



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

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS REPORT

JUNE 30, 2020

## TABLE OF CONTENTS

### Financial Statements

Independent Auditors' Report .....	1-2
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7-11

### Other Supplementary Information

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	12-13
Management Letter .....	14-16



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

We have audited the accompanying statement of financial position of Magnet Educational Choice Association, Inc. (the “Association”), a nonprofit Association, as of June 30, 2020, and the related statements of activities, functional expenses, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 entity’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.

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of  International. A world-wide organization of accounting firms and business advisers.

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, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Association's internal control over financial reporting.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
February 25, 2021

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.  
(A Direct Support Organization)  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020

---

Assets

Current Assets	
Restricted cash	\$ 378,701
Contributions receivable	<u>2,840</u>
Total Current Assets	381,541

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	<u>36,266</u>
Total Current Liabilities	36,266
Net Assets	
Without donor restrictions	(28,027)
With donor restrictions	<u>373,302</u>
Total Net Assets	<u>345,275</u>
Total Liabilities and Net Assets	<u><u>\$ 381,541</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, 2020

	Without Donor Restriction	With Donor Restriction	Total
Net support and revenues			
Contributions	\$ 944	\$ 407,156	\$ 408,100
Administrative fees	21,248	-	21,248
Interest income	1,329	-	1,329
Net assets released from restrictions	394,831	(394,831)	-
	<u>418,352</u>	<u>12,325</u>	<u>430,677</u>
Total net support and revenue			
Expenses			
Program services			
Contribution to Miami-Dade County			
Public School programs	353,002	-	353,002
Support services			
General and administrative	29,109	-	29,109
Fundraising	35,332	-	35,332
	<u>417,443</u>	<u>-</u>	<u>417,443</u>
Total expenses			
Change in net assets	909	12,325	13,234
Net Assets, at beginning of year	<u>(28,936)</u>	<u>360,977</u>	<u>332,041</u>
Net Assets, at end of year	<u>\$ (28,027)</u>	<u>\$ 373,302</u>	<u>\$ 345,275</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, 2020

	Program Services	Supporting Services		
	Support for Miami-Dade County Public Schools	Management and General	Fundraising	Total
OPERATING EXPENSES				
Awards	\$ 28,493	\$ -	\$ -	\$ 28,493
Conferences and seminars	92,833	549	-	93,382
Rentals	-	-	35,332	35,332
Merchant fees and expenses	3,309	-	-	3,309
Payroll	-	14,589	-	14,589
Photography	515	-	-	515
Postage and delivery	49	-	-	49
Printing and reproduction	44,002	96	-	44,098
Professional fees	15,219	7,289	-	22,508
Public relations	2,116	-	-	2,116
Miscellaneous	2,133	4,225	-	6,358
Scholarships	9,500	-	-	9,500
Stipends	1,780	1,650	-	3,430
Student Events	108,226	-	-	108,226
School supplies	8,641	-	-	8,641
Textbooks and materials	36,186	711	-	36,897
TOTAL OPERATING EXPENSES	<u>\$ 353,002</u>	<u>\$ 29,109</u>	<u>\$ 35,332</u>	<u>\$ 417,443</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, 2020

---

Operating Activities	
Change in net assets	\$ 13,234
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	18,759
Increase in accounts payable and accrued expenses	<u>10,207</u>
Net Cash Provided by Operating Activities	42,200
Restricted Cash, at beginning of year	<u>336,501</u>
Restricted Cash, at end of year	<u><u>\$ 378,701</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, 2020

---

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, 2020

---

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Restricted 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. Amounts included in restricted cash have been restricted by the donor for specific purposes.

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, 2020

---

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 February 25, 2021, which is the date the financial statements were available to be issued.

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give consist of the following:

	2020
Unrestricted promises	\$ 5,040
Less discount	-
Less allowance for uncollectible	<u>(2,200)</u>
Net pledges receivable	<u>\$ 2,840</u>

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.  
(A Direct Support Organization)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

---

NOTE 3 – PLEDGES RECEIVABLE (Continued)

Those pledges will be collected as follows:

Less than one year	\$ 2,840
More than one year	<u>-</u>
	<u>\$ 2,840</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. Management believes the Association is not exposed to any significant credit risk related to cash.

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 \$373,302 of contributions received had donor restrictions as of December 31, 2020 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, 2020

---

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, \$353,002 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. Additionally, the organization has incurred a deficit of approximately \$28,027 from operations without donor restrictions.

On January 21, 2020 the Centers for Disease Control and Preventions (CDC) confirmed the first case of 2019 Novel Coronavirus (COVID-19) in the United States. The ongoing spread of the new COVID-19 has become a threat to the global economy and financial markets. Pursuant to local emergency orders, non-essential businesses have been ordered to close until further notice. The ultimate effect of COVID-19 on the Association and its future operations cannot presently be determined.

## REQUIRED SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S 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, 2020, 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 February 25, 2021.

**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).

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of  International. A world-wide organization of accounting firms and business advisers.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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  
February 25, 2021

## MANAGEMENT LETTER AND SCHEDULE OF FINDINGS AND RESPONSES



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, 2020, 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 February 25, 2021. This letter does not affect our report dated February 25, 2021 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

#### **Current Year Recommendation** **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.

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of  International. A world-wide organization of accounting firms and business advisers.

## **Magnet Educational Choice Association, Inc. Fiscal Year 2020 Management Letter Recommendations Schedule of Findings and Responses**

**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.

**Recommendation:** Management should pursue implementation of the accrual basis of accounting.

**Management's Response:** We concur with the recommendation.

### **2020-2 Stale outstanding check and Florida Escheat Laws**

**Condition:** We noted a number of stale outstanding (uncleared) checks in the bank reconciliation.

**Criteria:** Unclaimed property must be handled in accordance with Florida Escheat Laws.

**Cause:** The cause is due to limited resources available for follow up to determine proper disposition of stale outstanding (uncleared) checks.

**Effect:** Improper disposition of stale uncleared checks would be a violation of Florida law.

**Recommendation:** The accounting firm that performs the bank reconciliation should follow up on all outstanding checks in order to identify those that should be properly voided (such as duplicates or errors). In addition, those checks that represent unclaimed property should be tracked and funds remitted to the State under escheat laws when applicable.

**Management's Response:** We concur with the recommendation.

### **Status of Prior Year Recommendations**

#### **2019-1 Net Assets Without Donor Restrictions**

**Condition:** The Association's stakeholders are charged an administrative fee (a percentage of certain revenues) as a reimbursement of the Association's operating expenses (e.g., payroll, etc.). The organizations revenues have declined, and this has created a deficit in net assets without donor restrictions.

**Criteria:** The stakeholders should be assessed an administrative fee which is sufficient to cover the Association's operating expenses.

**Cause:** The decline in revenue has created a deficit in net assets without donor restrictions.

**Effect:** Deficits in net assets without donor restrictions are funded by advances from the Association's stakeholders.

**Magnet Educational Choice Association, Inc. Fiscal Year 2020 Management  
Letter Recommendations Schedule of Findings and Responses**

**Status update and recommendation:** During the year 2020, management fee income was \$21,248 while general and administrative expenses were \$29,109. Therefore, management should reassess the administrative fees charged to ensure they cover operating expenses.

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