



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, 2017

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

Financial Statements and Report of Independent Certified Public Accountants  
June 30, 2017

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## 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, 2017, 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, 2017, 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**

Our audit was conducted for the purpose of forming an opinion on the 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 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 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  
April 10, 2018

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

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2017**

**Assets**

Restricted cash and cash equivalents	\$ 529,274
Total assets	<u>\$ 529,274</u>

**Liabilities and Net Assets**

Account and other payables	\$ 2,271
Total liabilities	<u>2,271</u>

Commitments and contingencies (Note 6)

Net assets:

Unrestricted	(8,621)
Temporarily restricted	<u>535,624</u>
Total net assets	<u>527,003</u>
Total liabilities and net assets	<u>\$ 529,274</u>

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

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

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 1,100	\$ 608,431	\$ 609,531
Administrative fee	39,706	-	39,706
Interest income	1,556	1,380	2,936
Net assets released from restriction	<u>700,487</u>	<u>(700,487)</u>	<u>-</u>
Total support and revenue	<u>742,849</u>	<u>(90,676)</u>	<u>652,173</u>
 Operating expenses:			
Contributions to Miami-Dade County			
Public School programs	700,487	-	700,487
General and administrative	<u>33,028</u>	<u>-</u>	<u>33,028</u>
Total operating expenses	<u>733,515</u>	<u>-</u>	<u>733,515</u>
 Change in net assets	9,334	(90,676)	(81,342)
Net assets at beginning of year	<u>(17,955)</u>	<u>626,300</u>	<u>608,345</u>
Net assets at end of year	<u>\$ (8,621)</u>	<u>\$ 535,624</u>	<u>\$ 527,003</u>

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

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

**STATEMENT OF CASH FLOWS**

**For the Years Ended June 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$ (81,342)
Adjustments to reconcile increase/decrease in net assets to net cash provided by (used in) operating activities:	
Decrease in other assets	498
Increase in account and other payables	<u>2,271</u>
Net cash used in operating activities	<u>(78,573)</u>
Cash flows from investing activities	<u>-</u>
Cash flows from financing activities	<u>-</u>
Net decrease in restricted cash and cash equivalents	(78,573)
Restricted cash and cash equivalents, beginning of year	<u>607,847</u>
Restricted cash and cash equivalents, end of year	<u><u>\$ 529,274</u></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, 2017**

**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 1004.453, Florida Statutes and School Board Rule 6Gx13-1B-1.08. 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, 2017**

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 April 10, 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 2015.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2017**

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 \$535,600 of contributions received through the year ended June 30, 2017 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, 2017**

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS - Continued**

*JPMorgan Chase 2016-2017*

Purpose: To support the Miami: National Academy Foundation (NAF) JPMorgan Chase Scholars Youth Employment Program for Summer 2016 and Summer 2017. Students that are selected for the Summer Youth Employment Program are required to complete the requirements of the Program prior to receiving the predetermined stipend.

*JPMorgan Chase Trade, Logistics and Cybersecurity Program*

Miami-Dade County Public Schools has inaugurated new Academy Programs that will help students at Miami Central, Ronald Reagan/Doral and Alonzo & Tracy Mourning 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.

*Student Industry Conference -SIC*

The Career and Technical Education Department (CTE) hosts a conference each spring which is open to High School students from Academy Programs at various M-DCPS High Schools. Businesses donate funds to offset the costs of the venue. Participating schools also help fund the food and transportation for the students. The conference gives businesses a platform to introduce students to the various aspects of their business. Banks, IT Professionals, Hotels are just a few of the different career opportunities made available to the students. Students are also encouraged to setup one on one interviews with different businesses to give them firsthand knowledge on what opportunities may be available in the chosen career path.

*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, 2017**

**NOTE 5 – RELATED PARTY**

The Association serves as 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, \$700,400 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.

## Supplementary Information

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

**SCHEDULE OF RESTRICTED REVENUE AND EXPENSES**

**For the Year Ended June 30, 2017**

	<b>Miami Beach Senior/SIC</b>	<b>Academy of Hospitality and Travel</b>	<b>JPM Trade Logistics</b>	<b>JPM 2016</b>	<b>JPM 2017</b>	<b>Office of Community Engagement</b>	<b>Various Other Programs</b>	<b>Total</b>
Operating revenues:								
Contributions	\$ 49,533	\$ 101,105	\$ -	\$ -	\$ 125,000	\$ 82,893	\$ 249,900	\$ 608,431
Total operating revenues	49,533	101,105	-	-	125,000	82,893	249,900	608,431
Operating expenses:								
Awards	-	631	-	-	-	25,780	23,048	49,459
Bank service charges	-	-	-	30	-	-	102	132
Conferences and seminars	18,413	25,047	-	-	-	12,315	74,625	130,400
Fundraising	-	1,070	-	-	-	-	-	1,070
Parking	-	-	-	-	-	4,460	375	4,835
Photography	-	982	-	-	-	-	-	982
Postage and delivery	-	-	-	-	-	-	29	29
Printing and reproduction	-	5,895	-	-	-	6,139	10,928	22,962
Professional fees	-	900	45,551	-	-	-	12,656	59,107
Public relations	-	28,933	-	-	-	-	14,014	42,947
Miscellaneous	750	4,745	-	-	-	-	3,850	9,345
Scholarships	-	1,000	-	-	-	-	24,500	25,500
Stipends	-	1,700	110	112,810	-	-	9,329	123,949
Student events	31,859	5,756	529	-	-	34,295	52,545	124,984
Textbooks and materials	497	1,627	56,758	-	-	13,764	32,140	104,786
Total operating expenses	51,519	78,286	102,948	112,840	-	96,753	258,141	700,487
Change in restricted net assets	<u>\$ (1,986)</u>	<u>\$ 22,819</u>	<u>\$ (102,948)</u>	<u>\$ (112,840)</u>	<u>\$ 125,000</u>	<u>\$ (13,860)</u>	<u>\$ (8,241)</u>	<u>\$ (92,056)</u>

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, 2017**

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.

*National Academy Foundation (NAF)*

Purpose: To provide funds to cover release time for Academy Lead Teachers so that they can attend professionalization workshops throughout the school year. The funds are given to the Academy Senior High Schools to reimburse the schools for substitute days so that the teachers can attend the workshops.

*Miami Beach Senior*

Purpose: To support activities such as the Theatre Arts Program, Professional Diving Club (SCUBA Club), Musical Arts Program, and the Distributive Education Program so that the student can enhance their academic, as well as their class and club activities.

*Academy of Hospitality and Travel*

Purpose: Open career opportunities in the tourism field; and provide a solid, college preparation education in the traditional academic subjects.

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

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

**June 30, 2017**

NOTE 1 – RESTRICTED NET ASSETS - Continued

Magnet Programs - Continued

*MAST Academy*

Purpose: Provide donors with a tax exempt vehicle in order to set up scholarships in the name of former students and staff of MAST. Scholarships are awarded by the school at the end of each school year.

*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.

*Office of Community Engagement*

Purpose: To support student learning and stakeholder satisfaction through community support and partnerships.

*Secondary Science Fairs*

Purpose: Provide the District with the ability to collect and deposit funds for student registrations from District schools as well as private schools for yearly science fairs that are held at local colleges. Students from Elementary, K-8, Middle and Senior High Schools participate in these science fairs.



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

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

**June 30, 2017**

NOTE 1 – RESTRICTED NET ASSETS - Continued

Magnet Programs - Continued

*Various Other Programs*

There are numerous other programs that are not shown individually in the accompanying schedule which 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, 2017, 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 April 10, 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 that we consider to be material weaknesses.



## **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*.

## **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.

Miami, Florida  
April 10, 2018

# Management Letter

April 10, 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, 2017, 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 April 10, 2018. This letter does not affect our report dated April 10, 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 Recommendation

## **Magnet Educational Choice Association, Inc.**

### Fiscal Year 2017 Management Letter Recommendation

#### **Current 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.

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

**Facilities' Response:** We concur with the recommendation.