A decorative border of colored pencils surrounds the central text. The border consists of individual pencils in various colors (yellow, brown, green, red, blue) arranged in a rectangular frame. A blue pencil holder containing several pencils is located in the bottom right corner.

Einstein Montessori
School

Financial Statements
And
Independent Auditors' Report

June 30, 2008

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

4055 NW 43rd Street, Suite 28
Gainesville, Florida 32606
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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2008
EINSTEIN MONTESSORI SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Einstein Montessori School

We have audited the accompanying financial statements of the governmental activities and each major fund of Einstein Montessori School (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the 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 as of June 30, 2008, and the respective changes in financial position thereof 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 a report dated September 12, 2008 on our consideration of the School'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.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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.

Kattell and Company, P.L.

September 12, 2008
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2008:

- The School's overall net assets increased by approximately \$9,000, which is about 1%.
- Total ending unrestricted net assets were approximately \$300,000.
- The School had total expenses for the year of about \$987,000, compared to revenues of approximately \$996,000.
- The school served a population of approximately 99 students in 2008 and 102 students in 2007.
- The School issued debt to purchase and renovate a new facility.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- Governmental funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

Net Assets

	2008 Governmental Activities	2007 Governmental Activities
Assets:		
Non-capital Assets	\$ 319,962	\$ 768,740
Capital Assets, Net	1,711,894	101,673
Total Assets	<u>2,031,856</u>	<u>870,413</u>
Liabilities:		
Current Liabilities	19,304	5,819
Long Term Liabilities	1,138,998	--
Total Liabilities	<u>1,158,302</u>	<u>5,819</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	572,896	101,673
Restricted	--	58,886
Unrestricted	300,658	704,035
Total Net Assets	<u>\$ 873,554</u>	<u>\$ 864,594</u>

Change in Net Assets

Program Revenues:		
Charges for Services	\$ 32,393	\$ 35,990
Capital Grants & Contributions	65,154	73,912
General Revenues:		
Title I Grant	11,443	17,687
Safe and Drug Free School Grant	669	465
Florida Education Finance Program	838,531	864,116
Other State Revenues	7,695	1,581
Unrestricted Grants & Contributions	24,271	26,421
Unrestricted Investment Earnings	15,404	26,289
Total Revenues	<u>995,560</u>	<u>1,046,461</u>
Program Expenses:		
Instruction	479,135	483,598
Instructional Support Services	50,749	73,906
General Support	451,880	356,244
Community Service	4,836	7,984
Total Expenses	<u>986,600</u>	<u>921,732</u>
Change in Net Assets	8,960	124,729
Beginning Net Assets	864,594	739,865
Ending Net Assets	<u>\$ 873,554</u>	<u>\$ 864,594</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$97,547 in program revenues and \$898,013 of general revenues, and incurred \$986,600 of program expenses. This resulted in a \$8,960 increase in net assets. A 5% decline in revenues combined with a 7% increase in expenses resulted in a change in net assets that was almost \$116,000 less than in the prior year.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund has decreased by \$403,377 from \$704,035 to \$300,658. The School expended a substantial portion of its fund balance toward the purchase and renovation of a new facility.

Special Revenue Fund. The fund balance of the Special Revenue Fund remained the same at \$0 which means that all grant funds were spent during the year. This is expected due to the nature of the Title I and Safe and Drug Free School grant funds.

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$58,886, from \$58,886 to \$-0-. The School used these funds for leasing of land and buildings, as well as the purchase and renovation of the new facility.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant differences between original and final budgets. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School purchased and began renovating a new facility consisting of land and existing buildings. The renovations were not completed as of June 30, 2008. The School's lease on its old facility expired June 30, 2008 and all related leasehold improvements were recorded as disposals at June 30, 2008. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School issued \$1,150,000 in new debt for the purchase and renovation of a new facility. The School began to make scheduled debt service payments during the year. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Christine Aurelio, Principal, Einstein Montessori School; 5910 S.W. Archer Road; Gainesville, Florida 32608.

Statement of Net Assets
June 30, 2008
Einstein Montessori School

Assets	Governmental Activities
Cash	\$ 306,820
Receivables	1,252
Prepays	11,890
Capital Assets:	
Land	425,000
Depreciable Capital Assets, Net	<u>1,286,894</u>
 Total Assets	 <u>2,031,856</u>
Liabilities	
Accounts Payable	17,929
Deferred Revenue – School Age Child Care	1,375
Long Term Debt:	
Due Within One Year	15,309
Due In More Than One Year	<u>1,123,689</u>
 Total Liabilities	 <u>1,158,302</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	572,896
Unrestricted	<u>300,658</u>
 Total Net Assets	 <u>\$ 873,554</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2008
Einstein Montessori School

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (479,135)	\$ 2,518	\$ --	\$ --	\$ (476,617)
Instructional Support Services	(50,749)	--	--	--	(50,749)
General Support	(393,865)	6,668	--	65,154	(322,043)
Community Services	(4,836)	23,207	--	--	18,371
Interest on Long-Term Debt	(58,015)	--	--	--	(58,015)
Total	<u>\$ (986,600)</u>	<u>\$ 32,393</u>	<u>\$ --</u>	<u>\$ 65,154</u>	<u>(889,053)</u>

General Revenues:

Federal through State:

Title I Grant	11,443
Safe and Drug Free Schools Grant	669

State Revenue:

Florida Education Finance Program	838,531
Other State Revenues	7,695
Unrestricted Grants and Contributions	24,271
Unrestricted Investment Earnings	<u>15,404</u>

Total General Revenues

898,013

Change in Net Assets

8,960

Net Assets – Beginning of Year

864,594

Net Assets – End of Year

\$ 873,554

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2008
Einstein Montessori School

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 306,820	\$ --	\$ --	\$ 306,820
Receivables	1,252	--	--	1,252
Prepays	<u>11,890</u>	<u>--</u>	<u>--</u>	<u>11,890</u>
Total Assets	<u>\$ 319,962</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 319,962</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 17,929	\$ --	\$ --	\$ 17,929
Deferred School Age Child Care Fees	<u>1,375</u>	<u>--</u>	<u>--</u>	<u>1,375</u>
Total Liabilities	<u>19,304</u>	<u>--</u>	<u>--</u>	<u>19,304</u>
Fund Balances:				
Reserved for Prepays	11,890	--	--	11,890
Unreserved	<u>288,768</u>	<u>--</u>	<u>--</u>	<u>288,768</u>
Total Fund Balances	<u>300,658</u>	<u>--</u>	<u>--</u>	<u>300,658</u>
Total Liabilities and Fund Balances	<u>\$ 319,962</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 319,962</u>

See accompanying notes.

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2008
Einstein Montessori School

Fund Balances – Total Governmental Funds \$ 300,658

Amounts reported for Governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 1,711,894

Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net assets.

Long-Term Liabilities (1,138,998)

Net Assets of Governmental Activities \$ 873,554

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
Einstein Montessori School

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Federal through State:				
Title I Grant	\$ --	\$ 11,443	\$ --	\$ 11,443
Safe and Drug Free Schools Grant	--	669	--	669
State Revenue:				
Florida Education Finance Program	838,531	--	--	838,531
Public Education Capital Outlay	--	--	65,154	65,154
Other State Revenue	7,695	--	--	7,695
Local Revenue:				
School Age Child Care Fees	23,207	--	--	23,207
Rental Income	6,668	--	--	6,668
Interest Income	15,404	--	--	15,404
Gifts and Fundraising	12,621	--	--	12,621
Field Trip Fees	2,518	--	--	2,518
Other Local Revenues	11,650	--	--	11,650
Total Revenues	918,294	12,112	65,154	995,560
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	466,592	12,112	--	478,704
Instructional Support Services	50,749	--	--	50,749
General Support	1,949,494	--	--	1,949,494
Community Services	4,836	--	--	4,836
Capital Outlay	--	--	55,023	55,023
Debt Service:				
Principal	--	--	11,002	11,002
Interest	--	--	58,015	58,015
Total Expenditures	2,471,671	12,112	124,040	2,607,823
Excess of Revenues (Under)				
Expenditures	(1,553,377)	--	(58,886)	(1,612,263)
Other Financing Sources (Uses)				
Debt Issuance	1,150,000	--	--	1,150,000
Net Change in Fund Balance	(403,377)	--	(58,886)	(462,263)
Fund Balances, July 1, 2007	704,035	--	58,886	762,921
Fund Balances, June 30, 2008	\$ 300,658	\$ --	\$ --	\$ 300,658

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2008
Einstein Montessori School**

Excess of Revenues over Expenditures – Total Governmental Funds \$ (462,263)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	1,701,887
Current Year Depreciation Expense	(91,666)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net assets. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets.

Current Year Debt Issuance	(1,150,000)
Current Year Principal Payments	<u>11,002</u>

Change in Net Assets of Governmental Activities \$ 8,960

See accompanying notes.

Notes to the Financial Statements
June 30, 2008
Einstein Montessori School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Einstein Montessori School conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Einstein Montessori School, Inc. is a not-for-profit corporation organized in 1998 pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as Einstein Montessori School (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Alachua County District School Board (the “District”). The current charter is effective until June 30, 2014, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School’s financial position as of the end of the fiscal year. In this statement, the School’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements
June 30, 2008
Einstein Montessori School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

The School deposits its cash in financial institutions. At June 30, 2008, no amount was held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Excess cash is invested using a sweep account in Nations Government Reserves, a money market mutual fund that is comprised primarily of U.S. government obligations and U.S. Treasury securities. These investments are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Moody's Investors Service gave the Nations Government Reserves fund a rating of Aaa. At June 30, 2008, these investments, reported at fair value, totaled \$212,820. The School has not adopted a formal investment policy.

Notes to the Financial Statements
June 30, 2008
Einstein Montessori School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting “reserve” is reported in the fund financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements	15
Furniture, Fixtures and Equipment	5

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School allows employees to carry over up to five days per year of unused sick and vacation time, to a maximum of twenty days. These banked days can be claimed upon documented serious illness or at termination, at a flat rate of \$150 per day. Because the liability is likely to be satisfied using current financial resources, the provision for this liability and the related taxes is included in both the government wide and the fund statements.

Long-term Liabilities

All long-term debt and other long-term obligations are reported in the government-wide financial statements. In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Notes to the Financial Statements
June 30, 2008
Einstein Montessori School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets not Being Depreciated:				
Land	\$ --	\$ 425,000	--	425,000
Construction in Progress	--	1,276,887	--	1,276,887
Total Capital Assets not Being Depreciated	--	1,701,887	--	1,701,887
Capital Assets Being Depreciated:				
Improvements	133,709	--	126,627	7,082
Furniture, Fixtures & Equipment	52,034	--	--	52,034
Total Capital Assets Being Depreciated	185,743	--	126,627	59,116
Accumulated Depreciation:				
Improvements	45,769	84,526	126,627	3,668
Furniture, Fixtures & Equipment	38,301	7,140	--	45,441
Total Accumulated Depreciation	84,070	91,666	126,627	49,109
Net Capital Assets	<u>\$ 101,673</u>	<u>\$ 1,610,221</u>	<u>\$ --</u>	<u>\$ 1,711,894</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 431
General Support	91,235
Total Depreciation Expense	<u>\$ 91,666</u>

NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the last three years.

Notes to the Financial Statements
June 30, 2008
Einstein Montessori School

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2008</u>	Amount Due <u>In 1 Year</u>
Notes Payable	\$ --	\$ 1,150,000	\$ 11,002	\$ 1,138,998	\$ 15,309

At year-end, the outstanding note payable is a fixed rate construction to permanent loan collateralized by the School's real property. The disbursed loan amount at June 30, 2008 is \$1,150,000. The loan is amortized over 30 years with an interest rate of 6.51% calculated on the 365/360 basis with a complete payoff balloon payment due in seven years. The payments are \$7,668 per month. The Scheduled debt service requirements are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2009	15,309	76,782	92,091
2010	19,896	72,195	92,091
2011	21,231	70,860	92,091
2012	22,655	69,436	92,091
2013	24,174	67,917	92,091
2014	25,796	66,295	92,091
2015	<u>1,009,937</u>	<u>18,489</u>	<u>1,028,426</u>
Total	<u>1,138,998</u>	<u>441,974</u>	<u>1,580,972</u>

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The School made contributions on behalf of its employees to a Simplified Employee Pension (SEP), a defined contribution pension plan, during the year ended June 30, 2008. Pursuant to the SEP, the School contributed five percent of each employee's gross pay for the contract year. There are no matching requirements. Total contributions were \$12,200.

The Board of Directors has the authority to amend or terminate the plan. Pursuant to that authority, for the year ended June 30, 2008, the School provided each employee a five percent bonus above their base pay rate and gave them the option of contributing this amount to the retirement plan.

NOTE 6 – OPERATING LEASES

The School's lease for the land and buildings ended June 30, 2008. There are no future payment obligations. The School also has several operating leases for portable classrooms. These leases are on a month-to-month basis and were all cancelled at June 30, 2008. The School made total lease payments of \$37,065 for the year. There are no minimum payments due at June 30, 2008.

NOTE 7 – CONSTRUCTION COMMITMENT

On January 14, 2008, the School entered into a contract with Trunnell Construction Services, Inc., whereby Trunnell is to complete the renovations of the new facility. The contracted amount is \$250,000. The School recognized capital expenditures of \$138,000, leaving \$112,000 of construction commitments at year end.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008
Einstein Montessori School**

	BUDGETED		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenues:				
State Revenue:				
Florida Education Finance Program	\$ 843,000	\$ 838,531	\$ 838,531	\$ --
Other State Revenue	2,515	7,695	7,695	--
Local Revenue:				
School Age Child Care Fees	30,000	23,207	23,207	--
Rental Income	8,000	6,668	6,668	--
Interest Income	5,000	15,404	15,404	--
Gifts and Fundraising	16,121	12,621	12,621	--
Field Trip Fees	4,000	2,518	2,518	--
Other Local Revenues	13,005	11,650	11,650	--
Total Revenues	921,641	918,294	918,294	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	530,162	466,592	466,592	--
Instructional Support Services	66,897	50,749	50,749	--
General Support	2,120,415	1,949,494	1,949,494	--
Community Services	6,844	4,836	4,836	--
Total Expenditures	2,724,318	2,471,671	2,471,671	--
Excess of Revenues Over (Under)Expenditures	(1,802,677)	(1,553,377)	(1,553,377)	--
Other Financing Sources				
Debt Issuance	1,200,000	1,150,000	1,150,000	--
Net Change in Fund Balance	(602,677)	(403,377)	(403,377)	--
Fund Balances, July 1, 2007	698,870	704,035	704,035	--
Fund Balances, June 30, 2008	\$ 96,193	\$ 300,658	\$ 300,658	--

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

**Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2008
Einstein Montessori School**

	<u>BUDGETED</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
Federal through State:				
Title I Grant	\$ 10,830	\$ 11,443	\$ 11,443	\$ --
Safe and Drug Free School Grant	--	669	669	--
Total Revenues	<u>10,830</u>	<u>12,112</u>	<u>12,112</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	<u>10,830</u>	<u>12,112</u>	<u>12,112</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2007	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances, June 30, 2008	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
Einstein Montessori School

We have audited the financial statements of Einstein Montessori School (the "School"), as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. In that regard, there were no prior year audit findings.

Financial Emergency

The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the School has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.

Financial Condition Assessment

We applied financial condition assessment procedures pursuant to Section 10.855(10) of the Rules of the Auditor General. We did not identify deteriorating financial conditions.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

* * * * *

This report is intended solely for the information and use of the School's management, Board of Directors, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

September 12, 2008
Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Einstein Montessori School

We have audited the financial statements of the governmental activities and each major fund of Einstein Montessori School (the "School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 12, 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 School's internal control over financial reporting (internal control) 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency in 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 entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a 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 grants, 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*.

* * * * *

The School's response to the finding identified in our audit is described in the accompanying letter. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School's management and Board of Directors, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

September 12, 2008
Gainesville, Florida

Schedule of Findings
June 30, 2008
Einstein Montessori School

08-01 *Finding* – The Organization does not have sufficient personnel who are skilled in the preparation of financial statements in accordance with generally accepted accounting principles.

Recommendation – We have no recommendation since we do not believe it is cost effective for the entity to employ such personnel. However, professional standards require us to make you aware of this condition. This finding should not be interpreted to reflect negatively on the fiscal operations of the School in general. It should only be viewed in light of the preparation of financial statements at the end of the year.

Einstein Montessori School
5910 SW Archer Road
Gainesville, FL 32606
Telephone: (352) 335-4321
Fax: (352) 335-1575

September 12, 2008

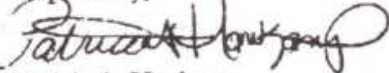
Kattell and Company, P.L.
4055 NW 43rd Street, Suite 28
Gainesville, Florida 32606

Dear Kattell and Company, School Board of Alachua County, Auditor General, and Other Interested Parties,

The Einstein Montessori School Board of Directors and staff would like to take a moment to thank the members of Kattell and Company for auditing our school this year. Upon reviewing the schools 2007-2008 financials the school acknowledges the finding and agrees with the auditor's recommendation that it would not be cost effective to employ such personnel. We appreciate the guidance that Kattel and Company provides to us throughout the year enabling the members of our school to continue to make better decisions and changes that allow us to continue to grow and be successful.

Thank You.

Respectfully,



Patricia A. Hankamp
Office Manager