

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
A DEPARTMENT OF THE RENAISSANCE CHARTER SCHOOL, INC.  
(A COMPONENT UNIT OF THE SCHOOL  
BOARD OF BROWARD COUNTY, FLORIDA)

**BASIC FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2008

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**  
June 30, 2008

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**BASIC  
FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
North Broward Academy of Excellence  
A Department of the Renaissance Charter School, Inc.  
North Lauderdale, Florida

We have audited the accompanying basic financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of North Broward Academy of Excellence (the "School"), a component unit of the School Board of Broward County, Florida and a Department of The Renaissance Charter School, Inc. as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

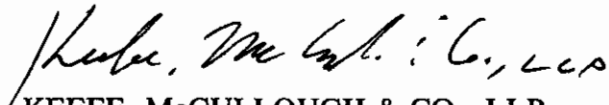
As discussed in Note 1, the basic financial statements of the School, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the General Fund and the aggregate remaining fund information of The Renaissance Charter School, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of The Renaissance Charter School, Inc. as of June 30, 2008, and its change in financial position or budgetary comparisons, where applicable, for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund and the aggregate remaining fund information of the School as of June 30, 2008, and the respective changes in financial position and budgetary comparisons 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 September 30, 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, 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the School taken as a whole. The statement of revenues and expenditures - General Fund - management format is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 30, 2008

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2008

As management of North Broward Academy of Excellence (the "School"), a component unit of the School Board of Broward County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2008 and 2007.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements and other supplementary information.

### **FINANCIAL HIGHLIGHTS**

Our basic financial statements provide these insights into the results of this year's operations.

- The increase in net assets of the School resulted in net assets of \$ 216,874 as of June 30, 2008 as compared to \$ 65,417 as of June 30, 2007. The change is a result of an increase in FTE and capital outlay revenues.
- As of June 30, 2008, the School has a fund balance of \$ 121,199.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide basic financial statements**

The government-wide basic financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide basic financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School include, primarily, instruction and instructional support services.

The government-wide basic financial statements can be found on pages 8 and 9 of this report.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2008

**Fund basic financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains only one governmental fund type, which is the General Fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund.

The School adopts an annual budget for its governmental fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund basic financial statements can be found on pages 10 through 14 of this report.

**Notes to basic financial statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to basic financial statements can be found on pages 16 through 22 of this report.

**Agency Fund**

In addition, the School has one agency fund which is a student activity fund. This fund is formed for educational and school purposes.

The Agency Fund financial statement can be found on page 15 of this report. The assets and liabilities of this Fund are not included in the government-wide statement of net assets.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning revenues and expenditures presented in a management format for the School's General Fund. Supplementary information can be found on page 23 of this report.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2008

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The School has been in operation for seven years; therefore, comparative government-wide data is presented. The School's net assets were \$ 216,874 at June 30, 2008. Of this amount, \$ 121,199 represents unrestricted net assets and \$ 95,675 represents amounts invested in capital assets. The School's net assets were \$ 65,417 at June 30, 2007. Of this amount, \$ 43,584 represented amounts invested in capital assets and \$ 21,838 represented amounts which were unrestricted. See Financial Highlights on page 3 of this report for an explanation of the reason for the change in net assets.

Our analysis in the table below focuses on the net assets of the School's governmental activities as of June 30, 2008 and 2007:

North Broward Academy of Excellence Net Assets		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>ASSETS:</b>		
Current and other assets	\$ 385,237	\$ 243,221
Capital assets, net of depreciation	<u>95,675</u>	<u>43,584</u>
Total assets	<u>480,912</u>	<u>286,805</u>
<b>LIABILITIES:</b>		
Liabilities, all of which are current	<u>264,038</u>	<u>221,388</u>
Total liabilities	<u>264,038</u>	<u>221,388</u>
<b>NET ASSETS:</b>		
Invested in capital assets	95,675	43,584
Unrestricted	<u>121,199</u>	<u>21,833</u>
Total net assets	<u>\$ 216,874</u>	<u>\$ 65,417</u>

**GOVERNMENTAL ACTIVITIES**

The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2008 and 2007:

North Broward Academy of Excellence Change in Net Assets		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>REVENUES:</b>		
General revenues	\$ 2,738,405	\$ 2,117,254
Program revenues	<u>439,366</u>	<u>434,899</u>
Total revenues	<u>3,177,771</u>	<u>2,552,153</u>

**NORTH BROWARD ACADEMY OF EXCELLENCE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

North Broward Academy of Excellence  
Change in Net Assets  
(continued)

<b>EXPENSES:</b>			
Instruction	1,446,501		1,179,265
Instructional support services	1,200,363		1,055,990
Operation of non-instructional services	<u>379,450</u>		<u>301,098</u>
Total expenses	<u>3,026,314</u>		<u>2,536,353</u>
Change in net assets	\$ <u>151,457</u>	\$	<u>15,800</u>

**GOVERNMENTAL FUND EXPENDITURES**

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2008		2007	
	Expenditures	Percent	Expenditures	Percent
<b>Governmental expenditures:</b>				
Instructional expenditures	\$ 1,446,501	47.0%	\$ 1,179,265	46.6%
Administrative services	284,191	9.2%	306,144	12.1%
Plant operations and maintenance	871,227	28.3%	723,137	28.6%
Other instructional support services	13,884	.5%	19,277	0.8%
All other functions/programs	<u>462,602</u>	<u>15.0%</u>	<u>302,497</u>	<u>11.9%</u>
Total governmental expenditures	\$ <u>3,078,405</u>	<u>100.0%</u>	\$ <u>2,530,320</u>	<u>100.0%</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were approximately 6% higher than budgeted amounts due primarily to the fact that the actual FTE revenue per student, as well as the capital outlay allocation per student, was both greater than the amount that was budgeted. In addition, the School received approximately \$ 37,000 as its School Recognition Bonus for its excellent academic performance. Aftercare revenue was approximately 29% lower than what was budgeted due to a lower participation than was originally projected.

Expenditures were greater than budgeted amounts by approximately 3%. Instructional expenditures were greater than budget due to the School Recognition Bonus which was paid with the revenue received, as noted above. In addition, several instructional positions were added during the year to meet the increased enrollment, as well as to meet the class size regulations, which were not part of the original plan. Administrative expenditures exceeded plan due to the school uniform inventory purchase. This expenditure was offset by corresponding revenue from the sale of the uniforms. Central services expenditures exceeded the budget due to the increased FTE revenue, as this category contains the school board fee. Conversely, the School had a favorable variance in fiscal services and plant operations that offset some of the unfavorable variances mentioned above. The School's fund balance exceeded budget due to the remaining excess of revenues over expenditures.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2008

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets*

At June 30, 2008, the School had capital assets of \$ 95,675, net of accumulated depreciation, invested in computers, furniture and equipment, leasehold improvements and improvements other than building as compared to \$ 43,584 at June 30, 2007.

*Long-term debt*

At June 30, 2008, the School had no long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The State of Florida has approved a decrease in education funding of approximately 2% for the FEFP program for the fiscal year 2008-2009. However, an additional decrease in December may be likely. Capital outlay revenue is expected to remain roughly the same as the prior year. Student enrollment is expected to increase by approximately 100 students due to the expansion of the current facility. These factors were considered in preparing the School's budget for fiscal year 2008-2009.

**REQUESTS FOR INFORMATION**

Questions about this report or additional information is necessary, contact Ms. Lorrie Davidson, Vice President of School Finance; Charter Schools USA; 6425 North Federal Highway, 5th Floor; Fort Lauderdale, Florida 33308.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

**A S S E T S**

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 245,085
Due from other schools	45,577
Due from other governments	33,650
Other assets	801
Deposits	<u>60,124</u>
Total current assets	385,237
 <b>NONCURRENT ASSETS:</b>	
Capital assets, net of accumulated depreciation	<u>95,675</u>
Total assets	<u>480,912</u>

**L I A B I L I T I E S   A N D   N E T   A S S E T S**

<b>CURRENT LIABILITIES:</b>	
Accounts payable and other accrued expenses	37,497
Accrued contracted services	220,208
Due to management company	635
Due to Agency Fund	<u>5,698</u>
Total current liabilities	<u>264,038</u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>	
	--
 <b>NET ASSETS:</b>	
Invested in capital assets	95,675
Unrestricted	<u>121,199</u>
Total net assets	\$ <u>216,874</u>

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

		Program Revenues			<u>Governmental Activities</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Assets</u>	
<b>FUNCTIONS/PROGRAMS:</b>					
Instruction:					
Regular instruction	\$ 1,347,343	\$ --	\$ --	\$ --	\$ (1,347,343)
Exceptional instruction	99,158	--	--	--	(99,158)
Instructional support services:					
Pupil services	4,630	--	--	--	(4,630)
Instructional media services	1,648	--	--	--	(1,648)
Instructional services	7,606	--	--	--	(7,606)
Administrative services	312,055	--	--	--	(312,055)
Plant operations and maintenance	874,424	--	--	272,574	(601,850)
Operation of non-instructional services:					
Food services	34,837	--	--	--	(34,837)
Board services	11,867	--	--	--	(11,867)
Fiscal services	200,360	--	--	--	(200,360)
Central services	39,342	--	--	--	(39,342)
Community services	<u>93,044</u>	<u>166,792</u>	<u>--</u>	<u>--</u>	<u>73,748</u>
 Total governmental activities	 \$ <u>3,026,314</u>	 \$ <u>166,792</u>	 \$ <u>--</u>	 \$ <u>272,574</u>	 <u>2,586,948</u>
 General revenues:					
Grants and entitlements				2,714,568	
Contributions and other				<u>23,837</u>	
Total general revenues				<u>2,738,405</u>	
Change in net assets				151,457	
Net assets, July 1, 2007				<u>65,417</u>	
Net assets, June 30, 2008				\$ <u><u>216,874</u></u>	

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
 June 30, 2008

**A S S E T S**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 245,085
Due from other schools	45,577
Due from other governments	33,650
Other assets	801
Deposits	<u>60,124</u>
<b>Total assets</b>	<b>\$ <u><u>385,237</u></u></b>

**LIABILITIES AND FUND BALANCE**

<b>LIABILITIES:</b>	
Accounts payable and other accrued liabilities	\$ 37,497
Accrued contracted services	220,208
Due to management company	635
Due to Agency Fund	<u>5,698</u>
<b>Total liabilities</b>	<b><u>264,038</u></b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>	--
<b>FUND BALANCE:</b>	
Unreserved	<u>121,199</u>
<b>Total fund balance</b>	<b><u>121,199</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ <u><u>385,237</u></u></b>

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2008

TOTAL FUND BALANCE - GOVERNMENTAL FUND, PAGE 10 \$ 121,199

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

The cost of capital assets acquired is reported as an expenditure in the governmental fund. The statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$	164,331	
Accumulated depreciation		<u>(68,656)</u>	<u>95,675</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8 \$ 216,874

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
For the Year Ended June 30, 2008

	<u>General Fund</u>
<b>REVENUES:</b>	
State sources	\$ 2,987,142
Aftercare	166,792
Local sources	<u>23,837</u>
Total revenues	<u>3,177,771</u>
 <b>EXPENDITURES:</b>	
Current:	
Instruction:	
Regular instruction	1,347,343
Exceptional instruction	99,158
Instructional support services:	
Pupil services	4,630
Instructional media services	1,648
Instructional services	7,606
Administrative services	284,191
Plant operations and maintenance	871,227
Operation of non-instructional services:	
Food services	34,837
Board services	11,867
Fiscal services	200,360
Central services	39,342
Community services	93,044
Capital outlay:	
Site, building and equipment	<u>83,152</u>
Total expenditures	<u>3,078,405</u>
Change in fund balance	99,366
 FUND BALANCE, July 1, 2007	 <u>21,833</u>
 FUND BALANCE, June 30, 2008	 \$ <u><u>121,199</u></u>

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

**NORTH BROWARD ACADEMY OF EXCELLENCE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGE IN FUND BALANCE OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008**

CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND, PAGE 12	\$	99,366
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as a provision for depreciation.

The cost of capital assets purchased	\$	83,152	
Provision for depreciation		<u>(31,061)</u>	<u>52,091</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u>151,457</u>
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The accompanying notes to basic financial statements are an integral part of these statements.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2008

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
State sources	\$ 2,887,166	\$ 3,125,812	\$ 238,646
Local sources	--	23,837	23,837
Aftercare	<u>236,250</u>	<u>166,792</u>	<u>(69,458)</u>
Total revenues	<u>3,123,416</u>	<u>3,316,441</u>	<u>193,025</u>
 <b>EXPENDITURES:</b>			
Instruction:			
Regular instruction	1,221,399	1,347,343	(125,944)
Exceptional instruction	139,856	99,158	40,698
Instructional support services:			
Pupil services	--	4,630	(4,630)
Instructional media services	6,800	1,648	5,152
Instructional services	4,500	7,606	(3,106)
Administrative services	249,196	284,191	(34,995)
Plant operations and maintenance	896,358	871,227	25,131
Operation of noninstructional services:			
Board services	14,000	11,867	2,133
Fiscal services	253,473	200,360	53,113
Food services	25,355	34,837	(9,482)
Central services	147,103	178,012	(30,909)
Community services	83,081	93,044	(9,963)
Capital outlay:			
Furniture, improvements and equipment	<u>76,374</u>	<u>83,152</u>	<u>(6,778)</u>
Total expenditures	<u>3,117,495</u>	<u>3,217,075</u>	<u>(99,580)</u>
Net change in fund balance (deficit)	\$ <u>5,921</u>	\$ <u>99,366</u>	\$ <u>93,445</u>

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND**  
June 30, 2008

**A S S E T S**

	<u>Student Activity</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 28,745
Other receivables	<u>6,235</u>
Total assets	\$ <u><u>34,980</u></u>

**L I A B I L I T I E S**

<b>LIABILITIES:</b>	
Due to students	\$ <u>34,980</u>
Total liabilities	\$ <u><u>34,980</u></u>

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

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 1 - ORGANIZATION AND OPERATIONS**

North Broward Academy of Excellence (the School), a component unit of the School Board of Broward County, Florida (the School Board), was established in 2001 as a public charter school to serve students from kindergarten to fifth grade in Broward County. The School is sponsored by its charter holder, The Renaissance Charter School, Inc., a Florida nonprofit corporation organized in August 1998. As of June 30, 2008, 437 students were enrolled in the School.

The basic financial statements of the School present only the balances, activities and disclosures related to the School. They do not purport to, and do not, present the financial position of The Renaissance Charter School, Inc. as of June 30, 2008, and its change in financial position or budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting entity:

The School operates under a charter granted by the sponsoring School District, the School Board of Broward County (the "District"). The current charter is effective until June 30, 2011, and may be renewed in increments of five years by mutual written agreement between the School and the Sponsor. 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 ninety 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. North Broward Academy of Excellence is considered a component unit of the School Board of Broward County.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's basic financial statements.

Basis of presentation:

Based on the guidance provided in the provisions of Florida Statutes the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide statements:

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants, and contributions. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net assets resulting from the current year's activities.

Fund basic financial statements:

The accounts of the School are organized on the basis of funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures.

The General Fund is a governmental fund type employed in accounting for the financial activities and transactions of the School.

The Agency Fund accounts for student monies that are attributable to school and other educational activities.

Measurement focus and basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide basic financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified-accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Revenue recognition:

Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee retained by the School Board. This funding is received on a pro rata basis over the twelve-month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income taxes:**

The School is a department of a nonprofit corporation whose revenue is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

**Capital assets:**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements, and other expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the capital assets estimated useful lives as follows:

Furniture and equipment	10 years
Improvements other than building	10 years
Computers	5 years
Leasehold improvements	10 years

**Net assets:**

Net assets are classified in three categories. The general meaning of each is as follows:

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Unrestricted - includes all other net assets.

Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

**Fund balance:**

Fund balance is classified in two categories. The general meaning of each is as follows:

Reserved - indicates the portion of fund balance not available for appropriation in subsequent periods or is legally segregated for a specific future use. These amounts do not represent available spendable resources.

Unreserved - includes all other fund balances.

Designations of fund balance represent tentative management plans that are subject to change.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budget:

An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements, except for the reporting of a 5% administration fee retained by the School Board.

A reconciliation of the General Fund presented on a budgetary basis to the amount presented in accordance with generally accepted accounting principles (GAAP) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis, page 14	\$ 3,316,441	\$ 3,217,075
Less: 5% administration fee retained by the School Board included as revenue and expenditures on a budgetary basis	(138,670)	(138,670)
GAAP basis, page 12	\$ 3,177,771	\$ 3,078,405

**NOTE 3 - DEPOSITS**

At June 30, 2008, the carrying amount of the deposits and cash on hand totaled \$ 273,830, with a bank balance of \$ 287,422.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2008.

**NOTE 4 - DUE FROM OTHER SCHOOLS**

Both the School and North Broward Academy of Excellence Middle School are related, as they both share common board membership, are managed by Charter School USA, Inc., and are departments of the Renaissance Charter School, Inc. These two schools share teachers and administrative staff, as well as expenses, which include rent and other operating expenses. As of June 30, 2008, the basic financial statements include an amount due from other schools in the amount of \$ 45,577, representing short-term advances for such expenses mentioned above.

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2008 consists of amounts due from the School Board for the 2007/2008 Performance Pay Bonus Allocation and for an amount due from the state for FTE.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2008

**NOTE 6 - DUE TO MANAGEMENT COMPANY**

The total amount due to the management company as of June 30, 2008 is \$ 635, which represents amounts due to CSUSA for expenses incurred by the School throughout the year.

**NOTE 7 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2008 are as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital assets, depreciable:				
Furniture and equipment	\$ 48,047	\$ 14,892	\$ --	\$ 62,939
Computers	6,158	63,265	--	69,423
Improvements other than buildings	20,104	4,995	--	25,099
Leasehold improvements	<u>6,870</u>	<u>--</u>	<u>--</u>	<u>6,870</u>
	<u>81,179</u>	<u>83,152</u>	<u>--</u>	<u>164,331</u>
Accumulated depreciation:				
Furniture and equipment	23,368	7,444	--	30,812
Computers	6,158	20,420	--	26,578
Improvements other than buildings	5,672	2,510	--	8,182
Leasehold improvements	<u>2,397</u>	<u>687</u>	<u>--</u>	<u>3,084</u>
	<u>37,595</u>	<u>31,061</u>	<u>--</u>	<u>68,656</u>
	<u>\$ 43,584</u>	<u>\$ 52,091</u>	<u>\$ --</u>	<u>\$ 95,675</u>

Provision for depreciation was charged to governmental activities as follows:

Instructional support services - administrative	\$ 27,864
Instructional support services - plant operations and maintenance	<u>3,197</u>
	<u>\$ 31,061</u>

**NOTE 8 - LEASES**

The School has an operating lease agreement for the use of its premises. The lease expires in July 2015, and requires monthly payments between \$ 27,413 and \$ 30,259. The School is also required to pay a portion of the operating expenses associated with the leased premises and shares the facility with North Broward Academy of Excellence Middle School (Note 4).

In addition, a principal stockholder of Charter Schools USA, Inc. (Note 9) owns an interest in the facility leased by the Schools (Note 13).

The School also leases office space on a yearly basis. Payments for this additional space are approximately \$ 191,100 per year. As of August 1, 2008, the School will no longer utilize this space.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2008

**NOTE 8 - LEASES (continued)**

Subsequent to year end, the School amended their lease with a related party for additional space in the expanded facility. The amount paid will be based on the proportion of students in attendance of the School. The amended lease expires in July 2012.

Future lease payments are approximately as follows:

<u>Year Ending</u> <u>June 30,</u>		
2009	\$	745,500
2010	\$	826,700
2011	\$	851,400
2012	\$	876,800
Thereafter	\$	NONE

Rent expense totaled \$ 516,777 for the year ended June 30, 2008.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The School has a formal agreement with Charter Schools USA, Inc. (CSUSA) to manage, staff and operate the School. The agreement states that CSUSA shall receive all revenues minus expenses paid by the Board directly as its gross revenue, from which it pays all other operating costs of the School identified in the budget approved by the Board. CSUSA is entitled to retain as compensation for its services the difference, if any, between the amount of the School's revenues and the amount of revenues expended by CSUSA in the course of operation and management of the School. The agreement expires in August 2019.

The total management fees paid amounted to \$ 200,000 for the year ended June 30, 2008.

**NOTE 10 - CAPITAL APPROPRIATIONS FUNDING**

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 272,574 for the 2007/2008 school year which has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay its portion of the lease expense on the facility.

**NOTE 11 - RISK FINANCING**

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past five years.

**NORTH BROWARD ACADEMY OF EXCELLENCE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 11 - RISK FINANCING (continued)**

CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

**NOTE 12 - EMPLOYEE BENEFIT PLAN**

During the year ended June 30, 2008, the School offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 20% of their annual gross compensation, subject to certain limitations. The School will match 25% of the first 6% of the employee contribution. For the year ended June 30, 2008, the School contributed \$ 8,334 to the Plan.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

A principal stockholder of CSUSA (Note 9) previously acquired an interest in the facility leased by the School and shared by North Broward Academy of Excellence Middle School (Note 8). This resulted in no change to existing agreements between the School and the lessor as a result of this transaction.

**SUPPLEMENTARY  
INFORMATION**

**NORTH BROWARD ACADEMY OF EXCELLENCE  
STATEMENT OF REVENUES AND EXPENDITURES -  
GENERAL FUND - MANAGEMENT FORMAT**  
For the Year Ended June 30, 2008

<u>Account</u>	300 Purchased Services	400 Energy Services	500 Materials and Supplies	600 Capital Outlay	700 Other Expenses	<u>Totals</u>
<b>REVENUES:</b>						
State sources	\$ 3,125,812					\$ 3,125,812
Local sources	190,629					190,629
Afterscare	--					--
<b>Total revenues</b>						<u>3,316,441</u>
<b>EXPENDITURES:</b>						
Instruction	\$ 1,365,280	\$ --	\$ 75,820	\$ 5,401	\$ --	1,446,501
Pupil services	4,630	--	--	--	--	4,630
Instructional media services	--	--	1,648	--	--	1,648
Instruction and curriculum development	--	--	6,555	--	--	6,555
Instructional staff training	1,051	--	--	--	--	1,051
Board services	11,867	--	--	--	--	11,867
School administration	251,527	--	13,227	19,437	--	284,191
Fiscal services	200,360	--	--	--	--	200,360
Food services	--	--	34,837	--	--	34,837
Central services	178,012	--	--	--	--	178,012
Operation of plant	773,270	46,152	3,566	--	890	823,878
Maintenance of plant	47,349	--	--	--	--	47,349
Community services	87,593	--	5,451	--	--	93,044
Capital outlay:						
Site, building and equipment	--	--	--	83,152	--	83,152
<b>Total expenditures</b>	<u>\$ 2,920,939</u>	<u>\$ 46,152</u>	<u>\$ 141,104</u>	<u>\$ 107,990</u>	<u>\$ 890</u>	<u>3,217,075</u>
<b>Change in fund balance</b>						<u>\$ 99,366</u>

**OTHER INDEPENDENT  
AUDITORS' REPORTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
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**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  
North Broward Academy of Excellence  
A Department of the Renaissance Charter School, Inc.  
North Lauderdale, Florida

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of North Broward Academy of Excellence (the "School"), a component unit of the School Board of Broward County, Florida and a Department of The Renaissance Charter School, Inc., as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements, and have issued our report thereon dated September 30, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the School's basic financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

We noted certain matters that we reported to School management in the schedule of findings on pages 28 and 29.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 basic 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.

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

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 30, 2008

JOHN R. KEEFE, C.P.A.  
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## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS


To the Board of Directors  
North Broward Academy of Excellence  
A Department of the Renaissance Charter School, Inc.  
North Lauderdale, Florida

This letter is written in connection with our audit of the basic financial statements of North Broward Academy of Excellence (the "School"), a component unit of the School Board of Broward County, Florida and a Department of The Renaissance Charter School, Inc., as of and for the year ended June 30, 2008. The purpose of this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Rule 10.854(1)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations, fraud and/or violations of laws, rules or regulations.
2. There were no recommendations made relating to the preceding audit.
3. There were no recommendations to improve the School's financial management, accounting procedures, and internal controls that were considered significant deficiencies. There were two recommendations, not considered to be significant deficiencies, reported in a separate letter dated September 30, 2008.
4. There were no violations of laws, rules, regulations, and contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the basic financial statements.
6. There were no other matters requiring correction which may or may not materially affect the basic financial statements reported on, including, but not limited to: improper or inadequate accounting procedures, failures to properly record financial transactions, or other inaccuracies, shortages, defalcations and instances of fraud or other significant deficiencies or material weaknesses.
7. 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 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.

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 30, 2008

**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
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**INDEPENDENT AUDITORS' REPORT TO MANAGEMENT**

To the Board of Directors  
North Broward Academy of Excellence  
A Department of the Renaissance Charter School, Inc.  
North Lauderdale, Florida

In planning and performing our audit of the basic financial statements of North Broward Academy of Excellence (the "School"), a component unit of the School Board of Broward County, Florida and a Department of The Renaissance Charter School, Inc., as of and for the year ended June 30, 2008, we considered the School's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of certain matters that represents an opportunity for you to strengthen your internal controls and operating efficiencies. This letter includes our comments and recommendations. This letter does not affect our separate report dated September 30, 2008 on the basic financial statements of North Broward Academy of Excellence.

The enclosed comments are not intended to reflect on the honesty, integrity, or competence of the employees of the School, but are mentioned only to aid you in improving existing procedures and internal controls.

After you have had an opportunity to consider our comments and recommendations, we would be happy to discuss them with you at your convenience.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
September 30, 2008

NORTH BROWARD ACADEMY OF EXCELLENCE  
SCHEDULE OF FINDINGS  
June 30, 2008

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

NONE

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Maintain capital asset inventory:

During the audit, we observed that an inventory of capital assets has not been taken. We recommend that you perform a complete inventory of capital assets at the School's location and implement an inventory tracking system

Management's response:

Management has recognized that a lack of a formal capital asset inventory system is a weakness. As a result, management has begun a search for an inventory company to perform a full capital asset inventory, as well as provide a computerized system to manage the such inventory going forward. Several companies have been interviewed and proposals have been submitted and reviewed. Management expects to make a decision and move forward within the next 90 to 120 days.

Update internal control procedures:

During the audit, we noted that the existing accounting procedures manual does not reflect the procedures actually in use because it has not been updated as changes have been made in policies and procedures. Any changes in the accounting procedures manual, as well as existing internal controls, should be documented and communicated on a regular basis to all affected personnel. This will enable management to monitor compliance with the policies and procedures in the manual. We recommend that a signature and date be attached to each updated manual and a policy be established for its regularly scheduled review and update.

Management's response:

Management has recognized that the accounting procedures manual needs to be updated. A committee has been formed and meets on a regular basis to review policies and internal control procedures and to update them as necessary. Management expects this process to continue over the next six months. However, as policies and procedures are finalized, affected staff will be properly trained on any new policies and procedures.