

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

**BASIC FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2010

NORTH BROWARD ACADEMY OF EXCELLENCE
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
June 30, 2010

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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 District of Broward County, Florida and a Department of the Renaissance Charter School, Inc. as of and for the year ended June 30, 2010, 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, 2010, and its change in financial position or budgetary comparisons, where applicable, for the year ended June 30, 2010, 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, 2010, 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 28, 2010 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 is important for assessing 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 opinions on the financial statements that comprise School's basic financial statements. 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
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH BROWARD ACADEMY OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

As management of North Broward Academy of Excellence (the "School"), a component unit of the School District 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, 2010 and 2009.

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 School's net assets increased by \$ 113,650 for the year ended June 30, 2010. Total net assets were \$ 230,674 as of June 30, 2010 as compared to \$ 117,024 as of June 30, 2009.
- As of June 30, 2010, the School has a fund balance of \$ 175,163.

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, 2010

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.

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.

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 23 of this report.

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 24 of this report.

NORTH BROWARD ACADEMY OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The School has been in operation for nine years; therefore, comparative government-wide data is presented. The School's net assets were \$ 230,674 at June 30, 2010. Of this amount, \$ 175,163 represents unrestricted net assets and \$ 55,511 represents amounts invested in capital assets. The School's net assets were \$ 117,024 at June 30, 2009. Of this amount, \$ 27,871 represented amounts invested in capital assets and \$ 89,153 represented amounts which were unrestricted.

Our analysis in the table below focuses on the net assets of the School's governmental activities:

North Broward Academy of Excellence Net Assets		
	June 30, <u>2010</u>	June 30, <u>2009</u>
ASSETS:		
Current and other assets	\$ 571,518	\$ 490,626
Capital assets, net of depreciation	<u>211,574</u>	<u>298,057</u>
Total assets	<u>783,092</u>	<u>788,683</u>
LIABILITIES:		
Current liabilities	519,949	515,595
Noncurrent liabilities	<u>32,469</u>	<u>156,064</u>
Total liabilities	<u>552,418</u>	<u>671,659</u>
NET ASSETS:		
Invested in capital assets	55,511	27,871
Unrestricted	<u>175,163</u>	<u>89,153</u>
Total net assets	<u>\$ 230,674</u>	<u>\$ 117,024</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 following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2010 and 2009:

NORTH BROWARD ACADEMY OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2010

North Broward Academy of Excellence
 Change in Net Assets
 For the Years Ended June 30,

	<u>2010</u>	<u>2009</u>
REVENUES:		
General revenues	\$ 3,828,556	\$ 3,363,556
Program revenues	<u>901,876</u>	<u>685,620</u>
Total revenues	<u>4,730,432</u>	<u>4,049,176</u>
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	1,940,736	1,809,019
Instructional support services	1,781,698	1,544,170
Operation of noninstructional services	876,857	776,942
Interest expense	<u>17,491</u>	<u>18,895</u>
Total expenses	<u>4,616,782</u>	<u>4,149,026</u>
Change in net assets	\$ <u><u>113,650</u></u>	\$ <u><u>(99,850)</u></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:

<u>Functions/Programs</u>	<u>2010</u>		<u>2009</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:				
Instructional expenditures	\$ 1,940,736	41.8%	\$ 1,809,019	40.8%
Administrative services	285,313	6.1%	276,098	6.2%
Plant operations and maintenance	1,327,887	28.6%	1,156,088	26.1%
Fiscal services	440,497	9.5%	484,075	10.9%
Capital outlay	21,425	0.5%	296,786	6.7%
All other functions/programs	<u>628,564</u>	<u>13.5%</u>	<u>409,156</u>	<u>9.3%</u>
Total governmental expenditures	\$ <u><u>4,644,422</u></u>	<u><u>100.0%</u></u>	\$ <u><u>4,431,222</u></u>	<u><u>100.0%</u></u>

NORTH BROWARD ACADEMY OF EXCELLENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues as well as expenditures were over budget for the year ending June 30, 2010. FTE funding was greater per student which allowed for a favorable variance in state sources. Expenditures were mainly over budget in plant operations and maintenance due to rent expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2010, the School had capital assets of \$ 211,574, net of accumulated depreciation, invested in computers, furniture, fixtures and equipment, leasehold improvements and improvements other than building as compared to \$ 298,056 at June 30, 2009.

Long-term debt

At June 30, 2010, the School had outstanding debt of \$ 156,053. Additional information on the School's debt can be found in Note 7 on page 21.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida is projecting funding for the next fiscal year to remain unchanged. Recent legislation also lowered the amount of students the District's 5% administrative fee can be calculated on from 500 to 250. This will result in additional revenues to the School through the District Fee Refund.

In order to be conservative, the fiscal year 2011 budget for the School includes a 2% reduction in FEFP funding. Other budget items to note are that the School is planning on enrollment at capacity.

REQUESTS FOR INFORMATION

If you have any additional questions about this report or need additional information, please write Hillary Daigle, Controller; Charter Schools USA; 6425 North Federal Highway, 5th Floor; Fort Lauderdale, Florida 33308.

BASIC FINANCIAL STATEMENTS

NORTH BROWARD ACADEMY OF EXCELLENCE
STATEMENT OF NET ASSETS
June 30, 2010

A S S E T S

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 334,855
Due from related parties	197,235
Due from other governments	8,785
Prepaid expenses and other assets	12,427
Deposits	<u>18,216</u>
Total current assets	571,518
 NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>211,574</u>
Total assets	<u>783,092</u>
 L I A B I L I T I E S A N D N E T A S S E T S	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	65,050
Accrued contracted services	313,119
Due to management company	11,417
Due to agency fund	6,769
Note payable, due within one year	<u>123,594</u>
Total current liabilities	<u>519,949</u>
 NONCURRENT LIABILITIES	
Note payable, due in more than one year	<u>32,469</u>
Total noncurrent liabilities	<u>32,469</u>
Total liabilities	<u>552,418</u>
 COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)	
	-
 NET ASSETS:	
Invested in capital assets, net of related debt	55,511
Unrestricted	<u>175,163</u>
Total net assets	<u>\$ 230,674</u>

NORTH BROWARD ACADEMY OF EXCELLENCE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	Program Revenues			Governmental	
Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities Net Revenue (Expense) and Change in Net Assets	
FUNCTIONS/PROGRAMS:					
Instruction:					
Regular	\$ 1,829,505	\$ -	\$ 50,192	\$ -	\$ (1,779,313)
Exceptional instruction	111,231	-	-	-	(111,231)
Instructional support services:					
Pupil services	36,897	-	-	-	(36,897)
Instructional media services	592	-	-	-	(592)
Instructional services	23,102	-	-	-	(23,102)
Administrative services	388,855	-	-	-	(388,855)
Plant operations and maintenance	1,332,252	-	-	302,207	(1,030,045)
Operation of noninstructional services:					
Food services	331,285	57,294	259,728	-	(14,263)
Board services	9,863	-	-	-	(9,863)
Fiscal services	440,497	-	-	-	(440,497)
Central services	11,806	-	-	-	(11,806)
Community services	83,406	232,455	-	-	149,049
Debt service interest	17,491	-	-	-	(17,491)
	<u>\$ 4,616,782</u>	<u>\$ 289,749</u>	<u>\$ 309,920</u>	<u>\$ 302,207</u>	<u>(3,714,906)</u>
Total governmental activities					
General revenues:					
Grants and entitlements					3,825,523
Contributions and other					3,033
					<u>3,828,556</u>
Total general revenues					
					113,650
Change in net assets					
Net assets, July 1, 2009					<u>117,024</u>
Net assets, June 30, 2010					<u>\$ 230,674</u>

NORTH BROWARD ACADEMY OF EXCELLENCE
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2010

A S S E T S

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 334,855
Due from related parties	197,235
Due from other governments	8,785
Prepaid expenditures and other assets	12,427
Deposits	<u>18,216</u>
Total assets	<u>\$ 571,518</u>

L I A B I L I T I E S A N D F U N D B A L A N C E

LIABILITIES:	
Accounts payable and accrued liabilities	\$ 65,050
Accrued contracted services	313,119
Due to management company	11,417
Due to agency fund	<u>6,769</u>
Total liabilities	<u>396,355</u>
 FUND BALANCE:	
Reserved:	
Prepaid expenditures and other assets	12,427
Unreserved	<u>162,736</u>
Total fund balance	<u>175,163</u>
Total liabilities and fund balance	<u>\$ 571,518</u>

NORTH BROWARD ACADEMY OF EXCELLENCE
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

TOTAL FUND BALANCE - GOVERNMENTAL FUND, PAGE 10 \$ 175,163

Amounts reported for governmental activities in the statement of activities 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	\$	482,542	
Less accumulated depreciation		<u>(270,968)</u>	211,574

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Note payable			<u>(156,063)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8 \$ 230,674

NORTH BROWARD ACADEMY OF EXCELLENCE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2010

	<u>General Fund</u>
REVENUES:	
Federal through state	\$ 309,920
State sources	4,127,730
Local sources	60,327
Aftercare	<u>232,455</u>
Total revenues	<u>4,730,432</u>
 EXPENDITURES:	
Current:	
Instruction:	
Regular instruction	1,829,505
Exceptional instruction	111,231
Instructional support services:	
Pupil services	36,897
Instructional media services	592
Instructional services	23,102
Administrative services	285,313
Plant operations and maintenance	1,327,887
Operation of noninstructional services:	
Food services	331,285
Board services	9,863
Fiscal services	440,497
Central services	11,806
Community services	83,406
Capital outlay:	
Site, building and equipment	21,425
Debt service:	
Principal and interest	<u>131,613</u>
Total expenditures	<u>4,644,422</u>
Net change in fund balance	86,010
FUND BALANCE, July 1, 2009	<u>89,153</u>
FUND BALANCE, June 30, 2010	<u>\$ <u>175,163</u></u>

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, 2010

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND, PAGE 12	\$	86,010
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Amounts reported for governmental activities in the statement of activities are different because:

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

Cost of capital assets	\$	21,425	
Less provision for depreciation		<u>(107,907)</u>	(86,482)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayments of principal		<u>114,122</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>113,650</u></u>
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NORTH BROWARD ACADEMY OF EXCELLENCE
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2010

	Original/ Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Federal through state	\$ 248,632	\$ 309,920	\$ 61,288
State sources	4,163,547	4,326,265	162,718
Local sources	60,909	60,327	(582)
Aftercare	<u>252,400</u>	<u>232,455</u>	<u>(19,945)</u>
 Total revenues	 <u>4,725,488</u>	 <u>4,928,967</u>	 <u>203,479</u>
 EXPENDITURES:			
Instruction:			
Regular instruction	1,760,826	1,829,505	(68,679)
Exceptional instruction	96,017	111,231	(15,214)
Instructional support services:			
Pupil services	30,678	36,897	(6,219)
Instructional media services	1,000	592	408
Instructional services	21,684	23,102	(1,418)
Administrative services	249,217	285,313	(36,096)
Plant operations and maintenance	1,143,729	1,327,887	(184,158)
Operation of non-instructional services:			
Food services	281,471	331,285	(49,814)
Board services	15,000	9,863	5,137
Fiscal services	588,123	440,497	147,626
Central services	206,183	210,341	(4,158)
Community services	98,490	83,406	15,084
Capital outlay:			
Furniture, improvements and equipment	92,372	21,425	70,947
Debt service:			
Principal and interest	<u>131,613</u>	<u>131,613</u>	<u>-</u>
 Total expenditures	 <u>4,716,403</u>	 <u>4,842,957</u>	 <u>(126,554)</u>
 Net change in fund balance	 <u>\$ 9,085</u>	 <u>\$ 86,010</u>	 <u>\$ 76,925</u>

NORTH BROWARD ACADEMY OF EXCELLENCE
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND
June 30, 2010

A S S E T S

	Student Activities
ASSETS:	
Cash and cash equivalents	\$ 34,579
Due from general fund	6,769
Other receivables	40
Total assets	\$ 41,388

L I A B I L I T I E S

LIABILITIES:	
Due to students	\$ 41,388
Total liabilities	\$ 41,388

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - ORGANIZATION AND OPERATIONS

North Broward Academy of Excellence (the "School"), a component unit of the School District of Broward County, Florida (the "School District"), 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, 2010, 616 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, 2010, 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 District of Broward County. 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 School District. At the end of the term of the charter, the School District may choose not to renew the charter under grounds specified in the charter in which case the School 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 School District may also terminate the charter if good cause is shown. North Broward Academy of Excellence is considered a component unit of the School District 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 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 American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056(10), 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.

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, fund balance, 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.

Cash and cash equivalents:

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prorata basis over the twelve-month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

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 property and equipment 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 capital 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, fixtures and equipment	10 years
Improvements other than buildings	10 years
Computer equipment	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.

NORTH BROWARD ACADEMY OF EXCELLENCE
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance:

Fund balance is classified in three 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

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 District.

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:

	Revenues	Expenditures
Budgetary basis, page 14	\$ 4,928,967	\$ 4,842,957
Less: 5% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	(198,535)	(198,535)
GAAP basis, page 12	\$ 4,730,432	\$ 4,644,422

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2010, the carrying amount of the deposits and cash on hand totaled \$ 369,434, with a bank balance of \$ 387,086.

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, 2010.

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - DUE FROM RELATED PARTIES

Both the School and North Broward Academy of Excellence Middle School are related, as they 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, 2010, the basic financial statements include an amount due from other schools in the amount of \$ 197,476, representing short-term advances for such expenses mentioned above. The School is also related to Renaissance Elementary Charter School. At June 30, 2010, \$ 241 is due to Renaissance Elementary Charter School, representing amounts related to the National School Lunch Program. In addition, the School has a note payable of \$ 156,063 due to Renaissance Elementary Charter School as of the year ended June 30, 2010 (Note 7).

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2010 consists of amounts due from the state for the National School Lunch Program for June 2010.

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, depreciable:				
Furniture, fixtures and equipment	\$ 263,104	\$ -	\$ -	\$ 263,104
Computer equipment	154,362	21,425	-	175,787
Improvements other than buildings	36,781	-	-	36,781
Leasehold improvements	6,870	-	-	6,870
	<u>461,117</u>	<u>21,425</u>	<u>-</u>	<u>482,542</u>
Total capital assets, depreciable				
Accumulated depreciation:				
Furniture, fixtures and equipment	75,260	47,780	-	123,040
Computer equipment	72,170	55,762	-	127,932
Improvements other than buildings	11,860	3,678	-	15,538
Leasehold improvements	3,771	687	-	4,458
	<u>163,061</u>	<u>107,907</u>	<u>-</u>	<u>270,968</u>
Total accumulated depreciation				
Net capital assets	<u>\$ 298,056</u>	<u>\$ (86,482)</u>	<u>\$ -</u>	<u>\$ 211,574</u>

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 - CAPITAL ASSETS (continued)

Provision for depreciation was charged to governmental activities as follows:

Instructional support services - administrative	\$ 103,542
Instructional support services - plant operations and maintenance	<u>4,365</u>
	<u>\$ 107,907</u>

NOTE 7 - NOTE PAYABLE

Both the School and Renaissance Charter Elementary School are related as they both share common board membership and are managed by Charter Schools USA, Inc. As of June 30, 2010, the basic financial statements include a note payable of \$ 156,063 which is due to this related party. The note has a three year repayment schedule and requires monthly payments of \$ 10,968. The note is for monies loaned for capital outlay purchases and is subject to 8% interest. For the year ended June 30, 2010, interest expense is \$ 17,491.

Changes in note payable during the year are as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Amount Due Within One Year
Note payable: Renaissance Charter Elementary School	\$ 270,185	\$ -	\$ (114,122)	\$ 156,063	\$ 123,594
Total	<u>\$ 270,185</u>	<u>\$ -</u>	<u>\$ (114,122)</u>	<u>\$ 156,063</u>	<u>\$ 123,594</u>

Future minimum payments at June 30, 2008 are approximately as follows:

Year Ending <u>June 30,</u>	
2011	\$ 123,600
2012	\$ 32,500

NOTE 8 - LEASES

The School previously entered into an operating lease agreement with a related party for the use of its premises. The lease expires in July 2012, with a renewal option, and requires monthly payments between \$ 96,525 and \$ 113,622. A percentage of this amount is repaid by North Broward Academy of Excellence Middle School as the two schools share the facility (Note 4).

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

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 – LEASES (continued)

Future lease payments are approximately as follows:

Year Ending <u>June 30,</u>		
2011	\$	1,323,800
2012	\$	1,363,500
2013	\$	113,600

Rent expense totaled \$ 932,578 for the year ended June 30, 2010.

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 \$ 438,237 for the year ended June 30, 2010.

At June 30, 2010, the School has an amount due to CSUSA of \$ 11,417. This is shown on the basic financial statements as an amount due to management company. Additionally, the School’s has an amount of \$ 41,899 due to CSUSA for reimbursement of various expenditures. This amount is included in accounts payable and accrued liabilities at June 30, 2010.

Post retirement benefits:

The School does not provide post-retired benefits to retired employees.

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 \$ 302,207 for the 2009/2010 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.

NORTH BROWARD ACADEMY OF EXCELLENCE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 - RISK MANAGEMENT

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 were no claims in excess of insurance coverage limits during the past five years.

As disclosed in Note 9, 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.

NOTE 12 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2010, 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, 2010, the School contributed \$ 12,010 to the Plan.

NOTE 13 - BUDGET - OVER-EXPENDITURES

Program expenditures exceeded budgeted amounts by \$ 126,554 during the current year. This is mainly due to regular instruction and plant operations and maintenance exceeding the budget.

**SUPPLEMENTARY
INFORMATION**

NORTH BROWARD ACADEMY OF EXCELLENCE
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND - MANAGEMENT FORMAT
For the Year Ended June 30, 2010

	Account	300 Purchased Services	400 Energy Services	500 Materials and Supplies	600 Capital Outlay	700 Other Expenses	Totals
REVENUES:							
Federal through state	3200						309,920
State sources	3300						\$ 4,326,265
Local sources	3400						60,327
Aftercare	3400						<u>232,455</u>
Total revenues							<u>4,928,967</u>
EXPENDITURES:							
Instruction	5000	\$ 1,794,079	\$ -	\$ 136,397	\$ 9,501	\$ 759	1,940,736
Pupil services	6100	36,722	-	175	-	-	36,897
Instructional media services	6200	-	-	592	-	-	592
Instruction and curriculum development	6300	-	-	19,594	-	-	19,594
Instructional staff training	6400	408	-	3,100	-	-	3,508
Board services	7100	9,863	-	-	-	-	9,863
School administration	7300	217,398	-	11,670	56,245	-	285,313
Fiscal services	7500	440,497	-	-	-	-	440,497
Food services	7600	47,146	-	284,139	-	-	331,285
Central services	7700	210,341	-	-	-	-	210,341
Operation of plant	7900	1,160,101	62,590	10,620	-	138	1,233,449
Maintenance of plant	8100	94,438	-	-	-	-	94,438
Community services	9100	67,537	-	15,869	-	-	83,406
Capital outlay:							
Furniture, improvements and equipment	9300	-	-	-	21,425	-	21,425
Debt service:							
Principal and interest	9200	-	-	-	-	131,613	131,613
Total expenditures		<u>\$ 4,078,530</u>	<u>\$ 62,590</u>	<u>\$ 482,156</u>	<u>\$ 87,171</u>	<u>\$ 132,510</u>	<u>4,842,957</u>
Change in fund balance							<u>\$ 86,010</u>

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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 District of Broward County, Florida and a Department of The Renaissance Charter School, Inc., as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements, and have issued our report thereon dated September 28, 2010.

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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, 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 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*.

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

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 28, 2010



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

We have audited the basic financial statements of 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 District of Broward County, Florida, and a Department of The Renaissance Charter School, Inc., as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 28, 2010.

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 Compliance and Other Matters. Disclosures in that report, which is dated September 28, 2010, 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 audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of the prior year's corrective actions has been reported in the accompanying schedule of findings and recommendations on page 30.
2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any new recommendations.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

North Broward Academy of Excellence

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is North Broward Academy of Excellence.
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the North Broward Academy of Excellence did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the North Broward Academy of Excellence's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter 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 District of Broward County, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 28, 2010



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, 2010, 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 represent 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 28, 2010 on the basic financial statements of the School.

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

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 28, 2010

NORTH BROWARD ACADEMY OF EXCELLENCE
SCHEDULE OF FINDINGS
June 30, 2010

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS:

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
Maintain fixed asset inventory		X
Update internal control procedures		X

CURRENT YEAR COMMENTS AND RECOMMENDATIONS:

NONE