THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

The Montessori Renaissance Experience
Franklin County
1576 Loretta Avenue
Columbus, Ohio 43211

To the Board of Governors:

We have audited the accompanying basic financial statements of The Montessori Renaissance Experience, Franklin County, Ohio (the School) as of and for the year ended June 30, 2008, as listed in the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Montessori Renaissance Experience, Franklin County, Ohio as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements the School has a deficit net asset balance of ($32,954) and an operating loss ($79,437) as of June 30, 2008 and is experiencing financial difficulties. Note 15 describes management's plan regarding these issues.

The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. The Auditor of State has billed the School for the audit services provided for fiscal years 2006 and 2007. As of June 30, 2008, $16,088 remained unpaid and is included in intergovernmental payable.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2009, 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 and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 1, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

The discussion and analysis of the Montessori Renaissance Experience's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets increased $79,783 (from Table 1), which represents a 71 percent increase from 2007. The increase was due mainly to a decrease in liabilities and increase in revenues.

- Total assets increased $35,220 (from Table 1), which represents a 79 percent increase from 2007. The increase was due to increases in cash and prepaid assets.

- Liabilities decreased $44,563 (from Table 1), which represents a 28 percent decrease from 2007. This decrease was mainly due to the decrease in notes payable and accounts payable.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

Table 1 provides a summary of the School's net assets for fiscal year 2008 and fiscal year 2007:

(Table 1)

Net Assets

	2008	2007	Variance
Assets			
Current & Other Assets	$ 69,316	$ 40,915	$ 28,401
Capital Assets, Net	10,706	3,887	6,819
Total Assets	80,022	44,802	35,220
Liabilities			
Current Liabilities	112,976	157,539	(44,563)
Total Liabilities	112,976	157,539	(44,563)
Net Assets			
Invested in Capital Assets	10,706	3,887	6,819
Restricted	1,375	1,375	0
Unrestricted	(45,035)	(117,999)	72,964
Total Net Assets	$ (32,954)	$ (112,737)	$ 79,783

Total net assets increased by $79,783. This increase was primarily due to the decrease in accounts payable and notes payable and increase in cash.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

	2008	2007	Variance
Operating Revenues			
Foundation payments	$551,129	$ 534,837	$ 16,292
Other	6,240	8,744	(2,504)
Total Operating Revenues	557,369	543,581	13,788
Operating Expenses			
Salaries & Benefits	320,654	334,192	(13,538)
Purchased Services	227,813	251,608	(23,795)
Supplies and materials	34,260	18,678	15,582
Depreciation	2,772	1,391	1,381
Other	51,307	30,125	21,182
Total Operating Expenses	636,806	635,994	812
Operating (loss)	(79,437)	(92,413)	12,976
Non-Operating Revenue and Expense			
State Restricted Grants	-	2,400	(2,400)
Federal Restricted Grants	160,116	113,323	46,793
Interest and Fiscal Charges	(896)	(5,845)	4,949
Total Non-Operating Revenues	159,220	109,878	49,342
Change in Net Assets	$79,783	$ 17,465	$ 62,318

Fiscal year 2008 had an increase in net assets of $79,783. This increase was primarily due to an increase in federal restricted grants and foundation payments.

Capital Assets

At the end of fiscal year 2008 the School had $10,706 invested in capital assets net of depreciation. There were two additions and no deletions for the 2008 fiscal year. Table 3 shows fiscal year 2008 and fiscal year 2007:

(Table 3)

Capital Assets at June 30, 2008
(Net of Depreciation)

	2008	2007	Variance
Furniture, Fixtures, and Equipment	10,706	3,887	6,819
Total	$10,706	$ 3,887	$ 6,819

For more information on capital assets see Note 4 to the basic financial statements.

Debt – Notes Payable

At June 30, 2008, the School had $5,023 in debt outstanding. Table 4 summarizes outstanding notes.

(Table 4)

	2008	2007	Variance
Notes Payable	$ 5,023	$ 35,140	(30,117)
Total	$ 5,023	$ 35,140	$ (30,117)

The School entered into a line of credit with Huntington National Bank, which included the original $19,700 line of credit and additional $20,000 for the purpose of paying the school's operating expenses. In fiscal year 2008, the School paid $10,000 in principal and in 2007 the School paid $24,677 in principal on the line of credit.

The School received a loan from CD Garrett's School Resources in the amount of $22,500 in March 2006. There is no formal agreement requiring the loan to be repaid in a specific time frame. In fiscal year 2008, the School repaid $20,117 and in year 2007, the school paid $2,383, leaving no balance at June 30, 2008.

Contacting the School's Financial Management
This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Carl Shye, CPA, Treasurer, at the The Montessori Renaissance Experience, 5844 Central College Road, New Albany, Ohio 43054 or e-mail at carl@carlshye.com..

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

	2008
Assets	
Current Assets	
Cash and Cash Equivalents	$17,325
Prepaid Assets	12,026
Intergovernmental Receivable	38,590
Total Current Assets	67,941
Non-Current Assets	
Depreciable Capital Assets (Net of Accumulated Depreciation)	10,706
Security Deposit	1,375
Total Non-Current Assets	12,081
Total Assets	$80,022
Liabilities	
Current Liabilities	
Accounts Payable	$ 7,498
Accrued Wages & Benefits	37,085
Intergovernmental Payable	48,457
Pension Obligation Payable	14,913
Notes Payable	5,023
Total Liabilities	112,976
Net Assets	
Invested in Capital Assets	10,706
Restricted for Security Deposit	1,375
Unrestricted (Deficit)	(45,035)
Total Net Assets	$(32,954)

The notes to the financial statements are an integral part of this statement.

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation payments	$551,129
Other	6,240
Total Operating Revenues	557,369
Operating Expenses	
Salaries & Benefits	320,654
Purchased Services	227,813
Supplies and materials	34,260
Depreciation	2,772
Other	51,307
Total Operating Expenses	636,806
Operating loss	(79,437)
Non-Operating Revenue and Expense	
Federal Restricted Grants	160,116
Interest and Fiscal Charges	(896)
Total Non-Operating Revenue/Expense	159,220
Change in Net Assets	79,783
Net Assets Beginning of Year	(112,737)
Net Assets End of Year	$(32,954)

The notes to the financial statements are an integral part of this statement.

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2008
Cash Flows from Operating Activities:	
Cash received from Foundation Payments	$551,129
Cash received from Other Operating Revenues	6,240
Cash payments for personal services	(304,193)
Cash payments for contract services	(285,820)
Cash payments for supplies and materials	(34,260)
Cash payments for Miscellaneous	(35,228)
Net Cash Used for Operating Activities	(102,132)
Cash Flows from Noncapital Financing Activities:	
Cash from Federal & State Subsidies	158,717
Cash payment to Debt principal and interest	(31,013)
Net Cash Provided by Noncapital Financing Activities	127,704
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(9,591)
Net Cash Used for Capital and Related Financing Activities	(9,591)
Net increase in cash and cash equivalents:	15,981
Cash and cash equivalents at beginning of year	1,344
Cash and cash equivalents at end of year	$17,325
Reconciliation of Operating loss to Net Cash Used for Operating Activities:	
Operating loss	$ (79,437)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,772
Changes in Assets and Liabilities:	
(Increase) Decrease in Prepaid Assets	(11,021)
Increase (Decrease) in Accounts Payable	(34,458)
Increase (Decrease) in Wages and Benefits Payable	2,924
Increase (Decrease) in Pension Obligation Payable	(460)
Increase (Decrease) in Intergovernmental Payable	17,548
Total Adjustments	(22,695)
Net cash used by operating activities	$(102,132)

The notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Montessori Renaissance Experience, Franklin County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio Department of Education for a period of five years commencing August 26, 2001. The School began the 2006-07 fiscal year under a contract with Kids Count of Dayton, Inc. (the Sponsor) for a period of five academic years commencing after June 1, 2006 and ending June 30, 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operated under a self-appointing five-member Board of Governors (the Board). The School’s Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the School’s one instructional/support facility staffed by 6 certified full-time teaching personnel who provided services to 83 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School’s accounting policies are described below.

A. Basis of Presentation

The School’s basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transaction, in which the School receives value without directly giving equal value in return, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the statement of net assets. The School had no investments during the period ended June 30, 2008.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment is computed using the straight line method over the estimated useful life of three to seven years. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets.

F. Net Assets

Net assets represent the difference between assets and liabilities. Capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments. Operating expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. Economic Dependency

The School receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

J. Prepaid Items

The School records payments made to vendors for services that will benefit periods beyond June 30, 2008, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

3. DEPOSITS

At fiscal year end, the carrying amount of the School's deposits was $17,325 and the bank balance was $25,433. All of the bank balance was covered by federal depository insurance.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 20,061	$ 9,591	-	$ 29,652
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(16,174)	(2,772)	-	(18,946)
Business-Type Activity Capital Assets, Net	$ 3,887	$ 6,819	$ -	$ 10,706

5. RECEIVABLES

Intergovernmental Receivables at June 30, 2008, consisted of the following:

Grant	Intergovernmental Receivable
Title I	$33,825
Sp. Ed. Part B	4,765
Total	**$38,590**

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School contracted with Anderson Insurance Company for property insurance of $50,000 in aggregate and general liability insurance of $1,000,000 in aggregate. There is a $500 deductible for the general liability and a $1,000 deductible for property insurance. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

B. Workers Compensation

The School pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for the fiscal years ended June 30, 2008, 2007 and 2006 were $9,001, $29,420, and $26,194, respectively; 66% percent has been contributed for fiscal year 2008 and 100 percent for years 2007 and 2006.

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $27,156, $36,149, and $32,180, respectively; 93% percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

8. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $2,715 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was $3.5 billion. For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premiums. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer’s 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer’s SERS salaries.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled $2,273. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were $158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of $295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

9. OPERATING LEASE

The School entered into a cancelable operating lease agreement with Catholic Dioceses of Columbus for classroom space and other space in a building. The terms are for August 1, 2007 through July 31, 2008. This lease for classroom facilities is payable in monthly installments of $2,500 a month. The total lease payments made in fiscal year 2008 were $30,000.

10. NOTES PAYABLE

Obligations	Principal Outstanding 06/30/07	Principal Additions	Principal Payments	Principal Outstanding 06/30/08
Line of Credit-Huntington National Bank	$15,023	$ -	$10,000	$5,023
CD Garrett's School Resources, LTD.	20,117		20,117	-
Total	$35,140	$ -	$30,117	$5,023

The School entered into a initial line of credit in the amount of $19,700 with the Huntington National Bank on November 5, 2004 for the purpose of paying the School operating expenses. The note has an initial rate of 6.75% and is subject to change from time to time based on changes in an index which is the Lender's Prime Commercial Rate. The line of credit was secured by all business assets. Interest payments are to be made monthly beginning December 31, 2004. On September 22, October 26 and November 22, 2005 the School requested additional lines of credit totaling $20,000 from The Huntington

National Bank. The $20,000 line of credit, along with the original line of credit of $19,700, was converted to a short term loan of $39,700 on March 22, 2006. The principal was due April 30, 2006, however, payment was not made. During fiscal year 2007 and 2008, the School was able to repay $34,677 in principal and had a remaining balance of $5,023. The School has entered into an agreement with Huntington National Bank to pay a $1,000 per month on principal plus monthly interest until the outstanding balance is paid in full.

Effective March 20, 2006, the School entered into a loan repayment agreement with CD Garrett's School Resources, LTD. There is no formal agreement requiring the loan to be paid back in a specific time frame. In 2008, the School repaid the loan in full.

11. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

11. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the school. These reviews ensure the school is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2008, the review was completed in January 2008. For the School, there was an insignificant variance between the amount received to date and the final payment made to the School. This variance will have no effect on the financial standing of the School.

12. PURCHASED SERVICES

For the year ended June 30, 2008, the purchased service expenses were comprised of the following:

Professional & Technical	$146,187
Repairs/Cleaning and Maintenance	17,482
Communications	8,742
Utilities	23,187
Contracted Craft or Trade	32,215
Total Purchased Services	$ 227,813

13. INTERGOVERNMENTAL PAYABLE

Intergovernmental Payable at June 30, 2008 totaled $48,457 as follows:

Internal Revenue Service	$ 3,600
Auditor of State	16,088
Bureau of Workers Compensation	8,163
Ohio Department of Job and Family Service	16,555
Levy and Associates (State of Ohio)	4,051
Total	$ 48,457

14. SPONSOR

The Academy was approved for operation under a contract with Kids Count of Dayton, Inc. (the Sponsor) for a period of five academic years commencing July 1, 2006. As part of this contract, the Sponsor is entitled to a maximum of 2% of the total state funds. Total amount due and paid for year ended June 30, 2008 was $10,949.

15. MANAGEMENT'S PLAN

The School is experiencing certain financial difficulties. For fiscal year 2008, the School had a net asset deficit ($32,954) and operating loss ($79,437). Management believes that declining enrollment and a related decline in school foundation has been the primary reason for the financial difficulties it has experienced.

The School has a financial recovery management plan in place for the fiscal year ended June 30, 2009 and beyond. Projected revenues and expenditures for fiscal year ended 2009 indicate these financial difficulties will be eliminated during 2009; the School has adopted a balanced budget for fiscal year 2009. Pertinent assumptions include a grant of $46,033 and staff reductions until which time enrollment increases to a level where additional staff is needed to accomplish the School's mission. Also, the School has entered into an agreement with Huntington National Bank to make monthly payments on its outstanding line of credit of $1,000 plus interest until paid in full.

Additionally, the School has an aggressive marketing plan in place and has hired a specialist to assist in recruitment of new students who fit the overall mission of the School.

As of April 30, 2009 the carrying value of the School's bank account was $6,604.

16. SUBSEQUENT EVENT

On February 23, 2009 the Board of Governors approved an interest-free loan from an employee in the amount of $2,000.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

The Montessori Renaissance Experience
Franklin County
1576 Loretta Avenue
Columbus, Ohio 43211

To the Board of Governors:

We have audited the basic financial statements of The Montessori Renaissance Experience, Franklin County, Ohio (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated May 1, 2009, wherein we noted the School was experiencing certain financial difficulties, and has not paid for the 2006 and 2007 audit services. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated May 1, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School's management in a separate letter dated May 1, 2009.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Governors, and Kids Count of Dayton, Inc. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 1, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Financial Statement Misstatements – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Governors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following misstatements were material to the overall financial statements of the School and were posted to the June 30, 2008 financial statements and accounting records.

- Pension obligation payable/salaries and benefits expense was understated by $7,070 as the payments in arrears were not estimated properly.
- Prepaid retirement monies totaling $11,012 were on account at the State Teachers Retirement System and the School Employees Retirement System of Ohio; as a result prepaid assets were understated and salaries and benefits expense was overstated.

The following misstatements were inconsequential to the overall financial statements of the School and were not posted to the June 30, 2008 financial statements.

- Foundation receipts/retirement deductions were reported at net and were therefore understated by $3,500.
- Federal and State receipts of $2,217 were improperly classified.
- Intergovernmental payable and the related expense were understated by $1,385 due to obligations incurred but not accrued.
- Accrued wages payable and salaries and benefits expense was understated by $3,834 due to the exclusion of certain summer wages.

The misstatements identified above should be reviewed by management to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the School adopt procedures for the review of the activity posted to the accounting records and annual financial statements.

Officials' Response:

The support of the Treasurer will ensure records are accurate throughout the year.

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
Finding 2007-001	Sponsor Contract and ORC 3314.03(A)(8) require the School to file an annual financial report	Yes	
Finding 2007-002	Financial Statement Adjustments	No	Reissued as finding 2008-001
Finding 2007-003	Cash Collection Procedures and Policies – the School did not complete duplicate receipts for all receipts	No	Partially Corrected - reported in the management letter for 2008.
Finding 2007-004	Treasurer's Licensing Requirement – contrary to ORC 3301.074 the CEO signed checks	No	Partially Corrected - reported in the management letter for 2008.
Finding 2007-005	Bank Reconciliations were not completed in a timely fashion	Yes	
Finding 2007-006	State Income Tax withheld – the School did not timely remit state income tax withheld	Yes	

Mary Taylor, CPA
Auditor of State

MONTESSORI RENAISSANCE EXPERIENCE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 18, 2009

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