

**RENAISSANCE ARTS AND
EDUCATION, INC.**

MANATEE SCHOOL FOR THE ARTS

A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD

FINANCIAL STATEMENTS
JUNE 30, 2008

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
FINANCIAL STATEMENTS
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Renaissance Arts and Education, Inc.
Manatee School for the Arts
Palmetto, Florida

We have audited the accompanying financial statements of the governmental activities and the General Fund of Renaissance Arts and Education, Inc. (a Charter School and component unit of the Manatee County District School Board), d/b/a Manatee School for the Arts as of and for the year ended June 30, 2008, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter 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 the 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 the General Fund of Renaissance Arts and Education, Inc. as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund 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 October 29, 2008, on our consideration of Renaissance Arts and Education, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2008

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008
(Unaudited)

The following pages represent the Management's Discussion and Analysis (MD&A) of Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts. It depicts and reviews the financial picture and activities as of June 30, 2008.

The intent of this MD&A is to present a picture and assessment of the school's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operation. Readers should review this MD&A along with the basic financial statements and notes also enclosed.

Overview of the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Manatee School for the Arts as a financial whole, or as an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole, presenting both an aggregate view of the School's finances and a longer-term view of those finances. The General Fund statements provide more detail. These statements show how services were financed in the short-term as well as what financial resources remain for future spending.

Financial Analysis

- **Net Assets** increased by \$272,382 from \$2,894,695 to \$3,167,077 for the year ended June 30, 2008. This net change relates to the excess of revenues over expenditures less depreciation expense.
- **Total Assets** increased by \$3,251,930 from \$8,480,687 to \$11,732,617 and is attributed to the following elements.

	Increase (Decrease)
Cash	\$ 673,857
Restricted cash for capital improvements	3,005,826
Receivables:	
Grants	(5,647)
Other	(32,967)
Due from primary government	(150,511)
Inventory	24,087
Prepaid expenses	(21,455)
Loan issuance costs, net of accumulated amortization	60,986
Capital assets, net of accumulated depreciation	(302,246)

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008
(Unaudited)

The increase in cash is due to an increase in allocations from the Manatee County District School Board during June 30, 2008 fiscal year along with monitoring and control of expenditures during the year. The increase in restricted cash for capital improvements represents the proceeds from bank qualified bonds to be used for capital improvements projects. The decrease in due from primary government is due to the collection of current year amounts relating to capital outlay and class size amendment allocations in the current fiscal year. Loan issuance costs increased due to costs incurred relating to the issuance of the new bank qualified bonds. Capital assets decreased primarily due to depreciation expense exceeding capital outlay expenditures during the fiscal year.

- **Total Liabilities** increased by \$2,979,548 from \$5,585,992 to \$8,565,540 due to the following items:

	Increase (Decrease)
Current portion of installment-purchase payable	\$ 6,579
Current portion of bonds and notes payable	(241,609)
Accounts payable	18,710
Accrued interest payable	32,589
Salaries and wages payable	172,094
Retirement payable	30,404
Installment-purchase payable, less current portion	(114,063)
Bonds and notes payable, less current portion	3,074,844

Installment-purchase payable current and non-current portions decreased due to the timely payment of monthly principal payments. Bonds and notes payable current and non-current portions increased due to the issuance of new bank qualified bonds that were utilized to refinance previously issued bonds and additional funds for future capital improvement projects. Salaries, wages and retirement payable increased due to the increase in the teacher compensation for the year.

- **Total Revenues** increased by \$622,903 from \$8,036,655 to \$8,659,558. The increase is attributed to the following:

	Increase (Decrease)
Intergovernmental	\$ 83,005
Local	503,013
Investment income	36,885

Local funding increased due to increases in the School's allocations from the Manatee County District School Board primarily in the areas of FEFP, class size reduction funds, and discretionary local effort funding, and student transportation. The largest revenue source for Manatee School for the Arts is the FEFP financing program, which allocates funds based on the number and type of student enrolled in our school.

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008
(Unaudited)

- **Total General Fund Expenditures** increased by \$838,328 from \$7,640,115 to \$8,478,443 primarily due to the following:

	Increase (Decrease)
Instruction	\$ 528,956
Instructional support	46,394
School administration	167,871
Food services	26,304
Pupil transportation services	36,448
Operation of plant	69,944
Maintenance of plant	28,618
Other	1,194
Capital outlay:	
Facilities acquisition and construction	(38,271)
Other capital outlay	(8,839)
Debt service:	
Principal	(163,771)
Interest and fiscal charges	143,480

Instruction, instructional support, school administration and food services increases are related to the increase in the number of students which required an increase of staff to meet the needs of the students. Pupil transportation services increased due to increased use of buses by students. Operation of plant increased due to increases in contract labor for maintenance and cleaning services, higher insurance costs and increases in electric utilities. Debt service principal decreased and interest and fiscal charges increased due the issuance of new bank qualified bonds which increased the overall debt amount and extended the amortization terms from 15 years up to 25 years.

- **General Fund Budget Comparison:** During the school year, the School's Board of Directors revises its budget to adjust for changes in revenues or expenditures. The original budget was approved June 27, 2007 and the final revised budget was approved June 12, 2008. A statement showing the School's original and final budget compared with actual operating results is presented in the financial statements.

Manatee School for the Arts' year-end results were higher than had been budgeted. Revenues were higher than budgetary projections by \$21,587. Expenditures were less than budgetary projections by \$10,962.

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008
(Unaudited)

Capital Asset and Debt Administration

- **Capital Assets**

At June 30, 2008, Manatee School for the Arts was invested in a variety of capital assets including land; building and improvements; and furniture, fixtures and equipment. Total capital assets of \$6,699,381 are net of accumulated depreciation.

Below is a description of the school's capital assets.

Land	\$ 285,000
Building and improvements	7,724,372
Furniture, fixtures and equipment	<u>1,503,042</u>
	9,512,414
Less accumulated depreciation	<u>(2,813,033)</u>
	<u>\$ 6,699,381</u>

Buildings and improvements and furniture, fixtures and equipment in the amount of \$147,801 were capitalized in the current year. During the current year, depreciation was \$429,457.

- **Long Term Debt**

At June 30, 2008, Manatee School for the Arts had an installment-purchase obligation outstanding totaling \$183,797. The School also has bonds and notes payable obligations as of June 30, 2008, which total \$7,561,349. The bank qualified bonds are amortized over 25 years and include interest currently at 5.36% and 5.36% and mature in February 2032 and February 2032.

Economic Factors and Next Year's Budget

In the years, Manatee School for the Arts has established itself as a high performing secondary school in Manatee County. Financially, the school is sound. That expectation is predicated on continued funding at current levels. Significant changes in funding would require review of programming, capital expenditures, etc. However, we believe that we have developed a core strength that will maintain us through most of the normal ebb and flow of public funding.

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 1,783,090
Restricted cash for capital improvements	3,005,826
Receivables	
Grants	2,281
Other	4,545
Due from primary government	58,656
Inventory	24,087
Prepaid expenses	24,955
Deposits	38,559
	4,941,999
TOTAL CURRENT ASSETS	
NONCURRENT ASSETS	
Loan issuance costs, net of accumulated amortization	91,237
Capital assets	
Land	285,000
Other capital assets, net of accumulated depreciation	6,414,381
	6,790,618
TOTAL NONCURRENT ASSETS	
TOTAL ASSETS	\$ 11,732,617
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Current portion of installment-purchase payable	\$ 114,063
Current portion of bonds and notes payable	155,173
Accounts payable	69,786
Accrued interest payable	32,589
Salaries and wages payable	466,562
Retirement payable	251,457
	1,089,630
TOTAL CURRENT LIABILITIES	
NONCURRENT LIABILITIES	
Installment-purchase payable, less current portion	69,734
Bonds and notes payable, less current portion	7,406,176
	7,475,910
TOTAL NONCURRENT LIABILITIES	
TOTAL LIABILITIES	8,565,540
NET ASSETS	
Investment in capital assets, net of related debt	1,933,563
Unrestricted	1,233,514
	3,167,077
TOTAL NET ASSETS	
TOTAL LIABILITIES AND NET ASSETS	\$ 11,732,617

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2008

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 4,772,726	\$ 69,811	\$ (4,702,915)
Support services			
Instructional support	243,989	--	(243,989)
School administration	1,270,672	--	(1,270,672)
Fiscal services	6,717	--	(6,717)
Food services	377,770	121,554	(256,216)
Pupil transportation services	255,038	--	(255,038)
Operation of plant	850,608	--	(850,608)
Maintenance of plant	80,976	--	(80,976)
Other	126,050	--	(126,050)
Interest and fiscal charges	402,630	--	(402,630)
Total expenses	\$ 8,387,176	\$ 191,365	(8,195,811)
General revenues			
Local			8,418,508
Investment income			49,685
Total general revenues			8,468,193
Change in net assets			272,382
Net assets, July 1, 2007			2,894,695
Net assets, June 30, 2008			\$ 3,167,077

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET - GENERAL FUND
June 30, 2008

<u>ASSETS</u>		
Cash		\$ 1,783,090
Receivables		
Grants		2,281
Other		4,545
Due from primary government		58,656
Inventory		24,087
Prepaid expenditures		24,955
Deposits		38,559
Restricted assets		
Cash for capital improvements		<u>3,005,826</u>
TOTAL ASSETS		<u><u>\$ 4,941,999</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES		
Accounts payable		\$ 69,786
Salaries and wages payable		466,562
Retirement payable		<u>251,457</u>
TOTAL LIABILITIES		787,805
FUND BALANCE		
Reserved for capital improvements		3,005,826
Unreserved		<u>1,148,368</u>
TOTAL FUND BALANCE		<u>4,154,194</u>
TOTAL LIABILITIES AND FUND BALANCE		<u><u>\$ 4,941,999</u></u>

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET - GENERAL FUND
TO THE STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCE - BALANCE SHEET - GENERAL FUND	\$	4,154,194
Amounts reported in the Statement of Net Assets are different because:		
Capital assets of \$9,512,414, net of accumulated depreciation of \$(2,813,033), used in governmental activities are not financial resources and, therefore, not reported in the General Fund.		6,699,381
Long-term debt is not due and payable in the current period and, therefore, not reported in the General Fund.		(7,745,146)
Accrued interest payable is not due and payable in the current period and, therefore, not reported in the General Fund.		(32,589)
Loan issuance costs of \$101,374, net of accumulated amortization of \$(10,137) are reported as an expenditure in the General Fund in the year of expenditure, are capitalized in the Statement of Net Assets.		<u>91,237</u>
TOTAL NET ASSETS - STATEMENT OF NET ASSETS	\$	<u><u>3,167,077</u></u>

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental				
Florida School Lunch Program \$	100,000	\$ 119,020	\$ 121,554	\$ 2,534
Florida Lead Teacher Supplies	11,000	15,000	15,660	660
Florida Merit Award Program	--	55,000	54,151	(849)
Local	8,307,439	8,421,591	8,418,508	(3,083)
Investment income	2,200	27,360	49,685	22,325
	<u>8,420,639</u>	<u>8,637,971</u>	<u>8,659,558</u>	<u>21,587</u>
<u>EXPENDITURES</u>				
Current - education:				
Instruction	4,307,579	4,478,398	4,434,544	43,854
Instructional support	271,539	264,357	236,122	28,235
School administration	1,277,642	1,271,387	1,229,700	41,687
Fiscal services	7,000	6,500	6,500	--
Food services	351,964	381,082	365,589	15,493
Pupil transportation services	231,084	251,879	255,038	(3,159)
Operation of plant	742,185	820,540	823,181	(2,641)
Maintenance of plant	36,200	70,950	78,365	(7,415)
Other	69,000	142,394	126,050	16,344
Capital outlay:				
Facilities acquisition and construction	75,000	24,500	27,381	(2,881)
Other capital outlay	119,000	91,492	120,420	(28,928)
Debt service:				
Principal	540,930	358,968	344,526	14,442
Interest and fiscal charges	276,261	326,958	431,027	(104,069)
	<u>8,305,384</u>	<u>8,489,405</u>	<u>8,478,443</u>	<u>10,962</u>
Excess (deficiency) of revenues over expenditures	115,255	148,566	181,115	32,549
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from long-term debt	--	--	7,600,000	7,600,000
Principal payoff of refinanced debt	--	--	(4,509,133)	(4,509,133)
NET CHANGE IN FUND BALANCE	115,255	148,566	3,271,982	3,123,416
FUND BALANCE, July 1, 2007	882,212	882,212	882,212	--
FUND BALANCE, June 30, 2008	<u>\$ 997,467</u>	<u>\$ 1,030,778</u>	<u>\$ 4,154,194</u>	<u>\$ 3,123,416</u>

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
June 30, 2008

NET CHANGE IN FUND BALANCE (ACTUAL) - STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND \$ 3,271,982

Amounts reported in the Statement of Activities are different because:

The General Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$147,801 is less than depreciation expense of \$(429,457) in the current period. (281,656)

Proceeds from the long-term debt are other financing sources in the General Fund, but increase long-term liabilities in the Statement of Net Assets. (7,600,000)

Principal payments on the long-term debt are expenditures in the General Fund, but reduce long-term liabilities in the Statement of Net Assets. 344,526

Principal payoffs of refinanced long-term debt are other financing uses in the General Fund, but reduce long-term liabilities in the Statement of Net Assets. 4,509,133

Accrued interest reported in the Statement of Activities do not required the use of current financial resources and therefore are not reported as expenditures in the General Fund. (32,589)

The General Fund reflects current year loan issuance costs of \$101,374 as an expenditure. The Statement of Activities reflect the current year portion of amortization of prior and current loan issuance costs of \$(16,695) plus the write-off of prior loan issuance costs of \$(23,693) at time of refinancing as an expense for the current year. The Statement of Net Assets present the unamortized amount of loan issuance costs as an asset net of amortization. 60,986

CHANGE IN NET ASSETS - STATEMENT OF ACTIVITIES \$ 272,382

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

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Renaissance Arts and Education, Inc. (Charter School), d/b/a Manatee School for the Arts is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the Charter School is the not-for-profit corporation Board of Directors, which is composed of five members. The President of Renaissance Arts and Education, Inc., is the executive officer of the Charter School.

The general operating authority of the Charter School is contained in Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school district, the Manatee County District School Board. The current charter is effective until June 30, 2023, and may be renewed by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may chose not to renew the charter under grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Renaissance Arts and Education, Inc., is considered a component unit of the Manatee County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the Charter School's basic financial statements are identified and described in the GASBS No. 14. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter 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 Charter School.

Basis of Presentation

The Charter School's basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards dated June 30, 2006. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-wide Statements

The Charter School's basic financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements (reporting on the General Fund only). Both the government-wide and fund financial statements present only governmental activities. The Charter School has no business type activities.

In the government-wide Statement of Net Assets, the Charter School's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Charter School's net assets are reported in three parts (as applicable) – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Charter School's functions. The functions are also supported by general government revenues (funding from the sponsoring school board). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs, by function, are normally covered by general revenue – funding from the sponsoring school district.

The government-wide focus is more on the sustainability of the Charter School as an entity and the change in the Charter School's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The individual generic fund type in the Charter School's financial statements is a governmental fund. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The only governmental fund utilized by the Charter School is the General Fund. The General Fund is the general operating fund of the Charter School and is used to account for all financial resources except those required to be accounted for in another fund.

RENAISSANCE ARTS AND EDUCATION, INC.
MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The principal exceptions to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

Cash

The Charter School’s cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance. At June 30, 2008 the carrying amount of the Charter School’s deposits was \$4,788,916, the bank balance was \$4,855,424 of which \$200,000 was covered by FDIC insurance.

Inventories

Inventories of the General Fund are priced at the lower of cost or market on the first-in, first-out basis.

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MANATEE SCHOOL FOR THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE MANATEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets are capitalized at cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at fair market value at the date of donation. The Charter School maintains a capitalization threshold of \$750 for fixed assets additions. Capital assets are recorded in the governments-wide financial statements, but are not reported in the fund financial statements. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 10 to 40 years for buildings and improvements and 5 to 10 years for furniture, fixtures and equipment.

Revenue Sources

Revenues for current operations are received primarily from the Manatee County District School Board pursuant to the funding provision included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, 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 Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

Additional revenues are derived from various fundraising activities, grants, contributions, and interest earned.

Income Taxes

Renaissance Arts and Education, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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NOTE 2 - CAPITAL ASSETS

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

	Balance <u>7-1-07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-08</u>
Land	\$ 285,000	\$ --	\$ --	\$ 285,000
Buildings and improvements	7,696,991	27,381	--	7,724,372
Furniture, fixtures and equipment	<u>1,403,212</u>	<u>120,420</u>	<u>(20,590)</u>	<u>1,503,042</u>
Total	<u>\$9,385,203</u>	<u>\$ 147,801</u>	<u>\$ (20,590)</u>	<u>\$ 9,512,414</u>
Less accumulated depreciation				<u>2,813,033</u>
Capital assets, net of accumulated depreciation				<u>\$ 6,699,381</u>

Depreciation expense in the amount of \$429,457 for the year ended June 30, 2008 was allocated to the following governmental functions:

Instruction	\$ 338,182
Instructional support	7,867
School administration	40,972
Fiscal services	217
Food services	12,181
Operation of plant	27,427
Maintenance of plant	<u>2,611</u>
Total depreciation expense	<u>\$ 429,457</u>

NOTE 3 - INSTALLMENT-PURCHASE PAYABLE

The Charter School is acquiring a 198' x 68' modular building with an asset balance of \$764,947 under an installment-purchase agreement.

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 121,930
2010	<u>71,124</u>
Total minimum installment-purchase payments	193,054
Less, interest and finance charges	<u>9,257</u>
Present value of minimum installment-purchase payments	<u>\$ 183,797</u>

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NOTE 3 - INSTALLMENT-PURCHASE PAYABLE - CONTINUED

The stated interest rate is 6.0 percent for the 198' x 68' modular building. In connection with this obligation, the Charter School incurred interest expense in the amount of \$14,446.

Amortization of assets held under installment-purchase agreements is included with depreciation expense.

NOTE 4 - BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2008, are as follows:

<u>Note Type</u>	<u>Principal Amount Outstanding</u>	<u>Annual Interest Percent</u>	<u>Maturity To</u>
Bank Qualified Bonds:			
Wachovia Bank	\$ 4,568,303	5.36	2032
Wachovia Bank	2,979,328	5.36	2032
Notes Payable:			
Piano Distributors loan	<u>13,718</u>	0.00	2011
Total	<u>\$ 7,561,349</u>		

The various bonds and notes were issued to finance capital outlay projects of the Charter School. The following is a description of bonds and notes payable:

Bank qualified bond – The Charter School entered into a financing arrangement with the City of Palmetto, Florida and Wachovia Bank. In December 2007, the City of Palmetto issued \$4,600,000 in Industrial Development Refunding Revenue Bonds, Series 2007A (tax-exempt municipal bonds) and sold these bonds to Wachovia Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of the sale to the Charter School to refinance obligations secured by the school facilities. The City of Palmetto then assigned its rights under the promissory note and mortgage to Wachovia Bank. Interest is applied with a forward-swap floating interest rate, currently at 5.36%. Payments of principal currently at approximately \$7,480 plus interest are due monthly. The maturity date of the note is February 2032.

Bank qualified bond – The Charter School entered into a financing arrangement with the City of Palmetto, Florida and Wachovia Bank. In December 2007, the City of Palmetto issued \$3,000,000 in Industrial Development Revenue Bonds, Series 2007B (tax-exempt municipal bonds) and sold these bonds to Wachovia Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of the sale to the Charter School to finance additional capital improvements to the school. The City of Palmetto then assigned its rights under the promissory note and mortgage to Wachovia Bank. Interest is applied with a forward-swap floating interest rate, currently at 5.36%. Payments of principal at approximately \$4,879 plus interest are due monthly. The maturity date of the note is February 2032.

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NOTE 4 - BONDS AND NOTES PAYABLE - CONTINUED

Piano Distributors loan – Payable to Piano Distributors of Florida, Inc. due in four annual installments of principal of \$3,430, with no stated interest rate, maturing April 2011. Note secured by a grand piano.

Maturities of bonds and notes payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 155,173
2010	158,813
2011	167,497
2012	172,151
2013	180,774
Thereafter	<u>6,726,941</u>
Total	<u>\$ 7,561,349</u>

In connection with these obligations, the Charter School incurred interest expense in the amount of \$347,796.

The following is a summary of changes in long-term debt:

<u>Description</u>	<u>Balance</u> <u>7-1-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-08</u>
Installment-purchase payable	\$ 291,281	\$ --	\$ 107,484	\$ 183,797
Bond payable-Bank of America	1,234,465	--	1,234,465	--
Bond payable-Bank of America	1,408,333	--	1,408,333	--
Construction loan	2,051,008	--	2,051,008	--
Bond payable-Wachovia Bank	--	4,600,000	31,697	4,568,303
Bond payable-Wachovia Bank	--	3,000,000	20,672	2,979,328
Piano Distributors loan	<u>34,308</u>	<u>--</u>	<u>20,590</u>	<u>13,718</u>
Total	<u>\$ 5,019,395</u>	<u>\$7,600,000</u>	<u>\$4,874,249</u>	<u>\$ 7,745,146</u>

RENAISSANCE ARTS AND EDUCATION, INC.
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NOTE 5- SCHEDULE OF LOCAL REVENUE SOURCES

The following is a schedule of local revenue sources and amounts:

Sources	<u>Amounts</u>
Manatee County District School Board	
Florida education finance program	\$ 4,956,707
Capital outlay funding	850,770
Class size reduction funds	1,047,607
Discretionary local effort	515,243
Student transportation	240,720
Instructional materials allocation	104,320
Reading allocation	47,343
Discretionary lottery funds	50,032
Hold harmless amount	22,611
Safe schools	34,857
Subtotal	7,870,210
Food services	295,637
Fundraising	137,485
Grants	58,546
Program services	31,968
Other local	24,662
Total	\$ 8,418,508

NOTE 6- RETIREMENT PLAN

The Charter School has an employee savings plan under Section 401(k) of the Internal Revenue Code. This plan allows eligible employees to defer a portion of their income on a pretax basis through plan contributions. Employer contributions to the plan are determined annually by the Board of Directors. The Charter School contribution to the plan for the year ended June 30, 2008 was \$251,457.

NOTE 7- RISK MANAGEMENT PROGRAMS

Workers' compensation, automobile liability, general liability, errors and omissions, property, inland marine, and health and hospitalization coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks did not exceed commercial coverage.

RENAISSANCE ARTS AND EDUCATION, INC.
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NOTE 8 - COMMITMENTS

The Charter School has committed to pay the President, as a founding employee, compensation in the amount of \$50,000 for his effort in establishing the Charter School. The Board of Directors also approved an incentive bonus for the President in the amount of \$50,000. During the year ended June 30, 2008, an amount of \$25,000 of this compensation was paid to the President. The remaining balance as of June 30, 2008 of \$25,000 of compensation and bonus will remain a commitment and be paid by the Charter School as soon as funds become available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Renaissance Arts and Education, Inc.
Manatee School for the Arts

We have audited the financial statements of the governmental activities and the General Fund of Renaissance Arts and Education, Inc. (a Charter School), d/b/a Manatee School for the Arts as of and for the year ended June 30, 2008, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Renaissance Arts and Education, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Arts and Education, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Renaissance Arts and Education, Inc.'s internal control over financial reporting.

Our consideration of 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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Renaissance Arts and Education, Inc.'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 Renaissance Arts and Education, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Renaissance Arts and Education, Inc.'s internal control. We consider the deficiencies described below to be a significant deficiency in internal control over financial reporting.

Preparation of Financial Statements

Renaissance Arts and Education, Inc. prepares financial statements in accordance with generally accepted accounting principles. The person responsible for the accounting and reporting function lacks the specialized knowledge to apply generally accepted accounting principles as applied to governmental units in preparing the School's financial statements. We recommend that the School seek out qualified personnel for assistance in recording challenging financial transactions and preparing its financial statements.

Management's Response to Finding

The management of Renaissance Arts and Education, Inc. plans to locate and consult with a qualified accountant for assistance in recording challenging financial transactions and in preparing its financial statements.

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 Renaissance Arts and Education, Inc.'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Renaissance Arts and Education, Inc.'s basic 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 that are required to be reported under *Government Auditing Standards*.

Renaissance Arts and Education, Inc.'s response to the findings identified in our audit is described above. We did not audit Renaissance Arts and Education, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities 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.

CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2008

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MANAGEMENT LETTER

To the Board of Directors of
Renaissance Arts and Education, Inc.
Manatee School for the Arts

We have audited the basic financial statements of Renaissance Arts and Education, Inc. (a Charter School), d/b/a Manatee School for the Arts as of and for the year ended June 30, 2008, and have issued our report thereon dated October 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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in those reports, which are dated October 29, 2008, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

As required by the Rules of the Auditor General (Section 10.854(1)(d)2.), a statement must be included as to whether or not the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that Renaissance Arts and Education, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., 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 the attention of the auditor. We noted no matters that are required to be reported or disclosed.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities 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.

CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2008