



C Borders-Byrd, CPA LLC
Accountants and Consultants

Financial Statements and Report of Independent Certified Public Accountants

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

June 30, 2018

October 18, 2018

To the Board of Directors of
Magnet Educational Choice Association, Inc.

We have audited the financial statements of Magnet Educational Choice Association, Inc. for the year ended June 30, 2018, and we will issue our report thereon dated October 18, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 4, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Magnet Educational Choice Association, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the restricted cash and cash equivalent is based on the financial institution valuation. Cash balances at year-end exceeded the insured amounts of \$250,000. We evaluated the key factors and assumptions used to develop the restricted cash and cash equivalent in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of temporary restricted net assets in Note 4 to the financial statements as there are numerous stakeholders that participate in the Association's program.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have communicated the following findings to management of the Organization:

- Management has established accounting controls related to the collection of cash receipts and cash disbursements. Because the accounting controls related to the cash receipts function may not capture all cash receipts in the accounting records, there could be cash receipts that are not recorded. Additionally, the accounting controls related to the approval of and support for certain cash disbursements may not be functioning as those charged with governance intended. Our opinion is not modified with respect to this matter.
- The Organization has suffered recurring significant reductions in contributions and has a net deficiency in unrestricted net assets. Key management has plans to retire. He has indicated his willingness to continue during the transition and the Board of Directors is committed to replacing him. These facts raise a doubt about whether the Organization can continue to operate. Management and the Board of Directors have considered these factors and have concluded the Organization will continue as they will find a replacement for the key employee and will manage the cash flow by seeking additional contributions. If they are unable to implement this plan, the Organization will have difficulty continuing to operate.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of Magnet Educational Choice Association, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

C BORDERS-BYRD, CPA LLC

By: Cynthia Borders-Byrd
Managing Member

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

Financial Statements and Report of Independent Certified Public Accountants
June 30, 2018

Table of Contents

Report of Independent Certified Public Accountants.....	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-10
Supplementary Information:	
Schedule of Restricted Revenue and Expenses	11
Note to Schedule of Restricted Revenue and Expenses	12-13
Other Supplementary Information:	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Management Letter	16-18

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Magnet Educational Choice Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Magnet Educational Choice Association, Inc. (the "Association"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of a Matter

Management has established accounting controls related to the collection of cash receipts and cash disbursements. Because the accounting controls related to the cash receipts function may not capture all cash receipts in the accounting records, there could be cash receipts that are not recorded. Additionally, the accounting controls related to the approval of and support for certain cash disbursements may not be functioning as those charged with governance intended. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of restricted revenue and expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of Magnet Educational Choice Association, Inc.'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 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 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 Magnet Educational Choice Association, Inc.'s internal control over financial reporting and compliance.

Miami, Florida
October 18, 2018

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

STATEMENT OF FINANCIAL POSITION

June 30, 2018

Assets

Restricted cash and cash equivalents	\$ 347,874
Contributions receivable	<u>12,000</u>
Total assets	<u><u>\$ 359,874</u></u>

Liabilities and Net Assets

Accounts and other payables	\$ 10,036
Total liabilities	<u>10,036</u>

Commitments and contingencies (Note 6)

Net assets:

Unrestricted	(24,648)
Temporarily restrictions	<u>374,486</u>
Total net assets	<u>349,838</u>
Total liabilities and net assets	<u><u>\$ 359,874</u></u>

The accompanying notes are an integral part of this financial statement.

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 981	\$ 480,709	\$ 481,690
Administrative fee	19,473	-	19,473
Interest income	1,059	-	1,059
Net assets released from restriction	641,847	(641,847)	-
Total support and revenue	<u>663,360</u>	<u>(161,138)</u>	<u>502,222</u>
Operating expenses:			
Contributions to Miami-Dade County			
Public School programs	641,847	-	641,847
General and administrative	37,540	-	37,540
Total operating expenses	<u>679,387</u>	<u>-</u>	<u>679,387</u>
Change in net assets	(16,027)	(161,138)	(177,165)
Net assets at beginning of year	(8,621)	535,624	527,003
Net assets at end of year	<u>\$ (24,648)</u>	<u>\$ 374,486</u>	<u>\$ 349,838</u>

The accompanying notes are an integral part of this financial statement.

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ (177,165)
Adjustments to reconcile increase/decrease in net assets to net cash provided by (used in) operating activities:	
Increase in contributions receivable	(12,000)
Increase in accounts and other payables	<u>7,765</u>
Net cash used in operating activities	(181,400)
Cash flows from investing activities	<u>-</u>
Cash flows from financing activities	<u>-</u>
Net decrease in restricted cash and cash equivalents	(181,400)
Restricted cash and cash equivalents, beginning of year	<u>529,274</u>
Restricted cash and cash equivalents, end of year	<u><u>\$ 347,874</u></u>

The accompanying notes are an integral part of this financial statement.

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – ORGANIZATION

Magnet Educational Choice Association, Inc. (the “Association”) is a not-for-profit corporation organized in accordance with Chapter 617, Florida Statutes and operated as a Miami-Dade County School Board (the “School Board”) direct-support organization in accordance with Section 1001.453, Florida Statutes and Board Policy 9215. The Association was incorporated in October 1991 for the main purpose of providing educational resources and advanced programs to the Magnet School Program in Miami-Dade County, Florida, and obtaining private sector involvement to provide funds for education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed in the accompanying financial statements are presented below:

Basis of Accounting

The accompanying financial statements of the Association have been prepared in conformity with U.S. generally accepted accounting principles.

Financial statement presentation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958. Under FASB ASC No. 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted Net Assets* – represents resources which have met all applicable donor-imposed stipulations or those not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* – represents resources subject to donor-imposed stipulations that may be met either by actions of the Association and/or passage of time.
- *Permanently Restricted Net Assets* – represents resources subject to donor-imposed stipulations that must be permanently maintained by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for unrestricted or specific purposes. The Association had no permanently restricted net assets.

Restricted Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Amounts included in restricted cash and cash equivalent have been restricted by the donor for specific purposes.

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Support and Revenue Recognition

The primary source of revenue for the Association consists of contributions which, absent of restrictions by donors, are considered unrestricted.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements reflect no provision for income taxes.

Subsequent Events

Under FASB ASC, subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued or ready to be issued. The Association recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements. The Association has evaluated the subsequent events through October 18, 2018, which is the date the financial statements were available to be issued and concluded that no events or transactions occurred during that period which require recognition or disclosure.

Accounting for Uncertainty in Income Taxes

The FASB ASC interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition.

This interpretation will require management of the Association to analyze all open tax years, as defined by the statute of limitation, for all major jurisdictions, which includes federal and states. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last three tax year ends and the interim tax period since then). The Association has no examination in progress.

Management believes that the Association is no longer subject to income tax examination by federal and state tax authorities for fiscal years prior to 2016.

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association, but these services do not meet the criteria for recognition as contributed services. Additionally, the Association's administrative offices are housed onsite at the School Board. Management is unable to estimate the value of rent for the space.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Association maintains its cash and cash equivalents accounts in one financial institution. Accounts are insured by National Credit Union Insurance Fund up to \$250,000. Management believes the Association is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded when made as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Revenue is recognized when earned and realizable. Approximately \$374,486 of contributions received through the year ended June 30, 2018 was temporarily restricted by donor-imposed stipulations and primarily include the following programs:

Academy of Hospitality and Tourism

Purpose: Open career opportunities in the tourism field; provide a solid college preparation education in the traditional academic subjects. The Academy partners with the National Academy Foundation (NAF) to provide the Senior High School programs with resources as well as opportunities for summer employment.

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS - Continued

JPMorgan Chase 2017

Purpose: This grant from JPMorgan Chase was designated to award stipends to students for the Summer 2017 Summer Internship Program. Students from the Academy programs were required to submit an application to the M-DCPS Career and Technical Department. Students that were selected were paid \$1,000 as a stipend provided they work the required number of hours (approx. 200 hours) and completed a class assignment. The funds were paid through the South Florida Educational FCU and distributed to students that were able to open an account. The funds were posted on two different dates.

JPMorgan Chase Trade, Logistics and Cybersecurity Program

Purpose: Miami-Dade County Public Schools has inaugurated new Academy Programs that will help students at Miami Central, Ronald Reagan/Doral and Alonzo & Tracy Mournig Senior High Schools gain skills to compete for jobs in Cybersecurity, Trade and Logistics. The selected schools have classrooms retro fitted with state of the art technology and equipment utilizing the grant funds provided by JPMorgan Chase.

Office of Community Engagement

Purpose: Foster partnerships with the community to enhance overall experience for students by visitations to major businesses within Miami-Dade County. Transportation for students is paid for by donations from some of those companies. Donations are also given to honor outstanding achievements by M-DCPS Assistant Principals each year.

Miami Beach Senior/SIC

Purpose: Donated funds are used to support programs such as the Theatre Arts, Professional Diving Club (SCUBA Club), Musical Arts (Rock Program), Academy of Hospitality and Tourism and the Distributive Education (DECA) Program. These funds help the students enhance their academic and club activities by offsetting expenditures for travel and lodging for workshops and conferences.

Various Other Programs

There are numerous other programs that support the Association's purpose of providing educational resources and advanced programs to the Magnet School Program in Miami-Dade County, Florida, and obtaining private sector involvement to provide funds for education.

Magnet Educational Choice Association, Inc.
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

NOTE 5 – RELATED PARTY

The Association serves as the administrator to the School District's magnet school programs private sector partnerships. Certain magnet schools partner with private sector donors to enhance the magnet programs serving the School District's students. Approximately, \$641,847 of related party transactions are included in contributions to Miami-Dade County Public Schools programs on the statement of activities.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The amounts received from certain donors are subject to audit and adjustment by the donor. Any disallowed amounts may constitute a liability of the Association. The amount, if any, of expenses that maybe disallowed by the donor cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

NOTE 7 – CONTINUING OPERATIONS

The Organization has suffered recurring significant reductions in contributions and has a net deficiency in unrestricted net assets. Key management has plans to retire. He has indicated his willingness to continue during the transition and the Board of Directors is committed to replacing him. These facts raise a doubt about whether the Organization can continue to operate. Management and the Board of Directors have considered these factors and have concluded the Organization will continue as they will find a replacement for the key employee and will manage the cash flow by seeking additional contributions. If they are unable to implement this plan, the Organization will have difficulty continuing to operate.

Supplementary Information

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

SCHEDULE OF RESTRICTED REVENUE AND EXPENSES

For the Year Ended June 30, 2018

	Miami Beach Senior/SIC	Academy of Hospitality and Travel	JPM Trade Logistics	JPM 2017	Office of Community Engagement	Various Other Programs	Total
Operating revenues:							
Contributions	\$ 30,372	\$ 118,697	\$ -	\$ -	\$ 101,623	\$ 230,017	\$ 480,709
Total operating revenues	30,372	118,697	-	-	101,623	230,017	480,709
Operating expenses:							
Awards	-	57	-	-	14,626	20,799	35,482
Bank service charges	-	-	-	-	-	60	60
Conferences and seminars	14,907	65,645	-	-	14,643	61,197	156,392
Fundraising	-	1,090	-	-	-	882	1,972
Merchant fees and expenses	-	5,157	-	-	-	14,523	19,680
Photography	-	870	-	-	-	-	870
Postage and delivery	-	24	-	-	-	107	131
Printing and reproduction	1,092	6,305	-	-	220	24,966	32,583
Professional fees	-	4,675	40,576	-	11,129	6,924	63,304
Public relations	-	568	-	-	-	328	896
Miscellaneous	-	-	-	-	-	3,845	3,845
Scholarships	-	-	-	-	-	11,500	11,500
Stipends	-	1,480	-	98,518	-	30,400	130,398
Student events	36,781	6,834	-	-	41,085	52,169	136,869
Textbooks and materials	-	426	-	-	12,679	34,760	47,865
Total operating expenses	52,780	93,131	40,576	98,518	94,382	262,460	641,847
Change in restricted net assets	\$(22,408)	\$ 25,566	\$(40,576)	\$ (98,518)	\$ 7,241	\$ (32,443)	\$ (161,138)

See accompanying note to the supplementary schedule.

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

**NOTE TO SCHEDULE OF RESTRICTED REVENUE
AND EXPENSES**

June 30, 2018

NOTE 1 – RESTRICTED NET ASSETS

Magnet Programs

The Association's responsibility is limited to acting as a depository for the programs included in the School Board's Magnet School Program. Monies received by each program are submitted to the Association for deposit into a bank account. Disbursements of funds by the Association to each program are performed upon receipt of proper authorization and supporting documentation from the respective program. The schedule of restricted revenue and expenses has been prepared on the accrual basis of accounting. The following are the major programs with funds deposited through the Association.

Academy of Hospitality and Tourism

Purpose: Open career opportunities in the tourism field; provide a solid college preparation education in the traditional academic subjects. The Academy partners with the National Academy Foundation (NAF) to provide the Senior High School programs with resources as well as opportunities for summer employment.

JPMorgan Chase 2017

Purpose: This grant from JPMorgan Chase was designated to award stipends to students for the Summer 2017 Summer Internship Program. Students from the Academy programs were required to submit an application to the M-DCPS Career and Technical Department. Students that were selected were paid \$1,000 as a stipend provided they work the required number of hours (approx. 200 hours) and completed a class assignment. The funds were paid through the South Florida Educational FCU and distributed to students that were able to open an account. The funds were posted on two different dates.

JPMorgan Chase Trade, Logistics and Cybersecurity Program

Purpose: Miami-Dade County Public Schools has inaugurated new Academy Programs that will help students at Miami Central, Ronald Reagan/Doral and Alonzo & Tracy Mournig Senior High Schools gain skills to compete for jobs in Cybersecurity, Trade and Logistics. The selected schools have classrooms retro fitted with state-of-the-art technology and equipment utilizing the grant funds provided by JPMorgan Chase.

Office of Community Engagement

Purpose: Foster partnerships with the community to enhance overall experience for students by visitations to major businesses within Miami-Dade County. Transportation for students is paid for by donations from some of those companies. Donations are also given to honor outstanding achievements by M-DCPS Assistant Principals each year.

**Magnet Educational Choice Association, Inc.
(A Direct Support Organization)**

**NOTE TO SCHEDULE OF RESTRICTED REVENUE
AND EXPENSES - CONTINUED**

June 30, 2018

NOTE 1 – RESTRICTED NET ASSETS - Continued

Miami Beach Senior/SIC

Purpose: Donated funds are used to support programs such as the Theatre Arts, Professional Diving Club (SCUBA Club), Musical Arts (Rock Program), Academy of Hospitality and Tourism and the Distributive Education (DECA) Program. These funds help the students enhance their academic and club activities by offsetting expenditures for travel and lodging for workshops and conferences.

Various Other Programs

There are numerous other programs that support the Association's purpose of providing educational resources and advanced programs to the Magnet School Program in Miami-Dade County, Florida, and obtaining private sector involvement to provide funds for education.

Other Supplementary Information



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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**

To the Board of Directors of
Magnet Educational Choice Association, Inc.

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 of the United States, the financial statements of Magnet Educational Choice Association, Inc. (the "Association"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying management letter and schedule of findings and responses that we consider to be material weaknesses (Findings 2018-1 and 2017-1).



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Association's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying management letter and schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

C. Sanders-Byrd, CPA LLC

Miami, Florida
October 18, 2018

Management Letter and Schedule of Findings and Responses



October 18, 2018

To the Board of Directors of
Magnet Educational Choice Association, Inc.

In planning and performing our audit of the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements 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, we considered the Magnet Educational Choice Association, Inc.'s ("MECA") internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MECA's internal control. Accordingly, we do not express an opinion on the effectiveness of MECA's internal control.

However, during our audit we became aware of deficiencies in internal control that are material weaknesses as well as matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on MECA's internal control in our report dated October 18, 2018. This letter does not affect our report dated October 18, 2018 on the financial statements of MECA.

We will review the status of these comments during our next audit engagement. We have already discussed the comment and suggestion with MECA personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

We wish to thank the finance team of MECA for their support and assistance during our audit.

This report was prepared solely for the information and use of the Board of Directors of Magnet Educational Choice Association, Inc. and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

C BORDERS-BYRD, CPA LLC

By: Cynthia Borders-Byrd
Managing Member

Attachment: Management Letter Recommendations and Schedule of Findings and Responses

Magnet Educational Choice Association, Inc.

Fiscal Year 2018 Management Letter Recommendations

Schedule of Findings and Responses

Current Year Recommendation

2018-1 Accounting Controls

Condition: Management has established accounting controls related to the collection of cash receipts and cash disbursements. Because the accounting controls related to the cash receipts function may not capture all cash receipts in the accounting records, there could be cash receipts that are not recorded. Additionally, the accounting controls related to the approval of and support for certain cash disbursements may not be functioning as those charged with governance intended.

Criteria: One of the basic elements of internal accounting control involves establishing controls in such a manner that the work of one employee is checked by others which could ensure adherence to the established accounting controls over cash receipts and cash disbursements.

Cause: Due to MECA's limited number of personnel, there is not proper supervision and review of the work product of employees.

Effect: There is a risk that transactions are not properly authorized or approved or complete; and therefore, causing misstatements of revenue and/or expenses in the financial statements that may not be detected and corrected in a timely manner.

Recommendation: Management should consider periodic (quarterly) monitoring procedures by members of the Board of Directors.

Management's Response: We concur with the recommendation.

Prior Year Recommendation

2017-1 Proper Segregation of Duties

Condition: We noted that MECA's finance team consist of two part-time employees (the Executive Director and Secretary). The finance team is responsible for receiving annually approximately \$650,000 and expending approximately \$700,000.

Criteria: One of the basic elements of internal accounting control involves segregation of duties in such a manner that the work of one employee is checked by others, and the responsibilities for custody of assets is not placed with the same employees that maintains the accounting records.

Cause: Due to MECA's limited number of personnel, the segregation of duties is not always possible.

Effect: There is a risk that transactions are not properly authorized or approved or complete; and therefore causing misstatements of revenue and/or expenses in the financial statements that may not be detected and corrected in a timely manner.

Magnet Educational Choice Association, Inc.

Fiscal Year 2018 Management Letter Recommendations

Schedule of Findings and Responses - continued

Prior Year Recommendation - continued

2017-1 Proper Segregation of Duties

Recommendation: Management should consider periodic (quarterly) monitoring procedures by members of the Board of Directors.

Current Status: The Board of Directors is currently reviewing the management strategy for the Organization and will factor in this recommendation.