

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2006

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Independent Accountants' Report

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

We have audited the accompanying financial statements of the Magnet Educational Choice Association, Inc. (the "Association") as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the management of the Association. 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, 2006, and the respective changes in financial position and cash flows, thereof 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 issued our report dated September 20, 2006 on our consideration of the Association'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.

The Association has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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 financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

September 20, 2006

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets

Cash and cash equivalents	\$ 467,397
Contributions receivable	<u>3,750</u>
Total Assets	<u>\$ 471,147</u>

Net Assets

Restricted	\$ 440,442
Unrestricted	<u>30,705</u>
Total Net Assets	<u>\$ 471,147</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Operating revenue

Contributions	\$ 526,392
Total operating revenue	<u>526,392</u>

Operating expenses

Contributions to school programs	445,483
General and administrative	<u>4,895</u>
Total operating expenses	<u>450,378</u>
Operating income	76,014

Non-operating revenue

Interest income	<u>12,250</u>
Change in net assets	88,264
Net assets at beginning of year	<u>382,883</u>
Net assets at end of year	<u>\$ 471,147</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities

Cash received for support	\$ 555,040
Payments for contributions to school programs	(445,483)
Payments to suppliers for goods and services	<u>(4,895)</u>
Net cash provided by operating activities	<u>104,662</u>

Cash flows from investing activities

Interest on short-term investments	<u>12,250</u>
Net cash provided by investing activities	<u>12,250</u>
Net increase in cash and cash equivalents	116,912
Cash and cash equivalents, beginning of year	<u>350,485</u>
Cash and cash equivalents, end of year	<u>\$ 467,397</u>

Reconciliation of operating income to net cash used in operating activities

Operating income	\$ 76,014
Adjustments to reconcile operating income to net cash provided By operating activities:	
Decrease in contributions receivable	<u>28,648</u>
Net cash provided by operating activities	<u>\$ 104,662</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

Basis of accounting and presentation

The financial statements of the Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Association's significant accounting policies are described below:

In accordance with GASB Statement No. 34, the Association met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of when the related cash flow occurs.

Application of FASB standards

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the options of following all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The Association elected the option not to follow FASB standards.

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. Cash deposits are insured by federal depository insurance.

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.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

Cash and cash equivalents (cont'd)

Under the Florida Statutes, Chapter 280, "Florida Security for Public Deposits" Act (Chapter 280), the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally in the form of U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting loss. Accordingly, all of the Association's cash are fully collateralized or insured.

Non-operating revenue

Non-operating revenue consists of interest earned on the money market and certificates of deposit accounts, which are not related to the funding of on-going operations.

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.

Flow assumption for restricted assets

If both restricted and unrestricted assets are available for use for a certain purpose, it is the Association's policy to use restricted assets first, then use unrestricted assets as needed.

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.

Note 3 - Restricted Net Assets

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.
SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Career Learning Program	Mast Academy	Academy for International Business and Finance	Academy of Hospitality and Travel	Mays Arts	Norland Academy of Hospitality and Travel	School to Career (Stipends)	Miami Beach Senior	Various Other Programs	Total
Operating Revenues										
Contributions	\$ 82,692	\$ 9,704	\$ 37,242	\$ 102,434	\$ 13,050	\$ 13,179	\$ 119,995	\$ 42,270	\$ 95,524	\$ 516,090
Total operating revenues	<u>82,692</u>	<u>9,704</u>	<u>37,242</u>	<u>102,434</u>	<u>13,050</u>	<u>13,179</u>	<u>119,995</u>	<u>42,270</u>	<u>95,524</u>	<u>516,090</u>
Operating Expenses										
Awards	4,128		476			1,169		1,520	309	7,602
Bank Charges										
Conferences and seminars	14,029		2,438	11,722			347	1,570	28,500	58,606
Fund raising			4,100	4,956	7,700				1,064	17,820
Miscellaneous										
Parking	234			34		38				306
Photography	300			186					630	1,116
Postage and delivery				838				14	164	1,016
Printing and Reproduction	6,716		2,327	17,999			299		476	27,817
Contracted Services		1,300		3,150	1,029	293	1,775		8,028	15,575
Scholarships		15,050	7,500	1,500		250			2,779	27,079
Stipends				680		100	134,098	600	1,262	136,740
Student events	140		8,850	46,625	1,347	10,822	9,298	39,214	21,261	137,557
Textbooks and materials	1,269		333	1,190	2,535	915	222	855	3,734	11,053
Total operating expenses	<u>26,816</u>	<u>16,350</u>	<u>26,024</u>	<u>88,880</u>	<u>12,611</u>	<u>13,567</u>	<u>146,039</u>	<u>43,773</u>	<u>68,207</u>	<u>442,288</u>
Operating income (loss)	55,876	(6,646)	11,218	13,554	439	(408)	(26,044)	(1,503)	27,317	73,802
Restricted net assets at beginning of year	37,470	14,798	15,193	13,449	3,031	499	108,045	3,514	170,641	366,640
Restricted net assets at end of year	<u>\$ 93,346</u>	<u>\$ 8,152</u>	<u>\$ 26,411</u>	<u>\$ 27,003</u>	<u>\$ 3,470</u>	<u>\$ 91</u>	<u>\$ 82,001</u>	<u>\$ 2,011</u>	<u>\$ 197,958</u>	<u>\$ 440,442</u>

See accompanying notes to the supplementary schedule.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTE TO SUPPLEMENTARY SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

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 for students in elementary and middle 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

**MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTE TO SUPPLEMENTARY SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

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

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, Kids and the Power of Work, Making Middle 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 Accountants' Report On Internal Control Over Financial Reporting And On Compliance 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 the Magnet Educational Choice Association, Inc. (Association), as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements and have issued our report thereon dated September 20, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation 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 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 of the Association, management, and members of the School Board of Miami-Dade County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

September 20, 2006

**MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
AUDIT OBSERVATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

Current Year Observations and Recommendations

There are no current year observations and recommendations to report.

Prior Year Observations and Recommendations

There are no Prior year observations and recommendations to report.