

STUDENTS IN THE ARTS TV/G-STAR TV, INC.

COMPONENT UNIT
FINANCIAL STATEMENTS

JUNE 30, 2010

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The Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying component unit basic financial statements of governmental activities and each major fund of Students in the Arts TV/G-Star TV, Inc. ("School") a component unit of the School District of Palm Beach County, Florida as of and for the year ended June 30, 2010, which collectively comprise of the School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards 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 component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School at June 30, 2010, and the respective changes in financial position for the year ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 6 and 21 and 22 are not required parts of the basic financial statements, but are supplementary information required by the generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally or inquires 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.

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2010, on our consideration of School's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and the result 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.


CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 27, 2010

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
TRANSMITTAL PAGE
September 24, 2010

The G-Star School of the Arts for Motion Picture Broadcasting Board of Directors and Administration are responsible for the contents of this report. The G-Star School of the Arts was formed as a Florida Non-profit Corporation in September, 1998. The school began as a summer training program in TV production for middle school students and converted into a charter school in May, 2003. The charter school facility has been located at 2030 S. Congress Ave., West Palm Beach, Florida, since its inception. The property is 10+ acres. In 2009 the school was annexed into the Village of Palm Springs, Florida. The main address: 2065 Prairie Rd., Bldg. J, Palm Springs, FL 33406. We are open to all interested high school students, ages 14 to 18 years old, in Palm Beach County. Charter schools are public schools which are managed and owned by private non-profit corporations. Charter schools are open to all students who reside in Palm Beach County and are free educational institutions.

The G-Star School of the Arts is a complete college prep school; it is the largest film, TV production, and acting high school in the nation; it is the only high school in the world to have a motion picture studio on campus. The school's efforts are directed toward improving the education and quality of life of our students. We are committed to the continuous improvement of every student through use of best practice programs and models, and our students consistently demonstrate substantial progress each year. Parental involvement and satisfaction is an integral part of the success of our school. Many parents are involved in the school through the Parent Teacher Student Organization. Parents volunteer their time as Board Members, committee and project leaders, as well as in fund raising events.

The G-Star School of the Arts ended our seventh year as a charter school with a very strong financial statement and we have continued to increase our enrollment to our maximum 885-student capacity. We currently have a waiting list for students for next year school year.

Sincerely,

Greg Hauptner
Founder/CEO/CFO



STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Students In The Arts TV/G-Star TV, Inc. ("School") is a public charter School operated in Palm Beach County, Florida, under the sponsorship of the School District of Palm Beach County.

Within the section of the School's annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for fiscal year ended June 30, 2010. This discussion is provided within the context of the accompanying financial statements. The discussion includes the entire School operations. There are no fiduciary funds and no component units.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the School's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The School also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The School's annual report includes two government-wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting. This includes financial statements prepared on a full accrual accounting, and notes to the financial statements.

The first financial statement in the Statement of Net Assets that includes all of the School's assets and liabilities, with the difference reported as net assets.

The second financial statement is the Statement of Activities that includes all current year revenue and expenses. It explains how the School's net asset changed during the fiscal year.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Both government-wide financial statements distinguish governmental activities of the School that are principally supported by intergovernmental revenues, such as grants.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds.

Governmental Fund

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the School's government funds. These are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near term.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010

Financial Analysis of the School

The School's net assets increased by \$429,258 to \$2,046,781 in 2010

Total net assets are comprised of the following:

Invested in capital assets, net related of debt	\$2,053,541
Restricted	-
Unrestricted	(6,760)

Primary, all of the School's revenue is received through the sponsor and generally was provided by the State of Florida. The revenue per student each year is determined by the State of Florida and paid to the School based upon the student counts on certain dates in October and February of the fiscal year.

FEFP and other revenue from School District were based upon the number of students in the current fiscal year.

The summary of the School government-wide statement of net assets is as follows:

Condensed Statement of Net Assets
Governmental Activities
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Current and Other Assets	\$ 2,197,925	\$ 2,134,052	\$ 63,873
Capital Assets	<u>7,175,747</u>	<u>4,917,686</u>	<u>2,258,061</u>
Total Assets	<u>9,373,672</u>	<u>7,051,738</u>	<u>2,321,934</u>
Current Liabilities	494,311	295,052	(199,259)
Long-term Debt	<u>6,918,716</u>	<u>5,130,038</u>	<u>(1,788,678)</u>
Total Liabilities	<u>7,413,027</u>	<u>5,425,090</u>	<u>(1,987,937)</u>
Net Assets	<u>\$ 1,960,645</u>	<u>\$ 1,626,648</u>	<u>\$ 333,997</u>
Invested in Capital Assets, Net of Related Debt	\$ 2,026,365	\$ 153,407	\$ 1,872,958
Restricted	-	885,895	(885,895)
Unrestricted	<u>(65,720)</u>	<u>587,346</u>	<u>(653,066)</u>
	<u>\$ 1,960,645</u>	<u>\$1,626,648</u>	<u>\$ 333,997</u>

STUDENTS IN THE ARTS TV/G-STAR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2010

CONDENSED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED 2010 AND 2009

	<u>2010</u>	<u>2009</u>	<u>CHANGE</u>
PROGRAM REVENUES:			
CHARGE FOR SERVICES	\$ -	\$ 76,813	\$ (76,813)
CAPITAL GRANT AND CONTRIBUTION	712,829	677,944	34,885
GENERAL REVENUES:			
FEFP FEES	5,212,590	4,753,270	459,320
LEAD PROGRAM	9,312	-	9,312
IDEA	82,698	-	82,698
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	55,865	40,149	15,716
CHARGES FOR SERVICES	169,173	152,777	16,396
LOAN PROCEEDS	1,914,652	-	1,914,652
INTEREST	6,317	15,419	(9,102)
RENT	141,601	121,207	20,394
OTHER GENERAL REVENUE	<u>6,623</u>	<u>6,401</u>	<u>222</u>
TOTAL REVENUES	<u>8,311,660</u>	<u>5,843,980</u>	<u>2,467,680</u>
FUNCTIONS/PROGRAMS EXPENDITURES:			
INSTRUCTION SERVICES	3,103,277	2,605,044	498,233
INSTRUCTIONAL SUPPORT	56,589	47,007	9,582
INSTRUCTIONAL MEDIA	171,996	149,108	22,888
INSTRUCTIONAL STAFF TRAINING BOARD	1,106	5,639	(4,533)
ADMINISTRATIONAL	35,598	19,601	15,997
TRANSPORTATION	926,933	1,044,998	(118,065)
FISCAL	442,135	329,635	112,500
OPERATION AND MAINTENANCE	34,552	117,695	(83,143)
DEBT SERVICES - PRINCIPAL	487,198	419,377	67,821
DEBT SERVICES - INTEREST	65,975	51,766	14,209
FACILITY ACQUISITION AND CONSTRUCTION	356,537	407,342	(50,805)
OTHER	2,489,570	18,321	2,471,249
CAPITAL OUTLAY	16,267	51,137	(34,870)
TOTAL EXPENDITURES	<u>127,792</u>	<u>260,774</u>	<u>(132,982)</u>
TOTAL EXPENDITURES	<u>8,315,525</u>	<u>5,527,444</u>	<u>2,788,081</u>
CHANGES IN FUND BALANCE	(3,865)	316,536	(320,401)
TRANSFER IN (OUT)	14,000	-	14,000
FUND BALANCE - JULY 1, 2009 AND 2008	<u>1,456,418</u>	<u>1,173,745</u>	<u>282,673</u>
FUND BALANCE - JUNE 30, 2010 AND 2009	<u>\$ 1,466,553</u>	<u>\$ 1,490,281</u>	<u>\$ (23,728)</u>

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010

FINANCIAL ANALYSIS OF THE MAJOR FUNDS

GOVERNMENTAL FUNDS

GENERAL FUND

The general fund is the operating fund. It recognized \$5,601,481 in total revenues offset with \$5,310,827 expenditures and \$(406,992) transfer out. This resulted in an excess of expenditures over revenues. Fund balance at the beginning of the year was \$570,523 and when combined with the current year resulted in an end of year fund balance of \$454,185.

CAPITAL ASSETS

As of June 30, 2010, the School had \$7,175,747 invested in capital assets, as reflected below.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Land	\$ 1,456,929	\$ 1,456,929	\$ -
Building	5,019,552	2,614,300	2,405,252
Leasehold Improvements	702,491	688,445	14,046
Office Equipment and Fixtures	760,985	760,985	-
Bus Transportation	<u>94,000</u>	<u>94,000</u>	<u>-</u>
	8,033,957	5,614,659	2,419,298
Less: Accumulated Depreciation	<u>858,210</u>	<u>696,973</u>	
Net	<u>\$ 7,175,747</u>	<u>\$ 4,917,686</u>	

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS -TYPE ACTIVITIES</u>	<u>TOTALS</u>
ASSETS			
CASH	\$ 698,416	\$ 5,236	\$ 703,652
ACCOUNTS RECEIVABLE	53,720	-	53,720
SECURITY DEPOSIT	3,087	-	3,087
PREPAID VANTAGE SUBSCRIPTION	12,453	-	12,453
DESTINY STAND	-	54,320	54,320
BOND PROJECT FUND	803,350	-	803,350
BOND ISSUE COSTS (NET OF ACCUM AMORT)	362,096	-	362,096
CONSTRUCTION FUND	209,017	-	209,017
CAPITAL ASSETS (NET OF DEPRECIATION)	7,175,747	27,176	7,202,923
CONSTRUCTION LOAN COSTS (NET OF ACCUM AMORT)	55,786	-	55,786
TOTAL ASSETS	<u>\$ 9,373,672</u>	<u>\$ 86,732</u>	<u>\$ 9,460,404</u>
LIABILITIES			
ACCRUED EXPENSES	\$ 110,839	\$ 596	\$ 111,435
ACCRUED SALARIES	269,443	-	269,443
BOND INTEREST PAYABLE	54,029	-	54,029
CURRENT MATURITIES OF LONG TERM DEBT	60,000	-	60,000
LONG TERM DEBT	6,918,716	-	6,918,716
TOTAL LIABILITIES	7,413,027	596	7,413,623
NET ASSETS			
INVESTED CAPITAL ASSETS, NET RELATED OF DEBT	2,026,365	27,176	2,053,541
UNRESTRICTED	(65,720)	58,960	(6,760)
TOTAL NET ASSETS	<u>1,960,645</u>	<u>86,136</u>	<u>2,046,781</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,373,672</u>	<u>\$ 86,732</u>	<u>\$ 9,460,404</u>

Please Read the Accompanying Independent Auditors' Report and Notes to the Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE BALNCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2010

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	1,466,553
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERNENT BECAUSE:		
CAPITAL OUTLAY OF \$8,033,957, NET OF ACCUMULATED DEPRECIATION OF \$858,210, ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS		7,175,747
BOND ISSUE COSTS NET OF AMORTIZATION		362,096
PREPAID EXPENSES		12,452
CLOSING COSTS NET OF AMORTIZATION		55,786
NONCURRENT PAYABLES THAT DO NOT USE CURRENT RESOURCES TO PAY FOR THEM		(133,273)
BONDS PAYABLE AND MORTGAGES ARE NOT DUE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED		<u>(6,978,716)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>1,960,645</u>

The Accompanying Notes Are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL	CAPITAL PROJECT	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CASH	\$ 698,416	\$ 1,012,368	\$ -	\$ 1,710,784
ACCOUNTS RECEIVABLE	53,720			53,720
OTHER	3,087			3,087
TOTAL ASSETS	<u>\$ 755,223</u>	<u>\$ 1,012,368</u>	<u>\$ -</u>	<u>\$ 1,767,591</u>
LIABILITIES				
ACCOUNTS PAYABLE	\$ 301,038	\$ -	-	301,038
SECURITY DEPOSIT	-			-
TOTAL LIABILITIES	301,038	-	-	301,038
FUND EQUITY				
RESTRICTED	-	-	-	-
UNRESTRICTED	454,185	1,012,368		1,466,553
	<u>454,185</u>	<u>1,012,368</u>	<u>-</u>	<u>1,466,553</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 755,223</u>	<u>\$ 1,012,368</u>	<u>\$ -</u>	<u>\$ 1,767,591</u>

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	GENERAL	CAPITAL PROJECT	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
FEEP FEES	\$ 5,212,590	\$ -	\$ -	\$ 5,212,590
CAPITAL GRANT AND CONTRIBUTION	-	712,829	-	712,829
LEAD PROGRAM	9,312	-	-	9,312
IDEA	-	-	82,698	82,698
GRANTS AND CONTRIBUTIONS	55,865	-	-	55,865
CHARGE FOR SERVICES	169,173	-	-	169,173
INTEREST	6,317	-	-	6,317
RENTAL INCOME	141,601	-	-	141,601
LOAN PROCEEDS	-	1,914,652	-	1,914,652
OTHER	6,623	-	-	6,623
TOTAL REVENUES	5,601,481	2,627,481	82,698	8,311,660
EXPENDITURES:				
INSTRUCTIONAL SERVICES	3,058,661	-	44,616	3,103,277
INSTRUCTIONAL SUPPORT SERVICES	52,083	-	4,526	56,589
INSTRUCTIONAL MEDIA SERVICES	171,996	-	-	171,996
INSTRUCTIONAL STAFF TRAINING	1,106	-	-	1,106
BOARD	35,598	-	-	35,598
SCHOOL ADMINISTRATION	926,933	-	-	926,933
FACILITIES ACQUISITION AND CONSTRUCTION	84,318	2,405,252	-	2,489,570
FISCAL SERVICES	34,552	-	-	34,552
CENTRAL SERVICES	16,267	-	-	16,267
PUPIL TRANSPORTATION SERVICES	442,135	-	-	442,135
OPERATION OF PLANT	487,198	-	-	487,198
MAINTENANCE OF PLANT	-	-	-	-
OTHER EXPENSES	-	-	-	-
DEBT SERVICES - PRINCIPAL	-	65,975	-	65,975
DEBT SERVICES - INTEREST	-	356,537	-	356,537
CAPITAL OUTLAY	-	94,236	33,556	127,792
TOTAL EXPENDITURES	5,310,827	2,922,000	82,698	8,315,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	290,654	(294,519)	-	(3,865)
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFER IN (OUT)	(406,992)	420,992	-	14,000
TOTAL OTHER FINANCING SOURCES				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(116,338)	126,473	-	10,135
FUND BALANCE - JULY 1, 2009	570,523	885,895	-	1,456,418
FUND BALANCE - JUNE 30, 2010	\$ 454,185	\$ 1,012,368	\$ -	\$ 1,466,553

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES
 IN THE FUND BALANCE OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUNDS	\$	10,135
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAY AND BOND ISSUE COSTS AS EXPENDITURES. HOWEVER, IN THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS, THE COSTS OF THOSE ASSETS ARE ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AS DEPRECIATION AND AMORTIZATION EXPENSES. THIS IS THE AMOUNT BY WHICH CAPITAL ASSETS \$2,554,126 EXCEEDED DEPRECIATION EXPENSES OF (\$161,237) AND AMORTIZATION OF (\$92,855) IN THE CURRENT YEAR.		
		2,300,034
LOAN PROCEEDS		(1,927,678)
DEBT SERVICE PAYMENTS OF PRINCIPAL		65,975
PREPAID EXPENSES		(22,991)
PAYMENTS OF NONCURRENT ACCOUNTS PAYABLE WITH CURRENT FUNDS		<u>1,385</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>426,860</u>

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

MOVIE
PRODUCTION
FUND

ASSETS

CURRENT ASSETS:

CASH AND CASH EQUIVALENTS	\$	5,236
OTHER ASSETS		54,320
CAPITAL ASSETS		<u>27,176</u>
 TOTAL ASSETS	 \$	 <u><u>86,732</u></u>

LIABILITIES

CURRENT LIABILITIES:

ACCRUED EXPENSES	\$	-
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NET ASSETS

INVESTED IN CAPITAL ASSETS		81,496
UNRESTRICTED		<u>5,236</u>
 TOTAL NET ASSETS	 \$	 <u><u>86,732</u></u>

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	MOVIE PRODUCTION FUND
REVENUES	\$ -
OPERATING EXPENSES	
ACCOUNTING	500
ADVERTISING	-
DEPRECIATION	6,406
LICENSES AND FEES	446
TOTAL OPERATING EXPENSES	7,352
NON OPERATING REVENUES (EXPENSES)	
CONTRIBUTIONS	9,750
NET ASSETS	
CHANGES IN NET ASSETS	2,398
JULY 1, 2009	84,334
JUNE 30, 2010	\$ 86,732

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
JUNE 30, 2010

	MOVIE PRODUCTION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
PAYMENTS FOR MOVIE PRODUCTION	\$ (38,027)
PAYMENTS FOR OPERATING EXPENSES	(350)
NET CASH (USED) BY OPERATING ACTIVITIES	(38,377)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CONTRIBUTIONS	9,750
CASH FLOWS FROM RELATED FINANCING ACTIVITIES	
REPAYMENT OF FINANCING	(34,660)
FINANCING OF CAPITAL ASSETS	-
ACQUISITION OF CAPITAL ASSETS	-
NET CASH PROVIDED BY RELATED FINANCING ACTIVITIES	(34,660)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,287)
JULY 1, 2009	68,523
JUNE 30, 2010	\$ 5,236
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
OPERATING (LOSS) INCOME	\$ 2,398
DEPRECIATION	6,406
MOVIE PRODUCTION	(13,467)
ACCRUED LIABILITIES	(33,714)
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (38,377)

Please Read the Accompanying Independent Auditors' Report and
Notes to the Financial Statements

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Students in the Arts TV/G-Star, TV, Inc. (“School”) was organized in Palm Beach County, Florida in September 1988 to operate a School to inspire at-risk young people, minority students, and middle school and high school students to stay in school and continue on to one of the country’s many TV and film training programs.

The School operates under Florida Statutes Section 228.056(7) as a Charter School Contract with the School District of Palm Beach County, Florida (the School Board). The School is a tax-exempt organization under 501(C) (3).

The Charter requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students registered at the School.

The School is a component unit of School District Palm Beach County, Florida.

Reporting Entity – The School’s financial reporting consists of:

Government-Wide Financial Statements – The government-wide financials statements include the statement of net assets and the statement of activities. These statements report financial information of the School as a whole.

The statement of activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is a assembly of similar activities and may include positions of a fund or summarize more than one fund to capture the expense and program revenues associated with the Board functional activity. Program revenues include: (1) charges for services which report fees and other charges, (2) operating grants and contributions which finance annual operating activities including restricted investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these programs uses.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measure Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles in the United States. The reporting entity applies all relevant Government Accounting Standards Board pronouncements. The government-wide financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinion issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Government Accounting Standards Board pronouncements, in which case, Government Accounting Standards Board prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: intergovernmental revenues, and interest income.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Major Funds

General Fund – The General Fund is the general operating fund. It is used to account for all current financial resources except those required to be accounted for in another fund of the School.

Capital Project Fund – Used to account for the resources segregated for the acquisition or construction of designed capital assets except those financed by equity funds.

Special Revenue Fund – Used for restricted special revenues.

Capital assets, Depreciation and Amortization

The School's property, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

The School generally capitalizes assets with cost of \$250 or more as outlay occur. The costs of normal maintenance and repairs that do not add to the asset value a materiality extend useful lives are expensed. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operation. Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 Years
Improvements	20 Years
Furniture, Fixture and Equipment	5 Years

Budgetary

Budget to actual comparison are reflected in the accompanying financial statements for general fund type which the School has adopted for its operations. The School adopts its budget on a basis consistent with Generally Accepted Accounting Principles in the United States of America.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

NOTE B – SCHOOL DISTRICT OF PALM BEACH COUNTY

The Charter School has an agreement with the School District of Palm Beach County, Florida to operate Charter School. The Charter School receives funding from the School District of Palm Beach County, Florida based on the projected number of full-time equivalent (FTE) students. The number of students attending the School for the year ending June 30, 2010, was 853.

NOTE C – CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2010 were as follows:

	<u>Balance</u> <u>07/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/10</u>
Land	\$1,456,929	-	-	\$ 1,456,929
Building	2,614,300	2,405,252	-	5,019,552
Leasehold Improvements	688,445	14,046	-	702,491
Office Equipment and Fixtures	760,985	-	-	760,985
Bus Transportation	<u>94,000</u>	<u>-</u>	<u>-</u>	<u>94,000</u>
	5,614,659	2,419,298	-	8,033,957
Less: Accumulated Depreciation	<u>696,973</u>	<u>-</u>	<u>161,237</u>	<u>858,210</u>
Net	<u>\$4,917,686</u>	<u>\$2,419,298</u>	<u>\$ 161,237</u>	<u>\$7,175,747</u>

Depreciation expense and amortization for year ended June 30, 2010, was \$161,237.

NOTE D – UNINSURED CASH BALANCE

The School maintains its cash balances at one major financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the Organization's uninsured cash balances totaled \$133,984. Management feels they are not at risk. The Bond Fund is all at risk which is \$803,350 and is uncollateralized also.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

NOTE E – GENERAL LONG-TERM DEBT

On December 1, 2005, Bonds series 2005A and 2005B, tax-exempt and taxable revenue bonds were issued in amount of \$4,455,000 and \$500,000, with maturity date May 15, 2035 and May 1, 2014, and interest rate set at 6.75% and 7.00% respectively. The bonds were issued to finance the acquisition and improvement of School property. The bonds are secured by School property and the annual debt service requirements of School are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 335,713	\$ 385,713
2007	55,000	332,212	387,212
2008	60,000	328,363	388,363
2009	65,000	324,162	389,162
2010	70,000	319,613	389,613
2011-2015	420,000	1,520,288	1,940,288
2016-2020	595,000	1,354,050	1,949,050
2021-2025	830,000	1,123,875	1,953,250
2026-2030	1,150,000	803,250	1,953,250
2031-2035	<u>1,660,000</u>	<u>329,400</u>	<u>1,989,400</u>
	<u>\$ 4,955,000</u>	<u>\$ 6,770,926</u>	<u>\$ 11,725,926</u>

Long-term liability changes for the year ended June 30, 2010 were as follows:

Balance – July 1, 2009	\$ 4,850,000
Principal Payments	<u>(65,000)</u>
Balance – June 30, 2010	<u>\$ 4,785,000</u>

The bond resolution requires the establishment of the following accounts:

<u>Account</u>	<u>Purpose</u>
Sinking Account	To accumulate sufficient funds to meet maturing debt service requirements through transfers from the operating account.
Renewal and Replacement	To accumulate funds for the purpose of paying for the cost of Improvement, repair and maintenance of the building.

Cash is restricted for these purposes.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE F - CONTINGENCIES

The School receives funding through the School District of Palm Beach, Florida, that is based in part on a computation of the number of full time equivalent ("FTE") students enrolled. The accuracy of data compiled supporting the FTE count is subject to audit, and if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion, of management that the amount of revenue, which may be remitted back due to errors in the FTE count, if any, will not be material to the financial position of the School. In addition, the continued operation of the School is depended upon an agreement with School District of Palm Beach, Florida.

NOTE G – RISK MANAGEMENT

The School is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance.

NOTE H – FICTICIOUS NAME

The School has registered a fictitious name with the state of Florida, for the movie studio.

NOTE I – SUBSEQUENT EVENTS

On August 15, 2010 the Organization announced the completion of their new theater/sound stage/gymnasium, a multipurpose building.

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	BUDGET ORIGINAL/ FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:			
FEEP FEES	\$ 4,538,930	\$ 5,212,590	\$ 673,660
CAPITAL GRANT AND CONTRIBUTION	700,000	712,829	12,829
LEAD PROGRAM	-	9,312	9,312
IDEA	-	82,698	82,698
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	-	55,865	55,865
CHARGE FOR SERVICES	-	169,173	169,173
LOAN PROCEEDS	-	1,914,652	1,914,652
INTEREST	-	6,317	6,317
RENTAL INCOME	130,000	141,601	11,601
OTHER	-	6,623	6,623
TOTAL REVENUES	5,368,930	8,311,660	2,942,730
EXPENDITURES:			
INSTRUCTIONAL SERVICES	2,886,640	3,103,277	(216,637)
INSTRUCTIONAL SUPPORT SERVICES	30,000	56,589	(26,589)
INSTRUCTIONAL MEDIA SERVICES	66,000	171,996	(105,996)
INSTRUCTIONAL STAFF TRAINING	20,000	1,106	18,894
BOARD	-	35,598	(35,598)
SCHOOL ADMINISTRATION	732,550	926,933	(194,383)
FACILITIES ACQUISITION AND CONSTRUCTION	-	2,489,570	(2,489,570)
FISCAL SERVICES	30,000	34,552	(4,552)
CENTRAL SERVICES	-	-	-
PUPIL TRANSPORTATION SERVICES	102,000	442,135	(340,135)
OPERATION OF PLANT	470,000	487,198	(17,198)
MAINTENANCE OF PLANT	-	-	-
OTHER EXPENSES	-	16,267	(16,267)
DEBT SERVICES - PRINCIPAL	-	65,975	(65,975)
DEBT SERVICES - INTEREST	5,850	356,537	(350,687)
CAPITAL OUTLAY	-	127,792	(127,792)
TOTAL EXPENDITURES	4,343,040	8,315,525	(3,972,485)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,025,890	(3,865)	(1,029,755)
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFER IN (OUT)	-	14,000	14,000
TOTAL OTHER FINANCING SOURCES	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,025,890	10,135	(1,015,755)
FUND BALANCE - JULY 1, 2009	-	1,456,418	-
FUND BALANCE - JUNE 30, 2010	-	1,466,553	-

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2010

	BUDGET ORIGINAL/ FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:			
IDEA	80,149	82,698	2,549
TOTAL REVENUES	80,149	82,698	2,549
EXPENDITURES:			
INSTRUCTIONAL SERVICES	80,149	82,698	(2,549)
TOTAL EXPENDITURES	80,149	82,698	(2,549)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	-	-	-
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFER IN (OUT)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	-
FUND BALANCE - JULY 1, 2009	-	-	-
FUND BALANCE - JUNE 30, 2010	-	-	-

The Accompanying Notes are an Integral Part of These Financial Statements

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS'
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
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of the governmental activities and each major fund of Students In the Arts TV/G-Star TV, Inc. ("School") 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 27, 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 of the financial statements of Students in the Arts TV/G-Star TV, Inc. as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion of the effectiveness of the School's internal control.

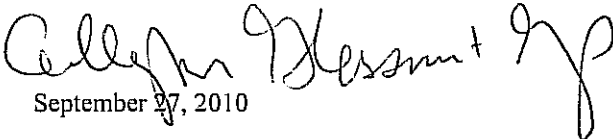
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we found no deficiencies to be significant deficiencies or material weaknesses.

A deficiency in internal control exists when a 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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, the State of Florida, Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.


September 27, 2010

MANAGEMENT LETTER

To the Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of Students in the Arts TV/G-Star, Inc. ("School") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting based on the audit of the financial statements performed in accordance with Government Auditing Standards, dated September 27, 2010, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the School complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.544(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The Rules of Auditor General (Section 10.544(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly consequential: (1) violations of laws, rules, regulations and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (eg., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to attention of the auditor. There are no items requiring disclosure.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity'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 information and use of Board Members, Management, and the State of Florida Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

September 27, 2010