



REVISED

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

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

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Magnet Educational Choice Association, Inc. (a nonprofit "Organization") which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Magnet Educational Choice Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about

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Magnet Educational Choice Association, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Magnet Educational Choice Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Magnet Educational Choice Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements of Magnet Educational Choice Association, Inc. taken as a whole. Such information is the responsibility of the Organization's 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 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 March 27, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Magnet Educational Choice Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Magnet Educational Choice Association, Inc.'s internal control over financial reporting and compliance.

Handwritten signature in blue ink that reads "HLB Gravin, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 27, 2023

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current Assets	
Cash	\$ 323,360
Contributions receivable	<u>26,536</u>
Total Current Assets	349,896

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	<u>20,496</u>
Total Current Liabilities	20,496
Net Assets	
Without donor restrictions	14,558
With donor restrictions	<u>314,842</u>
Total Net Assets	<u>329,400</u>
Total Liabilities and Net Assets	<u><u>\$ 349,896</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, 2022

	Without Donor Restriction	With Donor Restriction	Total
Net support and revenues			
Contributions	\$ -	\$ 315,570	\$ 315,570
Administrative fees	33,844	-	33,844
Interest income	162	-	162
Net assets released from restrictions	<u>371,141</u>	<u>(371,141)</u>	<u>-</u>
Total net support and revenue	<u>405,147</u>	<u>(55,571)</u>	<u>349,576</u>
Expenses			
Program services			
Contribution to Miami-Dade County			
Public School programs	333,032	-	333,032
Support services			
General and administrative	<u>38,234</u>	<u>-</u>	<u>38,234</u>
Total expenses	<u>371,266</u>	<u>-</u>	<u>371,266</u>
Change in net assets	33,881	(55,571)	(21,690)
Net Assets, at beginning of year	<u>(19,323)</u>	<u>370,413</u>	<u>351,090</u>
Net Assets, at end of year	<u>\$ 14,558</u>	<u>\$ 314,842</u>	<u>\$ 329,400</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022

	Program Services	Supporting Services	
	Support for Miami-Dade County Public Schools	Management and General	Total
OPERATING EXPENSES			
Awards	\$ 20,389	\$ -	\$ 20,389
Conferences and seminars	85,390	171	85,561
Merchant fees and expenses	5,779	-	5,779
Payroll	-	19,901	19,901
Postage and delivery	-	595	595
Printing and reproduction	19,176	40	19,216
Professional fees	17,018	13,569	30,587
Public relations	8,893	-	8,893
Miscellaneous	1,773	1,157	2,930
Other program expenses	19,634	-	19,634
Scholarships	15,750	-	15,750
Stipends	1,830	-	1,830
Student Events	106,746	-	106,746
School supplies	17,256	-	17,256
Textbooks and materials	13,270	401	13,671
Fundraising expenses	88	200	288
Bank service charges	40	-	40
Bad debt expense	-	2,200	2,200
TOTAL OPERATING EXPENSES	<u>\$ 333,032</u>	<u>\$ 38,234</u>	<u>\$ 371,266</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, 2022

Operating Activities	
Change in net assets	\$ (21,690)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	-
Changes in operating assets and liabilities:	
Decrease in contributions receivables	12,454
Increase in accounts payable and accrued expenses	<u>11,904</u>
Net Cash Used in Operating Activities	2,668
Cash, at beginning of year	<u>320,692</u>
Cash, at end of year	<u><u>\$ 323,360</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, 2022

NOTE 1 – ASSOCIATION

Magnet Educational Choice Association, Inc. (the “Association”) is a private not-for-profit Association incorporated in the State of Florida in 1991 pursuant to Chapter 617, Florida Statutes and operates 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’s main purpose is to provide 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 ACCOUNTING POLICIES

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Accounting for Statements of Not-for-Profit Associations* dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Associations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. The Association’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Cash

For purposes of the statements of cash flows, the Association has defined cash and cash equivalents as those highly liquid investments purchased with an original maturity of three months or less.

Pledges Receivable

Pledges are recorded as receivables in the year made, net of estimated uncollectible amounts and discounts.

Income Taxes

The Association qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and is classified as a public charity. The Association is therefore exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

The Association applies FASB ASC 740, *Accounting for Uncertainties in Income Taxes*, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination.

Support and Revenues

The primary source of revenue for the Association consists of contributions raised by School Board employees. Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts and assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Functional Allocation of Expenses

The costs have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by functions. Expenses have been directly identified with a program or supporting service and are charged accordingly.

Subsequent Events

In accordance with ASC 855, the Association has evaluated subsequent events and transactions for potential recognition or disclosure through March 27, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give consist of the following:

	<u>2022</u>
Unrestricted promises	\$ 26,536
Less discount	-
Less allowance for uncollectible	<u>-</u>
Net pledges receivable	<u>\$ 26,536</u>

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – PLEDGES RECEIVABLE (Continued)

Those pledges will be collected as follows:	<u>2022</u>
Less than one year	\$ 26,536
More than one year	<u>-</u>
	<u>\$ 26,536</u>

There were no unconditional promises to give due in more than one. Therefore, there is no discount to present value.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Association maintains its cash accounts in one financial institution. Accounts are insured by National Credit Union Insurance Fund up to \$250,000. At June 30, 2022, the Association was in excess of the \$250,000 threshold by approximately \$101,700.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded when made without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Revenue is recognized when earned and realizable. Approximately \$316,000 of contributions received had donor restrictions as of June 30, 2022 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.

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)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS (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.

NOTE 6 – 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, \$333,000 of related party transactions are included in contributions to Miami-Dade County Public Schools programs on the statement of activities.

NOTE 7 – 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 may be disallowed by the donor cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

NOTE 8 – LIQUIDITY

The Association monitors its liquidity in the efforts to meet its operating needs. The Association’s assets available within one year of the statement of financial position date to meet its cash needs for general expenditures is \$35,054.

Restricted cash	\$ 323,360
Contributions receivable, no allowance necessary	26,536
Net assets with donor restrictions	(314,842)
	\$ 35,054

REQUIRED SUPPLEMENTARY INFORMATION



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*

Board of Directors of
Magnet Educational Choice Association, Inc.
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnet Educational Choice Association, Inc. (the "Association"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2023.

Report on 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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit 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 2020-1 and 2022-1). However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated March 27, 2023 pursuant to Chapter 10.850, Rules of the Auditor General.

Association's Response to Findings

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 27, 2023

MANAGEMENT LETTER AND SCHEDULE OF FINDINGS AND RESPONSES



MANAGEMENT REPRESENTATION LETTER

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, 2022, and the related statements of activities, functional expenses 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 March 27, 2023. This letter does not affect our report dated March 27, 2023 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.

Current Year Recommendation

2022-1 Documentation deficiency

Condition: We noted a number of deficiencies related to both deposits and disbursements during the year. Such deficiencies include missing deposit forms and/or no support provided for selected deposits. For disbursements, exception included no invoice to support disbursement, missing disbursement request form, deficient signature on disbursement form, lack of receipts. The findings appear to be pervasive.

Criteria: Deposit and disbursement transaction should be supported by adequate documentation to ensure proper purpose, authority and control.

Cause: The cause is due to limited resources that were available during the prior managements final year.

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Magnet Educational Choice Association, Inc. Fiscal Year 2022 Management Letter Recommendations Schedule of Findings and Responses

Effect: Lack of documentation and control can lead to unauthorized transaction and increased risk of fraud.

Recommendation: Current management has taken corrective action to mitigate these findings, however, condition existed during the period under audit under prior management. Assessment of current management efforts would be provided during the 2022-2023 audit year.

Management's Response: We concur with the recommendation. Please be advised that a lot of the alleged discrepancies occurred during the previous administration (Pre Debbie Simmons). MECA is moving forward with an improved check and balance system and monthly board involvement and oversight.

Status of Prior Year Recommendations 2020-1 Accrual Basis of Accounting

Condition: The Association maintains its accounting on the cash basis instead of the accrual basis.

Criteria: Compliance with U.S. Generally Accepted Accounting Principles requires the use of the accrual basis of accounting.

Cause: The cause is due to limited resources available for day-to-day accounting function.

Effect: The failure to utilize the accrual basis of accounting results in the need to conduct year-end analysis and adjustments in order to convert the financial statement from the cash basis to the accrual basis. This increases the risk of errors or omissions.

Status update and recommendation: Management recorded adjustments at year end to produce an accrual basis trial balance but should implement accrual basis accounting on a day-to-day basis. In addition, our audit procedures resulted in material adjustments to accounts receivable. Current management has implemented accrual basis accounting for the 2022-2023 year.

Recommendation: Current management has taken corrective action on this matter. However, condition continued to exist during audit period under prior management. Current management should continue to pursue implementation of accrual accounting in coordination with external CPA firm.

Management's Response: We concur with the recommendation and the new management is already moving towards accrual accounting for all future transactions. Please note that for the first 4 to 6 months of the 2022-2023 fiscal year, the accounting was controlled by the old management.