

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

FINANCIAL STATEMENTS

JUNE 30, 2015

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
FINANCIAL STATEMENTS
JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

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, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audit 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. 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 auditors' 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, 2015, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of restricted revenue, expenses, and net assets on page 9 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 January 27, 2016, 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.

Rodriguez, Trueba & Company

Rodriguez, Trueba & Co., CPA, PA
Doral, Florida
January 27, 2016

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash and cash equivalents	\$ 315,403
Total Assets	<u>\$ 315,403</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 788
Total Liabilities	<u>788</u>

Net Assets:

Unrestricted	(19,120)
Temporarily restricted	<u>333,735</u>
Total Net Assets	<u>314,615</u>
Total Liabilities and Net Assets	<u>\$ 315,403</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 517,420	\$ 517,420
Administrative fee	24,087	-	24,087
Interest Income	506	-	506
Net assets released from restriction	<u>424,461</u>	<u>(424,461)</u>	<u>-</u>
Total Support and Revenue	<u>449,054</u>	<u>92,959</u>	<u>542,013</u>
OPERATING EXPENSES			
Contributions to school programs	424,461	-	424,461
General and administrative	<u>33,006</u>	<u>-</u>	<u>33,006</u>
Total Operating Expenses	<u>457,467</u>	<u>-</u>	<u>457,467</u>
Increase (decrease) in net assets	(8,413)	92,959	84,546
Net assets at beginning of year	<u>(10,707)</u>	<u>240,776</u>	<u>230,069</u>
Net assets at end of year	<u>\$ (19,120)</u>	<u>\$ 333,735</u>	<u>\$ 314,615</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 YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:

Increase in net assets	\$ 84,546
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Adjustments to reconcile increase in net assets to net cash provided by operating activities:

Decrease in contributions receivable	17,753
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Decrease in accounts payable	<u>(286)</u>
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Net provided by operating activities	102,013
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Cash flows from investing activities	-
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Cash flows from financing activities	<u>-</u>
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Net increase in cash and cash equivalents	102,013
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Cash and cash equivalents, beginning of year	<u>213,390</u>
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Cash and cash equivalents, end of year	<u><u>\$ 315,403</u></u>
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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, 2015

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 is 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 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 Association 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, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are issued. The Association has evaluated the subsequent events through January 27, 2016, 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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The 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 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 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 2012.

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, 2015

Note 3 – Concentration of Credit Risk

The Association maintains its cash and cash equivalents accounts in one commercial bank. 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 9.

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

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Academy Foundation	Miami Beach Senior	Academy of Hospitality and Travel	Academy for International Business and Finance	Community Service Department	Secondary Science Fair	Office of Community Engagement	School to Career (Stipends)	Parental Involvement	Various Other Programs	Total
Operating Revenues:											
Contributions	\$ 17,100	\$ 39,697	\$ 47,795	\$ 2,640	\$ -	\$ 41,292	\$ 92,171	\$ 91,819	\$ -	\$ 184,906	\$ 517,420
Total Operating Revenues	17,100	39,697	47,795	2,640	-	41,292	92,171	91,819	-	184,906	517,420
Operating Expenses:											
Administrative fee	833	2,363	3,443	-	-	2,548	4,218	3,170	-	7,025	23,600
Awards	-	-	-	-	-	16,020	17,886	-	-	650	34,556
Bank service charges	-	-	-	-	-	-	-	-	-	-	-
Conferences and seminars	1,841	7,906	23,897	102	-	4,347	6,447	3,430	-	49,570	97,540
Fundraising	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	2,324	-	-	685	3,009
Photography	-	-	2,100	-	-	-	-	-	-	-	2,100
Postage and delivery	-	-	-	82	-	29	20	-	-	-	131
Printing and reproduction	-	-	6,181	1,686	-	4,337	623	-	-	2,744	15,571
Professional fees	300	10,760	2,184	-	-	-	10,535	-	-	3,836	27,615
Promo-marketing	-	-	-	-	-	-	-	-	-	555	555
Public relations	-	-	570	-	-	-	4,208	-	-	-	4,778
Miscellaneous	-	-	68	-	-	-	-	-	-	-	68
Scholarships	-	300	5,250	2,981	-	-	-	-	-	5,750	14,281
Stipends	-	-	994	708	-	-	-	98,967	-	-	100,669
Student events	-	15,816	7,304	5,954	-	5,461	24,282	2,250	-	9,961	71,028
Textbooks and materials	150	6,046	1,694	1,305	-	3,635	6,535	173	-	9,422	28,960
Total Operating Expenses	3,124	43,191	53,685	12,818	-	36,377	77,078	107,990	-	90,198	424,461
Change in restricted net assets	13,976	(3,494)	(5,890)	(10,178)	-	4,915	15,093	(16,171)	-	94,708	92,959
Restricted net assets at beginning of year	5,886	45,344	41,133	23,523	2,207	44,684	5,964	13,036	148	58,851	240,776
Restricted net assets at end of year	\$ 19,862	\$ 41,850	\$ 35,243	\$ 13,345	\$ 2,207	\$ 49,599	\$ 21,057	\$ (3,135)	\$ 148	\$ 153,559	\$ 333,735

See accompanying notes to the supplementary schedule.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTE TO SCHEDULE OF RESTRICTED REVENUE,
EXPENSES, AND NET ASSETS
JUNE 30, 2015

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.

- 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.
 - *Location:* Division of Schools of Choice

- 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.
 - *Location:* Miami Beach Senior High School

- 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.
 - *Location:* Miami Springs Senior High School

- 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.
 - *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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
(A Direct Support Organization)
NOTE TO SCHEDULE OF RESTRICTED REVENUE,
EXPENSES, AND NET ASSETS
JUNE 30, 2015

Note 1 – Restricted Net Assets (continued)

Magnet programs (continued)

- Community Service Department/Office of Community Engagement
 - *Purpose:* To support student learning and stakeholder satisfaction through community support and partnerships. During the year ended June 30, 2015, there were no significant revenues or expenses for the Community Service Department program.

- 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.
 - *Location:* Schools Board Administration Building Annex

- 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 received contributions from participating companies to pay stipends to those students who participate as interns in their business.

- Parental Involvement
 - *Purpose:* The goal of the Office of Parental Involvement is to build and strengthen partnerships between home, school and the District so that all students are successful. Workshops are offered to parents in conjunction with the Parent Academy to assist parents on how to help their students with their homework, etc. During the year ended June 30, 2015, there were no revenues or expenses for the Parental Involvement program.

- 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.



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.
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 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, 2015, 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 January 27, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Rodriguez, Trueba & Company

Rodriguez, Trueba & Co., CPA, PA
Doral, Florida
January 27, 2016