

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

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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 June 30, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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, 2008, and the changes in its net assets and cash flows, 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 also issued our report dated August 29, 2008 on our consideration of the Magnet Educational Choice Association, Inc.'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 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.

August 29, 2008

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$ <u>666,481</u>
Total Assets	\$ <u>666,481</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ <u>3,115</u>
Total liabilities	<u>3,115</u>

Net Assets

Unrestricted	59,928
Permanently restricted	<u>603,438</u>
Total net assets	<u>663,366</u>
Total Liabilities and Net Assets	\$ <u>666,481</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Support and revenue:

Contributions	\$ 576,912
Interest income	<u>23,823</u>
Total support and revenue	<u>600,735</u>

Operating expenses:

Contributions to school programs	513,181
General and administrative	<u>7,857</u>
Total operating expenses	<u>521,038</u>
Increase in net assets	79,697
Net assets at beginning of year	<u>583,669</u>
Net assets at end of year	<u>\$ 663,366</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, 2008

Cash flows from operating activities:

Increase in net assets	\$ 79,697
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Decrease in contributions receivable	10,160
Decrease in accounts payable	<u>(7,556)</u>
Net cash provided by operating activities	<u>82,301</u>
Net increase in cash and cash equivalents	82,301
Cash and cash equivalents, beginning of year	<u>584,180</u>
Cash and cash equivalents, end of year	<u>\$ 666,481</u>

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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 - Change in Basis of Presentation

In prior years, the Association's financial statements were presented following the requirements of Government Accounting Standards Board (GASB) Statement No. 34, as applied to governmental units.

During the current year, the Association re-evaluated its basis of presentation and adopted the requirements of Financial Accounting Standards Board (SFAB) No. 117, "Financial Statements of Non-for-Profit Organizations." The change in financial reporting does not have a material effect on the operations of the Association.

Note 3 - Summary of Significant Accounting Policies

A summary of significant accounting policies followed in the accompanying financial statements are presented below.

Basis of presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Association is required to report information regarding their financial position and activities in three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Association has never received 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.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 - Summary of Significant Accounting Policies (cont'd)

Basis of accounting

The accounting policies of the Association conform to accounting principles generally accepted in the United States of America as applicable to not for profit organizations. The more significant accounting policies are described below:

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.

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.

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 4 - Concentrations of Credit Risk

The Association maintains its cash and cash equivalents accounts in several commercial banks. 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 5 – Temporarily 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 7.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
SCHEDULE OF RESTRICTED REVENUE, EXPENSES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	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	Community Service Department	Various Other Programs	Total
Operating Revenues:											
Contributions	\$ 86,300	\$ 19,362	\$ 30,180	\$ 151,599	\$ 8,032	\$ 7,839	\$ 27,451	\$ 37,499	\$ 100,796	\$ 108,003	\$ 577,061
Total operating revenues	<u>86,300</u>	<u>19,362</u>	<u>30,180</u>	<u>151,599</u>	<u>8,032</u>	<u>7,839</u>	<u>27,451</u>	<u>37,499</u>	<u>100,796</u>	<u>108,003</u>	<u>577,061</u>
Operating Expenses:											
Awards	4,242		1,465	437				934	19,627	6,842	33,547
Bank Service Charges				2,472	6		6			48	2,532
Conferences and seminars	8,363		7,018	28,180			60	3,930	41,674	20,939	110,164
Fund raising			500	14,843	3,019	3,566		1,104		1,253	24,285
Parking	274									66	340
Photography	300								350	350	2,725
Postage and delivery			97	1,725						36	5,313
Printing and Reproduction	5,949		932	23,516	279			865	3,705	2,791	38,037
Contracted Services	20		136	4,369	540	114		335	8,004	3,275	16,793
Scholarships		23,494	800	5,250		100		600	500	9,574	40,318
Stipends	1,230		600	803			46,401			100	49,134
Student events	5,451		19,212	40,719	2,790	4,321	9,304	34,159	2,760	37,270	155,986
Textbooks and materials	800		49	1,102	225		11	6,671	4,344	17,797	30,999
Total operating expenses	<u>26,629</u>	<u>23,494</u>	<u>30,809</u>	<u>128,596</u>	<u>6,859</u>	<u>8,101</u>	<u>55,782</u>	<u>48,598</u>	<u>80,964</u>	<u>100,341</u>	<u>510,173</u>
Operating Income	59,671	(4,132)	(629)	23,003	1,173	(262)	(28,331)	(11,099)	19,832	7,662	66,888
Restricted net assets at beginning of year	135,996	15,436	30,855	23,398	2,144	244	33,754	17,236	45,190	232,297	536,550
Restricted net assets at end of year	<u>\$ 195,667</u>	<u>\$ 11,304</u>	<u>\$ 30,226</u>	<u>\$ 46,401</u>	<u>\$ 3,317</u>	<u>\$ (18)</u>	<u>\$ 5,423</u>	<u>\$ 6,137</u>	<u>\$ 65,022</u>	<u>\$ 239,959</u>	<u>\$ 603,438</u>

See accompanying notes to the supplementary schedule.

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO SUPPLEMENTARY SCHEDULE
JUNE 30, 2008

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

- 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

MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
NOTES TO SUPPLEMENTARY SCHEDULE
JUNE 30, 2008

Note 1 - Restricted Net Assets (cont'd)

Magnet programs (cont'd)

• 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 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.

We have audited the financial statements of Magnet Educational Choice Association, Inc. (the "Association"), as of and for the year ended June 30, 2008 and have issued our report thereon dated August 29, 2008. 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management, members of the Board of the Association, the School Board of Miami Dade County , 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.



August 29, 2008



**MAGNET EDUCATIONAL CHOICE ASSOCIATION, INC.
AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

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.