assets before intra-entity transfers	1,491,026	928,383	(29,800)
Intra-entity transfers			
Transfer in	-	-	228,326
Transfer out	-	-	(152,044)
	1,491,026	928,383	46,482
Change in Net Assets	1,491,026	928,383	46,482
Net Assets, Beginning of Year	7,618,559	291,397	2,278,881
Net Assets, End of Year	\$ 9,109,585	\$ 1,219,780	\$ 2,325,363

Magnolia Educational & Research Foundation
Consolidating Statement of Activities
Year Ended June 30, 2021 and 2020

	Eliminations	2021 Consolidated	2020 Consolidated
Support and revenues			
Local Control Funding Formula	\$ -	\$ 41,352,580	\$ 40,431,155
Federal revenue	-	7,307,706	2,847,974
Other state revenue	-	9,080,047	6,801,756
PPP loan forgiveness revenue	-	5,461,600	-
Local revenues	(5,391,463)	373,024	1,290,510
Interest income	-	34,748	-
Rental income	(2,387,317)	-	-
Total support and revenues	<u>(7,778,780)</u>	<u>63,609,705</u>	<u>51,371,395</u>
Expenses			
Program services	-	33,869,275	32,229,176
Management and general	(7,778,780)	16,985,345	16,334,191
Total expenses	<u>(7,778,780)</u>	<u>50,854,620</u>	<u>48,563,367</u>
Change in Net Assets before intra-entity transfers	<u>-</u>	<u>12,755,085</u>	<u>2,808,028</u>
Intra-entity transfers			
Transfer in	(380,370)	-	-
Transfer out	380,370	-	-
Change in Net Assets	<u>-</u>	<u>12,755,085</u>	<u>2,808,028</u>
Net Assets, Beginning of Year	<u>(435,668)</u>	<u>30,921,731</u>	<u>28,113,703</u>
Net Assets, End of Year	<u>\$ (435,668)</u>	<u>\$ 43,676,816</u>	<u>\$ 30,921,731</u>

Magnolia Educational & Research Foundation
Foundation Only Comparative Statement of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 2,713,961	\$ 3,193,616
Accounts receivable	808,476	453,452
Intra-entity receivable	68,571	77,584
Prepaid expenses	17,578	-
Total current assets	3,608,586	3,724,652
Non-current assets		
Security deposit	100,000	-
Property and equipment, net	14,900	15,759
Total non-current assets	114,900	15,759
Total assets	\$ 3,723,486	\$ 3,740,411
Liabilities		
Current liabilities		
Accounts payable	\$ 240,309	\$ 678,278
Refundable advance - Paycheck Protection Program (PPP)	-	534,572
Intra-entity payable	525,146	572,859
Total liabilities	765,455	1,785,709
Net Assets		
Without donor restrictions	2,958,031	1,954,702
Total liabilities and net assets	\$ 3,723,486	\$ 3,740,411

Magnolia Educational & Research Foundation
 Foundation Only Comparative Statement of Activities
 Year Ended June 30, 2021 and 2020

	2021	2020
Support and revenues		
Other state revenue	\$ 268,221	\$ 57,314
PPP loan forgiveness revenue	534,572	-
Local revenues	5,209,169	5,359,493
Total support and revenues	6,011,962	5,416,807
Expenses		
Program services	1,378,352	1,260,005
Management and general	3,553,999	3,599,507
Total expenses	4,932,351	4,859,512
Change in Net Assets before intra-entity transfers	1,079,611	557,295
Intra-entity transfers		
Transfer in	152,044	63,700
Transfer out	(228,326)	(289,954)
Change in Net Assets	1,003,329	331,041
Net Assets, Beginning of Year	1,954,702	1,623,661
Net Assets, End of Year	\$ 2,958,031	\$ 1,954,702

Magnolia Educational & Research Foundation

Debt Covenants

Year Ended June 30, 2021

Debt Service Coverage

Net income	\$ 12,755,085
Depreciation and amortization	1,923,697
Management fees (50%)	2,695,732
Rent	2,126,873
Income Available for Coverage	19,501,387
Debt Service	2,126,873

Debt Service Coverage	9.17
Limit	1.10
Compliance	Yes

Consolidated Days Cash on Hand

Total Expenses	\$ 50,854,620
Depreciation and amortization	1,923,697
Cash Expenses	48,930,923
Expense/Day	134,057
Cash	22,858,187

Days Cash on Hand	171
Limit	45
Compliance	Yes

Magnolia Educational & Research Foundation
Consolidating Schedule of Property and Equipment
Year Ended June 30, 2021

	MERF	MSA	MSA 2	MSA 3	MSA 4	MSA 5	MSA 6
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	-	3,429,347	-	-	-	-	-
Building	-	226,898	10,061	-	-	-	-
Computer and equipment	134,513	624,785	748,684	460,883	261,362	341,429	257,023
Work in progress	-	990	-	-	-	-	-
Total property and equipment	134,513	4,282,020	758,745	460,883	261,362	341,429	257,023
Less accumulated depreciation	(119,613)	(567,647)	(509,599)	(282,664)	(184,415)	(197,347)	(174,412)
Total	\$ 14,900	\$ 3,714,373	\$ 249,146	\$ 178,219	\$ 76,947	\$ 144,082	\$ 82,611

Magnolia Educational & Research Foundation
Consolidating Schedule of Property and Equipment
Year Ended June 30, 2021

	MSA 7	MSA Bell	MSA Santa Ana	MSA San Diego	MPM Inc. / LLC	2021 Consolidated	2020 Consolidated
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,566,854	\$ 2,566,854	\$ 2,566,854
Leasehold improvements	-	-	40,000	-	-	3,469,347	2,360,135
Building	492,294	-	22,352,893	-	26,189,536	49,271,682	47,628,894
Computer and equipment	183,880	749,401	817,678	720,796	-	5,300,434	3,606,511
Work in progress	-	-	-	-	-	990	2,426,372
Total property and equipment	676,174	749,401	23,210,571	720,796	28,756,390	60,609,307	58,588,766
Less accumulated depreciation	(177,594)	(388,328)	(2,874,206)	(457,482)	(1,894,587)	(7,827,894)	(5,943,091)
Total	\$ 498,580	\$ 361,073	\$ 20,336,365	\$ 263,314	\$ 26,861,803	\$ 52,781,413	\$ 52,645,675

Note 1 - Purpose of Supplementary Schedules

Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

This schedule provides information about the Organization's operations, members of the governing board, and members of the administration.

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered on the traditional calendar and on any multitrack calendars by the Organization and whether the Organization complied with the provisions of Education Code section 47612.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The consolidating statement of financial position and consolidating statement of activities report the activities of the Organization and related entities and are presented on the accrual basis of accounting. Eliminating entries in the consolidating statement of financial position and consolidating statement of activities are for activities between the Organization and related entities.

Foundation Only Comparative Statements

The accompanying foundation only comparative financial statements report the individual program of Magnolia Education & Research Foundation and are presented on the accrual basis of accounting.

Debt Covenants

Some of the Organization's loan agreements are subject to covenant clauses, whereby the Organization is required to meet certain key financial ratios. This schedule provides information related to the debt covenant ratios and related information.

Consolidating Schedule of Property and Equipment

The accompanying consolidating schedule of property and equipment present the comparative balances for Organization and the Subsidiaries property and equipment.



Independent Auditor's Reports
June 30, 2021

**Magnolia Educational &
Research Foundation**



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 Educational & Research Foundation
Los Angeles, 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 consolidated financial statements of Magnolia Educational & Research Foundation and Subsidiaries (the Organization) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 consolidated 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 the Organization's consolidated 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 consolidated financial statements. 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 the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 25, 2022



Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Magnolia Educational & Research Foundation's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California

January 25, 2022



Independent Auditor's Report on State Compliance

Governing Board
Magnolia Educational & Research Foundation
Los Angeles, California

Report on State Compliance

We have audited Magnolia Educational & Research Foundation's (the Organization) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the Organization's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization'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 on state compliance. However, our audit does not provide a legal determination of the Organization's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS STATED IN ATTENDANCE AND DISTANCE LEARNING AND INSTRUCTIONAL TIME)	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Instructional Time	Yes
Instructional Materials	No, see below
Ratio 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
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools except as stated in Attendance and Distance Learning and Instructional Time” are not applicable to charter schools; therefore, we did not perform any related procedures.

The Organization does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Organization was not classified as nonclassroom-based.

Unmodified Opinion

In our opinion, the Organization complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California

January 25, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Magnolia Educational & Research Foundation

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No
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Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
COVID-19 Coronavirus Relief Fund (CRF)	21.019
COVID-19 Education Stabilization Fund (ESF)	84.425C, 84.425D
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

None Reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2020-001 Code 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatements, whether due to error or fraud. This includes the posting of all material adjustments necessary to close the year and accurately reflect the activity of the Organization.

Condition

Communicating Internal Control Related Matters Identified in an Audit defines a material weakness and significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor.

Questioned costs

There are no questioned costs identified with the condition note.

Context

An accrual related to accounts receivable, prepaid expenses, accounts payable, and refundable advance were not recorded and accounted for.

Effect

During the course of our engagement, management identified material audit adjustments to the recorded account balances in the financial statements which, if not recorded, would have resulted in a material misstatement of the financial statements.

Cause

The timing of the accrual was during a transition period for new management making it difficult to implement this level of internal control to monitor year end accruals.

Repeat Finding (Yes or No)

No

Recommendation

We recommend management and those charged with governance evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential material misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Current Status

Implemented.

Federal Awards Findings

None reported.

State Compliance Findings

None reported.