

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)

FINANCIAL STATEMENTS

JUNE 30, 2011

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
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SHARPTON, BRUNSON & COMPANY, P.A.

Certified Public Accountants & Business Consultants

One Southeast Third Avenue
Suite 2100
Miami, FL 33131
Tel: (305) 374-1574
Fax: (305) 372-8161

110 East Broward Boulevard
17th Floor
Fort Lauderdale, FL 33301
Tel: (954) 467-5490
Fax: (954) 467-6184
www.sbccpa.com

215 South Monroe Street
Suite 750
Tallahassee, FL 32301
Tel: (850) 727-8160
Fax: (850) 727-8183

Independent Accountants' Report

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

We have audited the accompanying statement of financial position of Magnet Educational Choice Association, Inc. (the "Association") as of June 30, 2011 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Magnet Educational Choice Association, Inc. as of June 30, 2011, and the changes in its net assets and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011 on our consideration of the Magnet Educational Choice Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Agency taken as a whole. The accompanying schedule of restricted revenue, expenses, and changes in net assets 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Shampton Brunson & Company P.A.

October 25, 2011



MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 465,767
Contributions receivable	<u>13,951</u>
Total Assets	<u>\$ 479,718</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	<u>\$ 5,094</u>
Total liabilities	<u>5,094</u>

Net Assets:

Unrestricted	49,963
Temporarily restricted	<u>424,661</u>
Total net assets	<u>474,624</u>
Total Liabilities and Net Assets	<u>\$ 479,718</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
(A Direct Support Organization)
FOR THE YEAR ENDED JUNE 30, 2011

SUPPORT AND REVENUE

Contributions \$ 421,206

Interest income 7,365

Total Support and Revenue 428,571

OPERATING EXPENSES

Contributions to school programs 480,144

General and administrative 31,266

Total Operating Expenses 511,410

Decrease in net assets (82,839)

Net assets at beginning of year 557,463

Net assets at end of year \$ 474,624

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
(A Direct Support Organization)
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:

Decrease in net assets	\$ (82,839)
Adjustments to reconcile Decrease in net assets to net cash used in operating activities:	
Increase in accounts receivable	(8,777)
Increase in accounts payable	<u>4,131</u>
Net cash used in operating activities	<u>(87,485)</u>
Net decrease in cash and cash equivalents	(87,485)
Cash and cash equivalents, beginning of year	<u>553,252</u>
Cash and cash equivalents, end of year	<u>\$ 465,767</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Organization

The 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 ("School Board") direct-support organization in accordance with Section 1001.453, Florida Statutes and School Board Rule 6Gx13-1B-1.08. The Association was incorporated in October 1992 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 is presented below:

Basis of accounting

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

Financial statement presentation follows the recommendations of 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 include resources that are not temporarily or permanently restricted by the donor and are available for operations of the entity without limitation. Unrestricted net assets also include resources restricted by donor imposed criteria for which the restrictions are met within the same time period as the funds are received.

Temporarily Restricted Net Assets include those resources restricted by donor-imposed stipulations which may or will be met by actions of the Coalition and/or passage of time.

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Support and revenue recognition

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 - Summary of Significant Accounting Policies (cont'd)

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 consolidated statement of financial position date but before the financial statements are issued or ready to be issued. The Association recognizes in the consolidated financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including estimates inherent in the process of preparing the financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the financial statements are issued. The Association has evaluated the subsequent events through October 25, 2011, which is the date the financial statements were available to be issued.

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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

This interpretation must be applied to all existing tax positions. The cumulative effect, if any, is to be reported as an adjustment to operating net assets. This interpretation will require management of the Association to analyze all open tax years, as defined by the statute of limitations, 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 four 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 2007.

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.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 - Concentrations of Credit Risk

The Association maintains its cash and cash equivalents accounts in several commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management believes the association is not exposed to any significant credit risk related to cash.

In addition to insurance provided by the Federal Depository Insurance Corporation, all of the Association's time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions received by the magnet programs which have been restricted by the donors for use on the specific program. A detail of restricted net assets is included as a supplemental schedule on page 8.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Southside Elementary School	Miami Beach Senior	Academy of Hospitality and Travel	District Account for Art and Music Education	Academy for International Business and Finance	Community Service Department Science Fair	Science and Math - NASA (Stipends)	School to Career Learning Program	Career Learning Program	Various Other Programs	Total
Operating Revenues:											
Contributions	\$ 23,371	\$ 55,438	\$ 83,277	\$ 12,509	\$ 7,225	\$ 17,831	\$ 19,021	\$ 37,256	\$ -	\$ 65,015	\$ 418,574
Total Operating Revenues	<u>23,371</u>	<u>55,438</u>	<u>83,277</u>	<u>12,509</u>	<u>7,225</u>	<u>17,831</u>	<u>19,021</u>	<u>37,256</u>	<u>-</u>	<u>65,015</u>	<u>418,574</u>
Operating Expenses:											
Awards	50	2,611	416	2,000	-	4,040	-	-	3,620	2,200	31,311
Conferences and seminars	185	8,329	22,765	-	6,050	33	441	847	602	8,726	94,351
Contracted Services	400	2,991	2,504	-	10	7,892	-	-	69,310	6,291	89,398
Fund raising	4,214	1,025	9,524	-	-	-	-	-	-	250	15,013
Parking	-	5	-	-	45	-	-	101	-	-	151
Photography	-	-	1,520	-	-	-	-	-	-	-	1,520
Postage and delivery	-	-	242	-	-	36	-	50	75	69	472
Printing and Reproduction	-	-	8,992	-	270	1,495	853	-	1,072	105	12,787
Miscellaneous	39	-	-	-	-	-	1,944	-	579	-	2,562
Scholarships	-	-	6,250	-	4,500	-	-	-	-	13,378	24,128
Stipends	-	-	1,783	3,500	-	21,500	7,200	20,049	-	3,535	57,723
Student events	-	29,890	28,332	13,369	4,060	2,758	4,468	-	610	10,765	112,372
Text books and materials	7,640	9,161	2,676	232	-	46	4,948	-	6,453	4,126	38,356
Total Operating Expenses	<u>12,528</u>	<u>54,012</u>	<u>85,004</u>	<u>19,101</u>	<u>14,935</u>	<u>7,033</u>	<u>19,854</u>	<u>21,047</u>	<u>82,321</u>	<u>49,445</u>	<u>480,144</u>
Operating Income	10,843	1,426	(1,727)	(6,592)	(7,710)	10,798	(833)	16,209	(82,321)	15,570	(61,570)
Restricted net assets at beginning of year	1,509	32,792	32,037	19,782	22,885	11,809	-	15,249	208,980	100,599	486,231
Restricted net assets at end of year	<u>\$ 12,352</u>	<u>\$ 34,218</u>	<u>\$ 30,310</u>	<u>\$ 13,190</u>	<u>\$ 15,175</u>	<u>\$ 22,607</u>	<u>\$ (833)</u>	<u>\$ 31,458</u>	<u>\$ 126,659</u>	<u>\$ 116,169</u>	<u>\$ 424,661</u>

See accompanying notes to the supplementary schedule.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
JUNE 30, 2011

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 following are the major programs with funds deposited through the Association:

- Career Learning Program
 - *Purpose:* To expand career learning opportunities to all grade levels: K-12. Develop and provide Career awareness instruction through Kids and the Power of Work (KAPOW) for students in elementary schools. High school reform will include workplace internships prior to graduation for Miami-Dade County Public students.
 - *Location:* Division of Schools of Choice

- Mast Academy
 - *Purpose:* Features comprehensive maritime education program for high school students.
 - *Location:* Maritime and Science Technology Senior High School

- Academy for International Business and Finance
 - *Purpose:* Provide superior academic preparation for college-bound youths in the field of international business and finance; and stimulate the skills necessary for the development of tomorrow's business leaders.
 - *Location:* Miami Jackson Senior High School

- Academy for Hospitality and Travel
 - *Purpose:* Open career opportunities in the tourism field; and provide a solid, college preparation education in the traditional academic subjects.
 - *Location:* Miami Springs Senior High School

- Community Service Department
 - *Purpose:* To support student learning and stakeholder satisfaction through community support and partnerships.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
JUNE 30, 2011

Note 1 - Restricted Net Assets (cont'd)

Magnet programs (cont'd)

• **Mays Arts**

- *Purpose:* To provide Visual and Performing Arts learning enhancements through expanded music, art, and drama opportunities with extra- and co-curricular activities.
- *Location:* Mays Middle School

• **Norland Academy of Travel and Tourism**

- *Purpose:* To work in conjunction with the Academies of Hospitality and Travel (AOHT) to establish career education and training for employment in tourism-based industries.
- *Location:* Miami Norland Senior High

• **School to Career (Stipends)**

- *Purpose:* This program was created for the general benefit of high school students attending any magnet school who are eligible to perform internships in a business related to their course of study. The Association receives contributions from participating companies to pay stipends to those students who participate as interns in their business.

• **Miami Beach Senior**

- *Purpose:* Bring together students, parents, educators, and the business and governmental leadership from all sectors of the community. In addition, in the support of Goal I of the District Strategic Plan 2001-2006 the Department of Career Initiatives supports 15 major initiatives throughout the District K-12, including, Making Middles Schools Work, Post Secondary Career Education, and High Schools That Work.
- *Location:* School Board Administration Building Annex

• **Various Other Programs**

There are numerous other programs that are not shown individually in the accompanying schedule.



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Independent Auditors' 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

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

We have audited the financial statements of Magnet Educational Choice Association, Inc. (the "Association") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management and federal, state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shampton Brunson & Company P.A.

October 25, 2011