

STUDENTS IN THE ARTS TV/D-STAR TV, INC.

COMPONENT UNIT
FINANCIAL STATEMENTS

JUNE 30, 2007

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The Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying component unit basic financial statements of governmental activities and each major fund of Students in the Arts TV/G-Star TV, Inc. ("School") a component unit of the School District of Palm Beach County, Florida as of and for the year ended June 30, 2007, which collectively comprise of the School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards 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 component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School at June 30, 2007, and the respective changes in financial position for the year ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 2 through 6 and 18 are not required parts of the basic financial statements, but are supplementary information required by the generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally or inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 2007, on our consideration of School's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and the result 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.


CERTIFIED PUBLIC ACCOUNTANTS

OCTOBER 1, 2007

STUDENTS IN THE ARTS TV/G STAR TV, INC.
TRANSMITTAL PAGE

JUNE 30, 2007

October 1, 2007

The G-Star School of the Arts for Motion Picture Broadcasting Board of Directors and Administration are responsible for the contents of this report. The G-Star School of the Arts was formed as a Florida Non-profit Corporation in September, 1998. The school began as a summer training program in TV production for middle school students and converted into a charter school in May, 2003. The charter school facility has been located at 2030 S. Congress Ave., West Palm Beach, Florida, since its inception. The property is almost a mile long and has two addresses. The second address is the now the main address: 2065 Prairie Rd., Bldg. J, West Palm Beach, FL 33406. We are open to all interested high school students, ages 14 to 18 years old, in Palm Beach County. Charter schools are public schools which are managed and owned by private non-profit corporations. Charter schools are open to all students who reside in Palm Beach County and are free educational institutions.

The G-Star School of the Arts is a complete college prep school; it is the largest film, TV production, and acting high school in the nation; it is the only high school in the world to have a motion picture studio on campus; and the only high school or university in the nation to have a student produced TV show in High Definition broadcast into 13 million homes in Florida and Boston, Mass., on the only HD network in America, WHDT. G-Star also has a one-hour student produced radio show broadcast into one million homes on radio station WPBR 1340 AM. The school's efforts are directed toward improving the education and quality of life of our students. We are committed to the continuous improvement of every student through use of best practice programs and models, and our students consistently demonstrate substantial progress each year. Parental involvement and satisfaction is an integral part of the success of our school. Many parents are involved in the school through the Parent Teacher Student Organization. Parents volunteer their time as Board Members, committee and project leaders, as well as in fund raising events.

The G-Star School of the Arts ended our fourth year as a charter school with a very strong financial statement and we have continued to increase our enrollment to our maximum 700-student capacity. We currently have a waiting list for students for next year school year.

Sincerely,



Greg Hauptner
Founder/CEO/CFO

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Students In The Arts TV/G-Star TV, Inc. ("School") is a public charter School operated in Palm Beach County, Florida, under the sponsorship of the School District of Palm Beach County.

Within the section of the School's annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for fiscal year ended June 30, 2007. This discussion is provided within the context of the accompanying financial statements. The discussion includes the entire School operations. There are no proprietary funds, no fiduciary funds and no component units.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the School's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The School also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The School's annual report includes two government-wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting. This includes financial statements prepared on a full accrual accounting, and notes to the financial statements.

The first financial statement in the Statement of Net Assets that includes all of the School's assets and liabilities, with the difference reported as net assets.

The second financial statement is the Statement of Activities that includes all current year revenue and expenses. It explains how the School's net asset changed during the fiscal year.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Both government-wide financial statements distinguish governmental activities of the School that are principally supported by intergovernmental revenues, such as grants.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds.

Governmental Fund

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the School's government funds. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

Financial Analysis of the School

The School's net assets increased by \$938,677 to \$1,817,467 in 2007

Total net assets are comprised of the following:

Invested in capital assets, net related of debt	\$ (221,403)
Restricted	978,001
Unrestricted	1,060,869

Primary, all of the School's revenue is received through the sponsor and generally was provided by the State of Florida. The revenue per student each year is determined by the State of Florida and paid to the School based upon the student counts on certain dates in October and February of the fiscal year.

FEFP and other revenue from School District were based upon the number of students in the current fiscal year.

The summary of the School government-wide statement of net assets is as follows:

Condensed Statement of Net Assets
Governmental Activities
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current and Other Assets	\$ 2,224,632	\$ 1,477,668	\$ 746,964
Capital Assets	<u>4,743,375</u>	<u>4,440,717</u>	<u>302,658</u>
Total Assets	<u>6,968,007</u>	<u>5,918,385</u>	<u>1,049,622</u>
Current Liabilities	235,762	84,595	151,167
Long-term Debt	<u>4,914,778</u>	<u>4,955,000</u>	<u>(40,222)</u>
Total Liabilities	<u>5,150,540</u>	<u>5,039,595</u>	<u>110,945</u>
Net Assets	<u>\$ 1,817,467</u>	<u>\$ 878,790</u>	<u>\$ 938,677</u>
Invested in Capital Assets, Net of Related Debt	\$(221,403)	\$(938,330)	\$ 716,927
Restricted	978,001	1,145,003	(167,002)
Unrestricted	<u>1,060,869</u>	<u>672,117</u>	<u>388,752</u>
	<u>\$ 1,817,467</u>	<u>\$ 878,790</u>	<u>\$ 938,677</u>

STUDENTS IN THE ARTS TV/G-STAR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2007

CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED 2007 AND 2006

	<u>2007</u>	<u>2006</u>	<u>CHANGE</u>
PROGRAM REVENUES:			
CHARGE FOR SERVICES	\$ 89,638	\$ 46,000	\$ 43,638
CAPITAL GRANT AND CONTRIBUTION	672,964	387,892	285,072
<i>operating grants</i>			
GENERAL REVENUES:			
FEFP FEES	4,191,548	3,017,910	1,173,638
STATE PROGRAM	-	11,760	(11,760)
GRANTS AND CONTRIBUTIONS NOT			
RESTRICTED	-	33,679	(33,679)
IN-KIND CONTRIBUTIONS	-	-	-
INTEREST	56,480	31,645	24,835
RENT	156,210	117,927	38,283
OTHER GENERAL REVENUE	10,087	1,328	8,759
	<u>5,176,927</u>	<u>3,648,141</u>	<u>1,528,786</u>
FUNCTIONS/PROGRAMS EXPENSES:			
INSTRUCTION	2,126,546	1,495,032	631,514
INSTRUCTIONAL SUPPORT	-	18,527	(18,527)
INSTRUCTIONAL MEDIA	293,772	186,105	107,667
INSTRUCTIONAL STAFF TRAINING	29,624	1,021	28,603
ADMINISTRATIONAL	854,200	766,981	87,219
TRANSPORTATION	197,876	120,764	77,112
FISCAL	113,533	66,879	46,654
OPERATION AND MAINTENANCE	426,103	369,193	56,910
MAINTENANCE OF PLANT	-	190	(190)
FACILITY ACQUISITION AND CONSTRUCTION	99,408	241,560	(142,152)
OTHER	97,188	142,764	(45,576)
	<u>4,238,250</u>	<u>3,409,016</u>	<u>829,234</u>
CHANGES IN NET ASSETS	938,677	239,125	699,552
NET ASSETS - JULY 1, 2006	<u>878,790</u>	<u>639,665</u>	<u>239,125</u>
NET ASSETS - JUNE 30, 2007	<u>\$ 1,817,467</u>	<u>\$ 878,790</u>	<u>\$ 938,677</u>

PROPRIETARY FUNDS

PROPRIETARY FUNDS ARE REPORTED IN THE FUND FINANCIAL STATEMENTS AND GENERALLY REPORT SERVICES FOR WHICH THE SCHOOL CHARGES A FEE. FOR FISCAL YEAR ENDED JUNE 30, 2007, THE SCHOOL DID NOT HAVE PROPRIETARY FUNDS.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007

FINANCIAL ANALYSIS OF THE MAJOR FUNDS

GOVERNMENTAL FUNDS

GENERAL FUND

The general fund is the operating fund. It recognized \$5,254,342 in total revenues offset with \$4,189,619 expenditures and \$-0- transfer out. This resulted in an excess of revenues over expenditures. Fund balance at the beginning of the year was \$274,231 and when combined with the current year resulted in an end of year fund balance of \$1,338,954.

DEBT SERVICE FUND

Debt service fund received \$-0- from bonds proceed and \$-0- in interest offset with \$339,164 expenditures.

CAPITAL ASSETS

As of June 30, 2007, the School had \$4,743,375 invested in capital assets, as reflected below.

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 1,074,758	\$ 1,000,000	\$ 74,758
Building	2,833,462	2,415,670	417,792
Leasehold Improvements	637,918	487,066	150,852
Office Equipment and Fixtures	503,084	312,168	190,916
Bus Transportation	<u>73,032</u>	<u>21,000</u>	<u>52,032</u>
	5,122,254	4,235,904	886,350
Less: Accumulated Depreciation	<u>378,879</u>	<u>219,234</u>	<u>159,645</u>
Net	<u>\$ 4,743,375</u>	<u>\$ 4,016,670</u>	<u>\$ 726,705</u>

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS	
CASH	\$ 619,899
ACCOUNTS RECEIVABLE	222,866
RESTRICTED CASH	978,001
OTHER	6,087
BOND ISSUE COSTS	397,779
CAPITAL ASSETS	4,743,375
TOTAL ASSETS	\$ 6,968,007
LIABILITIES	
ACCRUED EXPENSES	\$ 44,838
ACCRUED SALARIES	140,924
CURRENT MATURITIES OF LONG TERM DEBT	50,000
LONG TERM DEBT	4,914,778
TOTAL LIABILITIES	5,150,540
NET ASSETS	
INVESTED CAPITAL ASSETS, NET RELATED OF DEBT	(221,403)
RESTRICTED	978,001
UNRESTRICTED	1,060,869
TOTAL NET ASSETS	\$ 1,817,467

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHANGE FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
			CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
INSTRUCTIONAL SERVICES	\$ 2,126,546	\$ 89,638	\$ 81,415	\$ (1,955,493)
INSTRUCTIONAL SUPPORT SERVICES	42,339			(42,339)
INSTRUCTIONAL MEDIA SERVICES	293,772			(293,772)
INSTRUCTIONAL STAFF TRAINING	29,624			(29,624)
BOARD	5,100			(5,100)
SCHOOL ADMINISTRATION	854,200			(854,200)
FACILITIES ACQUISITION AND CONSTRUCTION	99,408		672,964	573,556
FISCAL SERVICES	113,533			(113,533)
CENTRAL SERVICES	1,098			(1,098)
PUPIL TRANSPORTATION SERVICES	197,876			(197,876)
OPERATION OF PLANT	426,103			(426,103)
MAINTENANCE OF PLANT				
DEBT SERVICES - INTEREST	339,164			(339,164)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,528,763	\$ 89,638	\$ 81,415	\$ (3,684,746)
GENERAL REVENUES				4,164,708
FEFP FEES				10,800
LEAD PROGRAM				16,040
GRANTS AND CONTRIBUTIONS NOT RESTRICTED				56,481
INTEREST				4,000
LOSS ON DISPOSAL				
RENTAL INCOME				156,210
OTHER				6,087
TOTAL GENERAL REVENUES				4,414,326
CHANGE IN NET ASSETS				729,580
NET ASSETS - BEGINNING				878,790
PRIOR PERIOD ADJUSTEMENT				209,097
NET ASSETS - ENDING				\$ 1,817,467

The Accompanying Notes Are An Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE BALANCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2007

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	1,641,091
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:		
CAPITAL OUTLAY OF \$5,122,254, NET OF ACCUMULATED DEPRECIATION OF \$378,879, ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS		4,892,694
PRIOR PERIOD ADJUSTMENTS		(209,097)
BOND ISSUE COSTS USED IN THE GOVERNMENTAL ACTIVITIES \$424,047 NET OF BOND AMORTIZATION (26,268) ARE NOT REPORTED IN THE GOVERNMENTAL FUND BALANCE SHEET		397,779
BONDS PAYABLE ARE NOT DUE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED		<u>(4,905,000)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,817,467</u>

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2007

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CASH	\$ 619,899		\$ 978,001	\$ 1,597,900
ACCOUNTS RECEIVABLE	222,866			222,866
OTHER	6,087			6,087
TOTAL ASSETS	\$ 848,852	\$ -	\$ 978,001	\$ 1,826,853
LIABILITIES				
ACCOUNTS PAYABLE	\$ 44,838			\$ 44,838
ACCRUED SALARIES	140,924			140,924
TOTAL LIABILITIES	185,762	-	-	185,762
FUND EQUITY				
RESTRICTED	-	-	978,001	978,001
UNRESTRICTED	663,090		-	663,090
TOTAL NET ASSETS	\$ 848,852	\$ -	\$ 978,001	\$ 1,826,853

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
FEEP FEES	\$ 4,165,428	\$ -	\$ -	\$ 4,165,428
CAPITAL GRANT AND CONTRIBUTION	721,453			721,453
LEAD PROGRAM	10,080			10,080
IDEA	27,909			27,909
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	16,040			16,040
CHARGE FOR SERVICES	94,636			94,636
INTEREST	56,481			56,481
RENTAL INCOME	156,210			156,210
OTHER	6,105			6,105
TOTAL REVENUES	5,254,342			5,254,342
EXPENDITURES:				
INSTRUCTIONAL SERVICES	2,126,546			2,126,546
INSTRUCTIONAL SUPPORT SERVICES	42,339			42,339
INSTRUCTIONAL MEDIA SERVICES	293,772			293,772
INSTRUCTIONAL STAFF TRAINING	29,624			29,624
BOARD	5,100			5,100
SCHOOL ADMINISTRATION	854,200			854,200
FACILITIES ACQUISITION AND CONSTRUCTION	99,408		537,319	636,727
FISCAL SERVICES	113,553			113,553
CENTRAL SERVICES	1,098			1,098
PUPIL TRANSPORTATION SERVICES	197,876			197,876
OPERATION OF PLANT	426,103			426,103
MAINTENANCE OF PLANT	-			-
DEBT SERVICES - INTEREST	-	339,164		339,164
TOTAL EXPENDITURES	4,189,619	339,164	537,319	5,066,102
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,064,723	(339,164)	(537,319)	188,240
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFER IN (OUT)	-	-	-	-
TOTAL OTHER FINANCING SOURCES				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,064,723	(339,164)	(537,319)	188,240
FUND BALANCE - JULY 1, 2006	274,231	596,313	522,529	1,393,073
FUND BALANCE - JUNNE 30, 2007	<u>\$ 1,338,954</u>	<u>\$ 257,149</u>	<u>\$ (14,790)</u>	<u>\$ 1,581,313</u>

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES
 IN THE FUND BALANCE OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUNDS	\$	188,240
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAY AND BOND ISSUE COSTS AS EXPENDITURES. HOWEVER, IN THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS, THE COSTS OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AS DEPRECIATION AND AMORTIZATION EXPENSES. THIS IS THE AMOUNT BY WHICH CAPITAL ASSETS \$5,122,254 EXCEEDED DEPRECIATION EXPENSES OF (\$159,645) AND AMORTIZATION OF (\$26,268) IN THE CURRENT YEAR		
		5,446,340
THE ISSUE OF LONG-TERM DEBT PROVIDES CURRENT FINANCIAL RESOURCES TO THE GOVERNMENT FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG -TERM DEBT CONSUMES THE CURRENT FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION HAS EFFECT ON NET ASSETS.		
		<u>(4,905,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>729,580</u>

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Students in the Arts TV/G-Star, TV, Inc. (“School”) was organized in Palm Beach County, Florida in September 1988 to operate a School to inspire at-risk young people, minority students, and middle school and high school students to stay in school and continue on to one of the country’s many TV and film training programs.

The School operates under Florida Statutes Section 228.056(7) as a Charter School Contract with the School District of Palm Beach County, Florida (the School Board). The School is a tax-exempt organization under 501(C) (3).

The Charter requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students registered at the School.

The School is a component unit of School District Palm Beach County, Florida.

Reporting Entity – The School’s financial reporting consists of:

Government-Wide Financial Statements – The government-wide financials statements include the statement of net assets and the statement of activities. These statements report financial information of the School as a whole.

The statement of activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is a assembly of similar activities and may include positions of a fund or summarize more than one fund to capture the expense and program revenues associated with the Board functional activity. Program revenues include: (1) charges for services which report fees and other charges, (2) operating grants and contributions which finance annual operating activities including restricted investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these programs uses.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measure Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles in the United States. The reporting entity applies all relevant Government Accounting Standards Board pronouncements. The government-wide financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinion issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Government Accounting Standards Board pronouncements, in which case, Government Accounting Standards Board prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: intergovernmental revenues, and interest income.

Major Funds

General Fund – The General Fund is the general operating fund. It is used to account for all current financial resources except those required to be accounted for in another fund of the School.

Debt Service Fund – Debt service is used to account for the accumulation of resources for the repayment of long-term debt principal and interest.

Capital Project Fund – Used to account for the resources segregated for the acquisition or construction of designed capital assets except those financed by equity funds.

Capital assets, Depreciation and Amortization

The School's property, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

The School generally capitalizes assets with cost of \$250 or more as outlay occur. The costs of normal maintenance and repairs that do not add to the asset value a materiality extend useful lives are expensed. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operation. Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 Years
Improvements	20 Years
Furniture, Fixture and Equipment	5 Years

Budgetary

Budget to actual comparison are reflected in the accompanying financial statements for general fund type which the School has adopted for its operations. The School adopts it budget on a basis consistent with Generally Accepted Accounting Principles in the United States.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE B – SCHOOL DISTRICT OF PALM BEACH COUNTY

The Charter School has an agreement with the School District of Palm Beach County, Florida to operate Charter School. The Charter School receives funding from the School District of Palm Beach County, Florida based on the projected number of full-time equivalent (FTE) students. The number of students attending the School for the year ending June 30, 2007, was 750.

NOTE C – CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2007 were as follows:

	<u>Balance</u> <u>07/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/07</u>
Land	\$1,000,000	\$ 74,758	-	\$1,074,758
Building	2,415,670	417,792	-	2,833,462
Leasehold Improvements	487,066	150,852	-	637,918
Office Equipment and Fixtures	312,168	190,916	-	503,084
Bus Transportation	<u>21,000</u>	<u>52,032</u>	<u>-</u>	<u>73,032</u>
	4,235,904	886,350	-	5,122,254
Less: Accumulated Depreciation	<u>219,234</u>	<u>159,745</u>	<u>-</u>	<u>378,979</u>
Net	<u>\$4,016,670</u>	<u>\$ 726,605</u>	<u>\$ -</u>	<u>\$4,743,275</u>

Depreciation expense and amortization for year ended June 30, 2007, was \$159,745.

NOTE D – CERTIFICATE OF DEPOSIT

The School holds a certificate of deposit for \$26,161 which matures August 9, 2007 with provision for automatic renewal. The interest rate on the deposit is 2.18%. Interest is compounded daily.

NOTE E – UNINSURED CASH BALANCE

The School maintains its cash balances at one major financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, the Organization's uninsured cash balances totaled \$519,899. Management feels they are not at risk.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

NOTE F – GENERAL LONG-TERM DEBT

On December 1, 2005, Bonds series 2005A and 2005B, tax-exempt and taxable revenue bonds were issued in amount of \$4,455,000 and \$500,000, with maturity date May 15, 2035 and May 15, 2014, and interest rate set at 6.75% and 7.00% respectively. The bonds were issued to finance the acquisition and improvement of School property. The bonds are secured by School property and the annual debt service requirements of School are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 335,713	\$ 385,713
2007	55,000	332,212	387,212
2008	60,000	328,363	388,363
2009	65,000	324,162	389,162
2010	70,000	319,613	389,613
2011-2015	420,000	1,520,288	1,940,288
2016-2020	595,000	1,354,050	1,949,050
2021-2025	830,000	1,123,875	1,953,250
2026-2030	1,150,000	803,250	1,953,250
2031-2035	<u>1,660,000</u>	<u>329,400</u>	<u>1,989,400</u>
	<u>\$ 4,955,000</u>	<u>\$ 6,770,926</u>	<u>\$ 11,725,926</u>

Long-term liability changes for the year ended June 30, 2007 were as follows:

Balance – July 1, 2006	\$ 4,955,000
Principal Payments	(<u>50,000</u>)
Balance – June 30, 2007	<u>\$ 4,905,000</u>

The bond resolution requires the establishment of the following accounts:

<u>Account</u>	<u>Purpose</u>
Sinking Account	To accumulate sufficient funds to meet maturing debt service requirements through transfers from the operating account.
Renewal and Replacement	To accumulate funds for the purpose of paying for the cost of Improvement, repair and maintenance of the building.

Cash is restricted for these purposes.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE G - CONTINGENCIES

The School receives funding through the School District of Palm Beach, Florida, that is based in part on a computation of the number of full time equivalent ("FTE") students enrolled. The accuracy of data compiled supporting the FTE count is subject to audit, and if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion, of management that the amount of revenue which may be remitted back due to errors in the FTE count, if any, will not be material to the financial position of the School. In addition, the continued operation of the School is depended upon an agreement with School District of Palm Beach, Florida.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance.

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	BUDGET ORIGINAL/ FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:			
FEEP FEES	\$ 4,108,730	\$ 4,165,428	\$ 56,698
CAPITAL GRANT AND CONTRIBUTION	660,000	721,453	61,453
LEAD PROGRAM	-	10,080	10,080
IDEA	-	27,909	27,909
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	-	16,040	16,040
CHARGE FOR SERVICES	230,240	94,636	(135,604)
INTEREST	-	56,481	56,481
RENTAL INCOME	130,000	156,210	26,210
OTHER	-	6,105	6,105
TOTAL REVENUES	5,128,970	5,254,342	125,372
EXPENDITURES:			
INSTRUCTIONAL SERVICES	3,074,050	2,126,546	(947,504)
INSTRUCTIONAL SUPPORT SERVICES	-	42,339	42,339
INSTRUCTIONAL MEDIA SERVICES	-	293,772	293,772
INSTRUCTIONAL STAFF TRAINING	-	29,624	29,624
BOARD	-	5,100	5,100
SCHOOL ADMINISTRATION	916,850	854,200	(62,650)
FACILITIES ACQUISITION AND CONSTRUCTION	-	99,408	99,408
FISCAL SERVICES	-	113,553	113,553
CENTRAL SERVICES	-	1,098	1,098
PUPIL TRANSPORTATION SERVICES	-	197,876	197,876
OPERATION OF PLANT	333,950	426,103	92,153
MAINTENANCE OF PLANT	-	-	-
DEBT SERVICES - INTEREST	-	-	-
TOTAL EXPENDITURES	4,324,850	4,189,619	(135,231)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 804,120	1,064,723	\$ 260,603
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFER IN (OUT)		-	
TOTAL OTHER FINANCING SOURCES		-	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
FUND BALANCE - JULY 1, 2006		274,231	
FUND BALANCE - JUNNE 30, 2007		<u>\$ 1,338,954</u>	

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.
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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
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of the governmental activities and each major fund of Students in the Arts TV/G-Star TV, Inc. ("School") as of and for the year ended June 30, 2007 which collectively comprise the School's basic financial statements and have issued our report thereon dated October 1, 2007. 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 School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be a material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements are caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, Management, the State of Florida, Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.


October 1, 2007

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.
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MANAGEMENT LETTER

To the Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of Students in the Arts TV/G-Star, Inc. ("School") as of and for the year ended June 30, 2007, and have issued our report thereon dated October 1, 2007.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting based on the audit of the financial statements performed in accordance with Government Auditing Standards, dated October 1, 2007, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the School complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.544(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The Rules of Auditor General (Section 10.544(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly consequential: (1) violations of laws, rules, regulations and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (eg., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to attention of the auditor. There are no items requiring disclosure.

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As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of Board Members, Management, and the State of Florida Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Carolyn K. Masumoto". The signature is written in a cursive style with a large, looped initial "C".

October 1, 2007