

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.

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

FINANCIAL STATEMENTS

June 30, 2009

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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, 2009, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Sarasota School of Arts and Sciences, Inc. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009, 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 27, 2009, 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 3 through 5 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 27, 2009

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, 2009

(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, 2009.

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 2007-08	FY 2008-09	\$ Change	% Change
Total Assets	\$5,250,490	\$5,887,934	\$637,444	13%

Total Assets increased by 13% for the year ended June 30, 2009. This increase was mainly attributed to an increase in current cash assets.

	FY 2007-08	FY 2008-09	\$ Change	% Change
Total Liabilities	\$3,551,988	\$3,404,163	\$147,825	5%

Total Liabilities decreased by 5% for the year ended June 30, 2009. This decrease was due to not securing any new long-term debt coupled with the reduction of existing long-term debt.

	FY 2007-08	FY 2008-09	\$ Change	% Change
Total Revenue	\$5,371,238	\$5,732,018	\$360,780	7%
Total Expenses	4,586,850	4,946,749	359,899	8%

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, 2009

(Unaudited)

Total Revenue increased by \$360,780 for the year ended June 30, 2009. This increase was due to sustained student population and additional capital money allocated for the 2008-2009 school year from the Sarasota County School Board. **Total Expenses** increased by \$359,899 for the year ended June 30, 2009. This increase was due to Sarasota County School Board's "step" increase in salaries for all instructional staff with a one time 2% bonus mid-year and increased capital expenditures.

The largest revenue source for Sarasota School of Arts and Sciences, Inc. is the Florida Education Finance 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.

General Fund Budgetary Highlights

There were no budget amendments made during the fiscal year.

The School received additional capital money from the Sarasota County School Board, providing a budgetary revenue excess. This excess was offset by instruction and school administration variances which resulted from salary "step" increases and mid-year bonuses.

Capital Assets and Long-Term Debt Administration

Sarasota School of Arts and Sciences, Inc. invested in a variety of capital assets including real property, building improvements, furniture, fixtures and other equipment. Current additions to capital assets were building improvements, computers and other equipment and the purchase of a school bus. Total capital assets at June 30, 2009, amount to \$4,798,829, net of accumulated depreciation.

Long-term debt at June 30, 2009, consisted of bonds payable, two notes payable, and obligations under capital leases. All scheduled debt repayments were made during the fiscal year. The bonds and notes had a year-end balance of \$3,070,072, and the capital lease obligations had a balance of \$70,580. See the footnotes for additional information.

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 five-year plan to a shorter period of time, while meeting the academic needs of our student body, concurrently with generating over a million dollar savings' account, 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 ten-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.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
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THE SCHOOL BOARD OF SARASOTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

(Unaudited)

Our fiscal situation has been stable for the past several years. As of June 2009, we have successfully, and in a timely manner, been paying our mortgage payments for five years, thus, adding equity to our financial portfolio. Sarasota School of Arts and Sciences, Inc. is one of the very few charter schools that own their property and buildings. The goal for the 2009-2010 school year is to increase our average student population from 630 to 676. This growth in student population and the full time equivalent revenue that it brings, coupled with the additional financial support of a continued portion of the District's 1.75 mil contribution (reduced from 2 mil) to charter schools in the amount of \$330,844 will first, make up the 4% projected income reduction per student 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 Sarasota School of Arts and Sciences, Inc. The aforementioned increase in revenue will also permit us to hire additional staff, where needed, enhance our special programs, purchase a new 2009 air-conditioned 77 passenger school bus for transporting children from Manatee County at a cost of approximately \$100,000, purchase audio enhancement technology for every classroom, construct a new addition attached to the visual arts building for a kiln and supporting materials and equipment, construct a storage facility attached to one of the classroom buildings, and as mentioned previously, construct a new education edifice while maintaining financial equilibrium. We maintained our line of credit this year at \$0, moreover, our building fund account, is now \$1,000,687, with a goal of \$1,100,000 to be in said account by the end of December 2009. All of the achievements discussed above, coupled with our successful financial management techniques, will ensure that the 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 Sarasota School of Arts and Sciences earning the Florida Department of Education's School Grade of an "A," concurrently with achieving Adequate Yearly Progress (AYP), of "100%," (which only 23% of the schools in the State of Florida 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, 2009

ASSETS

Current assets	
Cash	\$ 1,019,774
Accounts receivable	29,645
	1,049,419
Noncurrent assets	
Capital assets, net of accumulated depreciation	4,798,829
Unamortized bond costs	21,717
Other assets	17,969
	4,838,515
TOTAL ASSETS	\$ 5,887,934

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 2,713
Accrued salaries payable	147,516
Retirement plan payable	19,927
Current portion of long-term debt	153,695
Current portion of obligations under capital lease	33,446
	357,297
Long-term liabilities:	
Long-term debt	2,916,377
Interest rate swap contract	93,355
Obligations under capital lease	37,134
	3,046,866
Total liabilities:	3,404,163
Net assets	
Investment in capital assets, net of related debt	1,658,177
Unrestricted	825,594
	2,483,771
Total net assets	2,483,771
TOTAL LIABILITIES AND NET ASSETS	\$ 5,887,934

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, 2009

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 3,108,821	144,188	(2,964,633)
Support services			
Instructional staff training	14,175	--	(14,175)
Instructional media services	117,906	--	(117,906)
Board	9,958	--	(9,958)
General administration	219,909	--	(219,909)
School administration	641,766	--	(641,766)
Fiscal services	42,461	--	(42,461)
Pupil transportation services	177,161	--	(177,161)
Operation of plant	185,029	--	(185,029)
Maintenance of plant	221,882	--	(221,882)
Interest and fiscal charges on long-term debt	207,681	--	(207,681)
Total expenses	\$ 4,946,749	144,188	(4,802,561)
General revenues			
Local			5,630,523
Gain on sale of capital assets			1,463
Change in value of interest rate swap			(50,913)
Investment return			6,757
Total general revenues			5,587,830
Change in net assets			785,269
Net assets, July 1, 2008			1,698,502
Net assets, June 30, 2009			\$ 2,483,771

See accompanying notes.

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY
BALANCE SHEET - GENERAL FUND
June 30, 2009

ASSETS

Cash	\$ 1,019,774
Accounts receivable	29,645
Other assets	<u>7,798</u>
TOTAL ASSETS	<u><u>\$ 1,057,217</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 2,713
Retirement plan payable	19,927
Accrued salaries payable	<u>147,516</u>
Total liabilities	170,156
Fund balance	
Undesignated	<u>887,061</u>
Total fund balance	<u>887,061</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,057,217</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, 2009

Total fund balance - Balance Sheet - General Fund	\$	887,061
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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.

Deposit on capital assets	10,171	
Capital assets	5,908,928	
Less accumulated depreciation	<u>(1,110,099)</u>	4,809,000

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>(52,742)</u>	21,717

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

Interest rate swap contract	(93,355)	
Bonds payable	(2,156,086)	
Notes payable	(913,986)	
Capital leases payable	<u>(70,580)</u>	<u>(3,234,007)</u>

Total net assets - Statement of Net Assets		<u>\$ 2,483,771</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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amount:		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental				
Federal pass-through	\$ 58,500	58,500	44,850	(13,650)
Local	5,293,980	5,293,980	5,630,523	336,543
Private contributions	81,705	81,705	99,338	17,633
Investment income	7,500	7,500	6,757	(743)
Total revenues	<u>5,441,685</u>	<u>5,441,685</u>	<u>5,781,468</u>	<u>339,783</u>
Expenditures				
Current				
Instruction	2,819,517	2,819,517	2,897,506	(77,989)
Instructional staff training	18,000	18,000	14,175	3,825
Instructional media services	129,130	129,130	117,906	11,224
Board	3,000	3,000	640	2,360
General administration	335,514	335,514	209,238	126,276
School administrator	571,497	571,497	626,875	(55,378)
Fiscal services	40,400	40,400	42,461	(2,061)
Pupil transportation services	175,408	175,408	177,161	(1,753)
Operation of plant	200,500	200,500	183,842	16,658
Maintenance of plant	233,939	233,939	221,288	12,651
Capital outlay	600,359	600,359	487,772	112,587
Long-term debt service				
Principal	169,800	169,800	260,058	(90,258)
Interest	196,480	196,480	197,044	(564)
Total expenditures	<u>5,493,544</u>	<u>5,493,544</u>	<u>5,435,966</u>	<u>57,578</u>
Excess (deficiency) of revenues over (under) expenditure:	(51,859)	(51,859)	345,502	397,361
Other financing sources:				
Capital lease proceeds	51,859	51,859	51,859	--
Proceeds from sale of capital assets	--	--	700	700
Total other financing sources:	<u>51,859</u>	<u>51,859</u>	<u>52,559</u>	<u>700</u>
Net change in fund balance:	--	--	398,061	398,061
Fund balance - July 1, 2008	<u>489,000</u>	<u>489,000</u>	<u>489,000</u>	<u>--</u>
Fund balance - June 30, 2009	<u>\$ 489,000</u>	<u>489,000</u>	<u>887,061</u>	<u>398,061</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 STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balance (actual), Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	\$	398,061
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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	487,772	
Less current year depreciation	<u>(247,977)</u>	239,795

Debt proceeds 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	(51,859)	
Principal payments	<u>260,058</u>	208,199

The net effect of various miscellaneous transactions involving capital assets (i.e., sales) is to increase net assets.

Gain on sale of capital assets	1,463	
Cash proceeds on sale of capital assets	<u>(700)</u>	763

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	(50,913)	
Amortization of current year bond cost	<u>(10,636)</u>	<u>(61,549)</u>

Change in net assets - Statement of Activities:		<u><u>785,269</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.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY

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

SARASOTA SCHOOL OF ARTS AND SCIENCES, INC.
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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 local financial institutions. The Federal Deposit Insurance Corporation insures each depositor up to \$250,000 through December 31, 2013. Non-interest bearing accounts have unlimited coverage at participating banks. At June 30, 2009, the Charter School had approximately \$274,000 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, 2009, the School recognized a decrease in value of \$50,913.

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, 2009.

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

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A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS

NOTE B: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance <u>7/1/08</u>	Additions	Deletions	Balance <u>6/30/09</u>
Building	\$ 4,421,624	173,899	--	4,595,523
Improvements	152,383	52,333	--	204,716
Furniture, fixtures and equipment	528,633	202,510	(15,346)	715,797
Property under capital lease	<u>345,031</u>	<u>51,859</u>	<u>(3,999)</u>	<u>392,891</u>
	5,447,671	480,601	(19,345)	5,908,927
Accumulated depreciation	<u>879,229</u>	<u>247,976</u>	<u>(17,107)</u>	<u>1,110,098</u>
	<u>\$ 4,568,442</u>	<u>232,625</u>	<u>(2,238)</u>	<u>4,798,829</u>

Depreciation expense in the amount of \$247,976 for the year ended June 30, 2009, was allocated to the following governmental functions:

Instruction	\$ 211,315
School administration	14,891
General administration	10,671
Board	9,318
Plant operation	1,187
Plant maintenance	594
	<u>\$ 247,976</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, 2009, 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.	\$ 2,156,086
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%, remaining principal due July 25, 2011, unsecured.	194,094
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>719,892</u>
Total long-term debt	3,070,072
Less: current portion	<u>153,695</u>
Long-term debt – noncurrent	<u><u>\$ 2,916,377</u></u>

The bonds payable contains certain restrictions and covenants. At June 30, 2009, the school was in compliance with the debt covenants.

Maturities of long-term debt are as follows:

Year Ended June 30,	
2010	\$ 153,695
2011	163,216
2012	2,187,525
2013	60,765
2014	66,136
Thereafter	<u>438,735</u>
Total long-term debt	<u><u>\$ 3,070,072</u></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 Bonds (Sarasota School of Arts and Sciences, Inc. Project), Series 2004. The bonds were sold to 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 bonds mature June 25, 2011, and are collateralized by a first real estate mortgage on this property.

Additionally, 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 had an original notional amount of \$2,484,332. Under the swap agreement, 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, 2009, the fair value of the liability was \$93,355.

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 3.25% at June 30, 2009. The line is secured by equipment and is due January 31, 2010. As of June 30, 2009, 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 leases computer equipment under capital lease agreements. The agreements began in fiscal year 2009 and expire in fiscal year 2010. The leases include a bargain purchase option 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)

The Charter School leases equipment for the school grounds under a capital lease agreement. The agreement began in fiscal year 2009 and expires in fiscal year 2011. The lease includes a bargain purchase option at the end of the lease terms.

The balance of the Charter School's obligations under these capital leases at June 30, 2009, consists of:

Total capital lease obligations	\$ 70,580
Less current portion	<u>33,446</u>
Capital lease obligations-noncurrent	<u><u>\$ 37,134</u></u>

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

2010	\$ 38,010
2011	31,361
2012	31,095
2013	<u>7,775</u>
Total future minimum lease payments	108,241
Less amount representing interest	<u>37,661</u>
Present value of minimum lease payments	<u><u>\$ 70,580</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, 2009 the School's retirement plan contributions were \$179,896.

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	\$ 2,754,560
Instructional materials	37,262
Supplemental academic instruction	129,533
Miscellaneous	19,129
Capital outlay funding	817,529
District school taxes	<u>1,872,510</u>
 Total	 <u><u>\$ 5,630,523</u></u>

NOTE H: SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events through October 27, 2009, the date the financial statements were available to be issued. No material subsequent events occurred which would have a material impact on the School's financial statements.



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.
Sarasota, Florida

We have audited the financial statements of the governmental activities, general fund, and remaining fund information of Sarasota School of Arts and Sciences, Inc. (a charter school and a component unit of the School Board of Sarasota County, Florida) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 27, 2009. 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 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 Sarasota School of Arts and Sciences, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or 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 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 27, 2009



MANAGEMENT LETTER

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

We have audited the financial statements of Sarasota School of Arts and Sciences, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated October 27, 2009.

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 is dated October 27, 2009, 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 which governs the conduct of charter school and similar entity audits performed in the State of Florida. 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. There were no findings or recommendations in the prior year audit.

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. 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 financial management. 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.), the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, contracts, and grant agreements or abuse, and (2) control deficiencies that are not significant deficiencies. 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 must be disclosed in the management letter. The official name of the charter school is Sarasota School of Arts and Sciences, Inc.

As required by the Rules of the Auditor General (Section 10.854(1)(e)7.a. and 10.855(10)), the auditor applied financial condition assessment procedures. It is management's responsibility to monitor Sarasota School of Arts and Sciences, Inc.'s financial condition, and the auditor's financial condition assessment was based in part on representations made by management and the review of financial information provided by same. No deteriorating financial conditions were noted based on these procedures.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board, 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 27, 2009