

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.

A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

FINANCIAL STATEMENTS

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Sarasota School of Arts and Sciences, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of the governmental activities and the General Fund of Sarasota School of Arts and Sciences, Inc. (a Charter School and component unit of the School Board of Sarasota County) as of and for the year ended June 30, 2008, which collectively comprised the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Sarasota School of Arts and Sciences, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Sarasota School of Arts and Sciences, 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 31, 2008, on our consideration of Sarasota School of Arts and Sciences, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CPA Associates

Bradenton, Florida
October 31, 2008

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

(Unaudited)

The following pages represent the Management's Discussion and Analysis (MD&A) of Sarasota School of Arts and Sciences, Inc. 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 also review the basic financial statements and notes to enhance their understanding of Sarasota School of Arts and Sciences, Inc.'s financial performance.

Using 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 Sarasota School of Arts and Sciences, Inc. 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 Highlights

	FY 2006-07	FY 2007-08	\$ Change	% Change
Total Assets	\$4,704,384	\$5,250,490	\$546,106	12%

Total Assets increased by 12% for the year ended June 30, 2008. This increase was mainly attributed to an increase in current cash assets.

	FY 2006-07	FY 2007-08	\$ Change	% Change
Total Liabilities	\$3,790,270	\$3,551,988	\$238,282	7%

Total Liability decreased by 7% for the year ended June 30, 2008. This decrease was due to not securing any new long-term debt coupled with the reduction of existing long-term debt.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

(Unaudited)

	FY 2006-07	FY 2007-08	\$ Change	% Change
Total Revenue	\$4,759,900	\$5,371,238	\$611,338	13%
Total Expenses	\$4,281,185	\$4,586,850	\$305,665	8%

Total Revenue increased by \$611,338 for the year ended June 30, 2008. This increase was due to sustained student population and an increase FTE student allocation. **Total Expenses** increased by \$305,665 for the year ended June 30, 2008. The increase was due to Sarasota County School Board's increase in salaries schedules by 3% and an increase in capital expenditures.

The largest revenue source for Sarasota School of Arts and Sciences, Inc. is the FEFP financing program, which allocates funds based on the number and type of students enrolled in our school. Grants and fundraising account for the second largest source of revenue.

Capital Assets and Long-Term Debt Administration

Sarasota School of Arts and Sciences, Inc. has invested in a variety of capital assets including real property, building improvements, furniture, fixtures, and other equipment. Total capital assets at June 30, 2008 amount to \$4,568,442, net of accumulated depreciation.

Long-term debt at June 30, 2008 consisted of bonds payable, a note payable, and an obligation under a capital lease. The bonds and note had a year-end balance of \$3,214,873, and the capital lease obligation had a balance of \$133,980.

Economic Factors and Next Year's Budget

The viability, and the future goals of Sarasota School of Arts and Sciences, Inc., is based on the continuation of conservative yet innovative and creative financial management. This management style, coupled with fine-tuning and expeditiously accelerating our 5-year plan to a shorter period of time, meeting the academic needs of our student body, concurrently with generating a million dollar savings account, which in turn, will result in the attainment of the financing necessary to construct a new main educational facility. Our initial goal for the main educational facility was presented in our 10-year plan, which was reduced to a five-year plan and now, may conceivably be achieved within a two-year plan from this date in time. Our fiscal situation has been stable for the past several years. As of June 2008, we have successfully, and in a timely manner, been paying our mortgage payments for four years, thus, adding equity to our financial portfolio. Sarasota School of Arts and Sciences, Inc. is one of the very few schools that

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

(Unaudited)

own their property and buildings. The goal for the 2008-2009 school year is to increase our average student population from 600 to 645. This growth in student population and the FTE revenue that it brings, coupled with the additional financial support of an initial portion of the District's new 2 mil contribution to charter schools in the amount of \$430,000 will first, make up the 14.7% projected income reduction from the state, secondly, promote an increased building fund account to be used as collateral, in order to raise the financing necessary to construct the new main educational facility and through this modus operandi, establish a mortgage payment that will be budget-friendly and not cut into or diminish any of our outstanding programs and curricula offered at SSA+S. The aforementioned increase in revenue will also permit us to hire additional staff, where needed, enhance our special programs, purchase a new 2008 heavy duty lunch wagon for transporting food safely (costing approximately \$39,800) and as mentioned previously, construct a new education edifice while maintaining financial equilibrium. We reduced our line of credit this year to \$0, moreover, our building fund account, is now \$604,661, with a goal of \$700,000 to be in said account by the first of October. All of the achievements discussed above, coupled with our successful financial management techniques, will ensure that Sarasota School of Arts and Sciences, Inc. continues to be Sarasota County's premier Charter School. This premier status was evident again this year by SSA+S earning the Florida Department of Education's School Grade of an "A," concurrently with achieving Adequate Yearly Progress (AYP), a "100%," (which only two schools in the District earned) based on the "No Child Left Behind" Federal Legislation.

Contact for Further Information:

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SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

Current assets:	
Cash	\$ 637,875
Accounts receivable	5,524
	643,399
Noncurrent assets:	
Capital assets, net of accumulated depreciation	4,568,442
Unamortized bond costs	32,354
Other assets	6,295
	4,607,091
TOTAL ASSETS	\$ 5,250,490

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 16,223
Retirement plan payable	9,977
Accrued salaries payable	134,494
Current portion of long-term debt	144,801
Current portion of obligations under capital lease	70,144
	375,639
Long-term liabilities:	
Long-term debt	3,070,072
Interest rate swap contract	42,441
Obligations under capital lease	63,836
	3,551,988
Net assets:	
Investment in capital assets, net of related debt	1,219,589
Unrestricted	478,913
	1,698,502
TOTAL LIABILITIES AND NET ASSETS	\$ 5,250,490

See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 2,867,062	167,233	(2,699,829)
Support services:			
Instructional staff training	11,777	--	(11,777)
Instructional media services	63,197	--	(63,197)
Board	9,018	--	(9,018)
General administration	220,779	--	(220,779)
School administration	608,861	--	(608,861)
Fiscal services	38,312	--	(38,312)
Pupil transportation services	140,075	--	(140,075)
Operation of plant	185,531	--	(185,531)
Maintenance of plant	203,781	--	(203,781)
Interest and fiscal charges on long-term debt	238,457	--	(238,457)
Total expenses	\$ 4,586,850	167,233	(4,419,617)
General revenues:			
Local			5,265,820
Change in value of interest rate swap			(69,035)
Investment return			7,220
Total general revenues			5,204,005
Change in net assets			784,388
Net assets, July 1, 2007			914,114
Net assets, June 30, 2008			\$ 1,698,502

See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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BALANCE SHEET - GENERAL FUND
June 30, 2008

ASSETS

Cash	\$ 637,875
Other assets	<u>11,819</u>
TOTAL ASSETS	<u><u>\$ 649,694</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 16,223
Retirement plan payable	9,977
Accrued salaries payable	<u>134,494</u>
Total liabilities	160,694
Fund balance:	
Undesignated	<u>489,000</u>
Total fund balance	<u>489,000</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 649,694</u></u>

See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY
RECONCILIATION OF THE BALANCE SHEET - GENERAL FUND
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - Balance Sheet - General Fund	\$	489,000
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Amounts reported in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the General Fund.

Capital assets	5,447,672	
Less accumulated depreciation	<u>(879,230)</u>	4,568,442

Other noncurrent assets used in governmental activities are not financial resources and, therefore, not reported in the General Fund.

Bond costs	74,459	
Less accumulated amortization	<u>(42,105)</u>	32,354

Noncurrent liabilities are not due and payable in the current period and, therefore, not reported in the General Fund.

Interest rate swap contract	42,441	
Bonds payable	2,245,085	
Notes payable	969,788	
Capital leases payable	<u>133,980</u>	<u>(3,391,294)</u>

Total net assets - Statement of Net Assets	\$	<u><u>1,698,502</u></u>
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See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental				
Federal pass-through	\$ 63,510	63,510	73,500	9,990
Local	4,897,215	4,897,215	5,265,820	368,605
Private contributions	87,530	87,530	93,733	6,203
Investment income	500	500	7,220	6,720
Total revenues	<u>5,048,755</u>	<u>5,048,755</u>	<u>5,440,273</u>	<u>391,518</u>
Expenditures:				
Current - education:				
Instruction	2,565,841	2,565,841	2,677,854	(112,013)
Instructional staff training	18,000	18,000	11,777	6,223
Instructional media services	57,674	57,674	63,197	(5,523)
Board	3,000	3,000	457	2,543
General administration	322,383	322,383	211,143	111,240
School administration	556,793	556,793	594,540	(37,747)
Fiscal services	38,900	38,900	38,312	588
Pupil transportation services	220,676	220,676	140,075	80,601
Operation of plant	192,500	192,500	184,661	7,839
Maintenance of plant	210,249	210,249	203,346	6,903
Capital outlay	677,000	677,000	347,171	329,829
Long-term debt service				
Principal	136,549	136,549	246,666	(110,117)
Interest	224,190	224,190	227,820	(3,630)
Total expenditures	<u>5,223,755</u>	<u>5,223,755</u>	<u>4,947,019</u>	<u>276,736</u>
Excess (deficiency) of revenues over expenditures	(175,000)	(175,000)	493,254	668,254
Other financing sources				
Capital lease proceeds	175,000	175,000	9,570	(165,430)
Total other financing sources	<u>175,000</u>	<u>175,000</u>	<u>9,570</u>	<u>(165,430)</u>
Net change in fund balance	--	--	502,824	502,824
Fund balance (deficit) - July 1, 2007	(13,824)	(13,824)	(13,824)	--
Fund balance (deficit) - June 30, 2008	<u>\$ (13,824)</u>	<u>(13,824)</u>	<u>489,000</u>	<u>502,824</u>

See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balance (actual), Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	\$	502,824
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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 exceeded depreciation expense in the current period.

Capital outlay expenditures	347,171	
Less current year depreciation	<u>(223,030)</u>	124,141

Bond proceeds and notes payable provide current financial resources in the General Fund, but issuing debt increases noncurrent liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the General Fund, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. This is the amount by which repayments exceeded proceeds.

Capital lease proceeds	9,570	
Principal payments	<u>(246,666)</u>	237,096

In the Statement of Activities, some revenues and expenses do not require the source or use of current financial resources and, therefore, are not reported as a revenue or expenditure in the General Fund.

Change in value of interest rate swap	(69,035)	
Amortization of current year bond cost	<u>(10,638)</u>	<u>(79,673)</u>

Change in net assets - Statement of Activities	\$	<u><u>784,388</u></u>
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SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Sarasota School of Arts and Sciences, Inc. (the Charter School) is a not-for-profit corporation formed on February 10, 1997, pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the corporation is a Board of Directors of no less than seven members. The Charter School is dedicated to teaching principles of academic excellence and social responsibility through involvement of students, faculty, parents, mentors, and the community. The Charter School's curriculum emphasizes the arts and sciences encouraging students to learn, think, and explore by traditional and nontraditional means.

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 board, the School Board of Sarasota County, Florida. The current charter is effective until June 30, 2013, and may be renewed by mutual agreement between the Charter School and the School Board. The Sarasota School of Arts and Sciences, Inc. is a component unit of the Sarasota County 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 described in Governmental Accounting Standards Board (GASB) Statement 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 basic financial statements of the Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental 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. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

Government-Wide and Fund Financial 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 governmental activities only. The Charter School has no business-type activities.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Assets, the Charter School reports on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and 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 demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The individual generic fund type in the Charter School's financial statements is a governmental fund. The focus of the governmental fund's 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 of its financial resources.

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

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

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NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is 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 a local financial institution. The Federal Deposit Insurance Corporation insures each depositor up to \$100,000. At June 30, 2008, the Charter School had approximately \$560,000 of uninsured cash balances.

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 \$500 for fixed asset additions. Capital assets are recorded in the entity-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 30 to 40 years for buildings and improvements and 5 to 7 years for furnishings and equipment.

Interest Rate Swap: The Charter School entered into an interest rate swap transaction to reduce the economic risks associated with variability in cash outflows for interest required under the Tax-Exempt Adjustable Mode Industrial Revenues Bonds Agreement. Interest rate swaps are recognized as either assets or liabilities at their fair value on the statement of net assets with the changes in the fair value reported in investment return on the statement of activities. For the year ended June 30, 2008, the School recognized a loss of \$69,035.

Fund Equity: Reservations of fund balance represent amounts that are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Charter School did not report any reservations or designations as of June 30, 2008.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings (including capital leases) used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations. All net assets not reported as net

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NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets invested in capital assets, net of related debt, and restricted net assets, are reported as unrestricted net assets.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use the restricted resources first, then unrestricted resources as they are needed.

Revenue Sources: Revenues for current operations are received primarily from the School Board of Sarasota County pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board 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 (FEFP). 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.

The Charter School also receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

Additional revenues are derived from various fund-raising activities, contributions, and interest earned.

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.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE B: CAPITAL ASSETS

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

	Balance <u>7/1/07</u>	<u>Additions</u>	<u>Deletions</u>
Building	\$ 4,187,398	234,226	--
Improvements	152,383	--	--
Furniture, fixtures and equipment	425,259	103,374	--
Property under capital lease	<u>335,461</u>	<u>9,570</u>	<u>--</u>
	5,100,501	347,170	--
Accumulated depreciation	<u>656,199</u>	<u>223,030</u>	<u>--</u>
	<u>\$ 4,444,302</u>	<u>124,140</u>	<u>--</u>

Depreciation expense in the amount of \$223,030 for the year ended June 30, 2008, was allocated to the following governmental functions:

Instruction	\$ 189,208
School administration	8,561
General administration	9,636
Board	14,321
Plant operation	869
Plant maintenance	<u>435</u>
	<u>\$ 223,030</u>

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C: NOTE PAYABLE

Long-term debt at June 30, 2008, consists of the following:

Bonds payable in monthly installments of approximately \$18,000 including interest at 5.55%, due June 2011, collateralized by a building.	\$ 2,245,084
Promissory note with a financial institution, for \$250,000 payable in monthly principal installments of \$1,042, along with variable interest currently at 7.32%, with remaining principal due July 25, 2011,	206,594
Promissory note to an individual, payable in monthly installments of \$8,873 including interest at 8.5%, due July 2019, secured by a building.	<u>763,195</u>
Total long-term debt	3,214,873
Less: current portion	<u>144,801</u>
Long-term debt – noncurrent	<u>\$ 3,070,072</u>

The bonds payable contains certain restrictions and covenants. At June 30, 2008, the school was in compliance with the debt covenants.

Maturities of long-term debt are as follows:

Year Ended June 30,	
2009	\$ 144,801
2010	153,695
2011	163,216
2012	2,187,525
2013	60,765
Thereafter	<u>504,871</u>
Total long-term debt	<u>\$ 3,214,873</u>

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C: NOTE PAYABLE (CONTINUED)

Long-Term Debt and Interest Rate Swap

On July 16, 2004, Sarasota School of Arts and Sciences, Inc. entered into a bond purchase agreement with Bank of America and Sarasota County for the purchase and sale of \$2,550,000 of a Tax-Exempt Industrial Development Revenue Bond (Sarasota School of Arts and Sciences, Inc. Project), Series 2004. The bond was sold to the Bank of America to enable the Sarasota School of Arts and Sciences, Inc. to acquire an educational facility which they had previously been leasing from an individual. The bond matures June 25, 2011, and is collateralized by a first real estate mortgage on this property.

Additionally, the Sarasota School of Arts and Sciences, Inc. entered into an interest rate swap agreement with Bank of America in conjunction with these bonds through June 25, 2011. The interest rate swap agreement has an original notational amount of \$2,484,332. Under the swap agreement, the Sarasota School of Arts and Sciences, Inc. pays interest at a fixed rate of 3.06% and receives interest at a variable rate equal to 64% of the LIBOR, based on the notional amount. Interest payments are due monthly and the variable rate resets monthly.

As of June 30, 2008, the fair value of the notational amount was \$2,245,084. A liability of \$42,441 was recorded for the difference between the prior year notational amount and the fair value at June 30, 2008.

NOTE D: LINE OF CREDIT

The Charter School has a line of credit in the amount of \$120,000 with a local financial institution. The variable interest rate was 6.0% at June 30, 2008. The line is secured by equipment and is due January 31, 2008. As of June 30, 2008, the balance on the line of credit was \$0.

NOTE E: CAPITAL LEASES

The Charter School leases a copier under an agreement classified as a capital lease. The lease began September 2006, and expires in 2012. It contains a bargain purchase option at the end of the lease term, and the School traded in the old copier.

The Charter School also leases computer equipment under a capital lease agreement. The agreements began in fiscal year 2008 and expires in fiscal year 2009. The leases include a bargain purchase options at the end of the lease terms.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E: CAPITAL LEASES (CONTINUED)

In 2007, the Charter School leased synthetic grass surfacing for their physical education area. The lease is payable over a two year period and includes a bargain purchase option.

The balance of the Charter School's obligations under this capital lease at June 30, 2008, consists of:

Total capital lease obligations	\$ 133,980
Less current portion	<u>70,144</u>
Capital lease obligations-noncurrent	<u><u>\$ 63,836</u></u>

Future minimum lease payments under this capital lease are as follows:

2009	\$ 80,810
2010	31,095
2011	31,095
2012	7,774
2013	<u>-</u>
Total future minimum lease payments	<u>150,774</u>
Less amount representing interest	<u>16,794</u>
Present value of minimum lease payments	<u><u>\$ 133,980</u></u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The School's contributions to the plan are 9% of eligible employees' wages. Employees are vested in the plan according to a schedule. For the year ended June 30, 2008 the School's retirement plan contributions were \$184,699.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G: LOCAL REVENUE SOURCES

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

<u>Sources</u>	<u>Amounts</u>
School Board of Sarasota County	
Florida Education Program	\$ 2,743,450
Instructional materials	27,074
Supplemental academic instruction	142,337
Miscellaneous	28,340
Capital outlay funding	455,451
District school taxes	<u>1,869,168</u>
Total	<u><u>\$ 5,265,820</u></u>



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

Board of Directors
Sarasota School of Arts and Sciences, Inc.
Bradenton, Florida

We have audited the financial statements of the Sarasota School of Arts and Sciences, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 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 Sarasota School of Arts and Sciences, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sarasota School of Arts and Sciences, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sarasota School of Arts and Sciences, Inc.'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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, 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.

CPA Associates

Bradenton, Florida
October 31, 2008



MANAGEMENT LETTER

Board of Directors
Sarasota School of Arts and Sciences, Inc.
Bradenton, Florida

We have audited the financial statements of the Sarasota School of Arts and Sciences, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 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 this report, which are dated October 31, 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. Those rules (Section 10.856(2)(e)) require that we disclose in the management letter certain comments and recommendations as noted below.

As required by the Rules of the Auditor General (Section 10.854(1)(e)1.), we are to disclose whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All significant findings were addressed during the current fiscal year.

As required by Rules of the Auditor General (Section 10.854(1)(e)2.), we are to disclose if the charter school has met one or more of the conditions of a financial emergency as described in Section 218.503(1) F. S., and identify any of the conditions met. The Sarasota School of Arts and Sciences, Inc. did not meet any of the conditions of a financial emergency per the above referenced statute.

As required by the Rules of the Auditor General (Section 10.854(1)(e)3.), we are to disclose any recommendations to improve present financial management, accounting procedures, and internal controls. We have not identified any items of this nature during the audit.

As required by the Rules of the Auditor General (Section 10.854(1)(e)4.), we are to disclose violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. We noted no matters of this type that need to be disclosed.

As required by the Rules of the Auditor General (Section 10.854(1)(e)5.), we are to disclose matters that are inconsequential to the determination of financial statement amounts considering both quantitative and qualitative factors, based on professional judgment: (1) violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (3) control deficiencies that are not significant deficiencies, including a) improper or inadequate accounting procedures (such as the omission of required disclosures from the annual financial statements, b) failure to properly record financial transactions, and c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. There were no items of this nature to disclose.

As required by the Rules of the Auditor General (Section 10.854(1)(e)6.), the name or official title of the charter school has been disclosed in the notes to financial statements.

As required by the Rules of the Auditor General (Section 10.854(1)(e)7.), the auditor applied financial condition assessment procedures pursuant to Rule 10.855(10), and noted no deteriorating financial conditions present.

This report is intended solely for the information and use of the audit committee, management, 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.

CPA Associates

Bradenton, Florida
October 31, 2008