MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Montessori Renaissance Experience
Franklin County
1895 Summit St.
Columbus, Ohio 43201

To the Board of Governors:

We have audited the accompanying Balance Sheet of the Montessori Renaissance Experience, Inc. (the School) as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year then ended. 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 *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montessori Renaissance Experience, Inc. as of June 30, 2003, and the results of operations and its cash flows 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 November 3, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Betty Montgomery

Betty Montgomery
Auditor of State

November 3, 2003

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MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

BALANCE SHEET
AS OF JUNE 30, 2003

ASSETS

Current Assets		
Cash and cash equivalents	$	63,487
Intergovernmental Receivable		6,472
Total Current Assets		69,959
Non Current Assets		
Furniture and Equipment (Net of Accumulated Depreciation)		6,742
Total Assets	$	76,701

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	$	5,185
Accrued Wages		19,298
Total Current Liabilities		24,483
Long Term Liabilities		
Compensated Absences		1,500
Total Liabilities		25,983
Equity		
Retained Earnings		50,718
Total Liabilities and Equity	$	76,701

The accompanying notes are an integral part of the financial statements.

MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003

Operating Revenues	
Foundation Payments	$ 195,970
Disadvantaged Pupil Impact Aid	45,529
Other Operating Revenue	3,513
Total Operating Revenue	245,012
Operating Expenses	
Salaries	173,038
Fringe Benefits	40,225
Purchased Services	162,768
Materials and Supplies	13,309
Depreciation	2,070
Other Operating Expenses	21,053
Total Operating Expenses	412,463
Operating Loss	(167,451)
Non-Operating Revenues	
State Restricted Grants	4,675
Federal Restricted Grants	172,265
Interest Income	335
Total Non-Operating Revenues	177,275
Net Income	9,824
Retained Earnings Beginning of Year	40,894
Retained Earnings End of Year	$ 50,718

The accompanying notes are an integral part of the financial statements.

MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Increase in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash from State of Ohio	$	241,499
Cash Payments to Suppliers for Goods and Services		(196,925)
Gross Payroll to Employees for Services		(206,667)
Other Operating Revenue		3,513
Net Cash from Operating Activities		(158,580)
Cash Flows from Noncapital Financing Activities		
Grants Received from State Subsidies		4,675
Grants Received from Federal Subsidies		165,793
Net Cash Provided by Noncapital Financing Activities		170,468
Cash Flows from Capital and Related Financing Activities		
Fixed Asset Purchases		(2,688)
Cash Inflows from Investing Activities		
Interest Income		335
Net Increase in Cash and Cash Equivalents		9,535
Cash and Cash Equivalents at Beginning of Year		53,952
Cash and Cash Equivalents at End of Year	$	63,487
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(167,451)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation		2,070
Changes in Assets and Liabilities		
Increase in Accounts Payable		205
Increase in Compensated Balances		1,500
Increase in Accured Wages & Benefits		10,683
Decrease in Intergovernmental Payable		(5,587)
Total Adjustments		8,871
Net Cash Used for Operating Activities	$	(158,580)

The accompanying notes are an integral part of the financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Montessori Renaissance Experience, Inc. (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 service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically, the School's purpose is to be a model charter school serving children from kindergarten through grade three. The School, which is part of the state's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The creation of the School was initially proposed to the Ohio Department of Education, the sponsor, by the developers of the School in September 2000. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of School operations on August 26, 2001. The School operates under a four-member Board of Governors. The Board is responsible for carrying out the provisions of the contract, 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 Governors controls the School's one instructional facility staffed by two full time and one part time noncertified personnel, and three certificated full time teaching personnel who provide services to approximately thirty-four students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montessori Renaissance Experience, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America (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 after 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

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its 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 balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between Montessori Renaissance Experience, Inc. and its sponsor, Ohio Department of Education, does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting control purposes, the School segregates its cash. Individual fund integrity is maintained through School records and the USAS accounting system. Total cash for all funds is presented as "cash and cash equivalents" on the accompanying balance sheet.

E. Estimates

The preparation of the financial statements in conformity with general accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

F. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School did not capitalize any interest during the fiscal year. Improvements are capitalized. The costs 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 and vehicles is computed using the straight-line method over the estimated useful life of three to seven years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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. The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded $150,000 to offset implementation costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements. Amounts awarded under the above named program for the 2003 school year totaled approximately $172,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused personal time when earned. Sick leave benefits are accrued as a liability using the vesting method. The entire amount of compensated absences is reported as a liability.

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2003 are reported as current liabilities in the accompanying financial statements.

3. DEPOSITS AND INVESTMENTS

Deposits: At June 30, 2003, the carrying amount of the School's deposits was $63,487 and the bank balance was $79,640. Of the bank balance, $79,640 was covered by federal depository insurance.

4. RECEIVABLES

Montessori Renaissance Experience had an Intergovernmental receivable from the Ohio Department of Education in the amount of $6,472 at June 30, 2003. The detail of the receivable is as follows. The balance is considered to be 100% collectible.

Grant		Total
Fund 516 IDEA B	$	119
Fund 572-Title I		4,643
Fund 573-Federal Programs: Title II-A FY03		861
Fund 573-Federal Programs: V Innovative FY03		139
Fund 584 Safe & Drug Free School		385
Fund 599-Misc Fed Grants: Title II-D FY03		325
Grand Total	$	6,472

5. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2003 follows

Furniture and Equipment	$ 10,344
Less: Accumulated Depreciation	(3,602)
Net Fixed Assets	$ 6,742

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains insurance coverage for rental/theft, general liability and directors and officers.

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 gross total payroll by a factor that is calculated by the State.

C. Employee, Medical, Dental, and Vision Benefits

The School has contracted with a private carrier to provide employee health insurance benefits. The School pays 60% of the premium for medical coverage for all employees. Dental Insurance is not covered.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost- sharing employer defined benefit 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 43215-3476.

Plan members are required to contribute 9 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 2003, 5.46 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2003 and 2002 were $5,420 and $ 1,746; 100 percent has been contributed for fiscal year 2003 and 2002.

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 system. 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 43215-3371 or by calling (614) 227-4090.

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 for the fiscal year ended June 30, 2003 and 2002 were $13,558 and $ 6,261; 100 percent has been contributed for fiscal year 2003 and 2002.

8. POST EMPLOYMENT 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.

8. POST EMPLOYMENT BENEFITS (Continued)

Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By aw, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $6,422 for fiscal year 2003. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was $3,256 million. For the year ended June 30, 2002, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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. The portion is based on years of service up to a maximum of 75 percent of the premium. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 8.54 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 2003, the minimum pay was established at $12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled $9,200. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. 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, 2002 (the latest information available), were $182,946,777 and the target level was $274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of $335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from School policy and State laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Salaried employees accrue sick time of 15 days per calendar year and are awarded 3 personal days at the beginning of the school year. Hourly rate employees do not accrue leave and are paid based upon hours worked only. Upon separation of service, any personal time is paid at 100%. At the end of the school year in an amount not to exceed 15 days at 50% of their daily rate, applicable to employees who have a balance of at least 8 sick days or 64 sick hours, an employee may cash-in sick time.

10. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…".

10. STATE SCHOOL FUNDING DECISION (Continued)

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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 are 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, 2003.

B. Litigation

A suit was filed in Franklin County Common Please Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the State Constitution and State Law. On April 31, 2003 the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case is set for oral arguments on November 18, 2003.

12. OPERATING LEASE

The School leases classrooms and other space in a building under a cancelable operating lease. The terms of this lease end August 31, 2006. Total lease payments were $36,000 for the year ended June 30, 2003. A scheduled rent increase took effect July 1, 2003. The future payments for this lease are as follows:

Year Ending June 30,	Amount	
2004	$	40,800
2005		40,800
2006		40,800
Total	$	122,400

13. PURCHASED SERVICES

For fiscal year ended June 30, 2003, purchased service expenses were as follows:

Title		Total
Professional/Technical Services	$	75,049
Property Services		48,607
Travel		1,479
Communications		14,891
Utilities		5,748
Contracted Services		16,994
Grand Total	$	162,768

14. RELATED PARTY TRANSACTIONS

Andre E. Frazier was hired as a private contractor to provide maintenance and repair services to the building in order for the school to open. Mr. Frazier is the husband of Board President and CEO Cynthia Frazier. Total compensation paid for fiscal year 2003 was $4,375 which was paid on July 2, 2003.

Sornatha Fulford was hired for consulting services at the School for the period July 29, 2002 through June 30, 2003, and she was named as the school's Development Director. Ms. Fulford is also a member of the board. Total compensation paid during fiscal year 2003 was $16,444.

15. OPERATING LOSS

For fiscal year 2003, the School had an operating loss ($167,451). Projected revenues for fiscal year 2004 indicate these fiscal year difficulties will not be eliminated during fiscal year 2004. Additionally, there is a projected cash deficit ($ 12,351) at June 30, 2004. The School is scheduled to receive $ 32,522 in federal grant monies in fiscal year 2004. Enrollment as of October 2003 is 47 students(an increase of 38% from the prior year) Also, the School has increased to grades 4 and 5 and has added latchkey to its services for parents for fiscal year 2004.

16. FULLTIME EQUIVALENCY

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School does not anticipate any adjustments to state funding for fiscal year 2003, as a result of the reviews which have yet to be completed.

17. CONSULTING CONTRACT

The School contracts with MMB Enterprises for basic financial services such as bookkeeping (bank reconciliation and electronic record keeping), payroll (processing payroll checks, paying employee benefits, and quarterly fillings), reporting (appropriate annual state and federal filings), accounts payable (purchase order and check writing), and accounts receivable (invoicing and cash collections/deposits). The agreement with MMB Enterprise began July 16, 2002 and ended on June 30, 2003.

Brian Adams is the Chief Financial Officer of the School and President of MMB Enterprises. Total compensation paid to MMB Enterprises during fiscal year 2003 was $20,400.

18. SUBSEQUENT EVENT

On July 1, 2003, the School entered into a consulting contract with Ohio Community School Consultants for financial services and building maintenance. Compensation for services shall not exceed $ 45,500 ($25,500 for financial consulting and $ 20,000 for building maintenance). Brian Adams, Chief Financial Officer of the School is president of Ohio Community School Consultants. The consulting contract ends on June 30, 2004.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Montessori Renaissance Experience
Franklin County
1895 Summit St
Columbus, Ohio 43201

To the Board of Governors:

We have audited the financial statements of Montessori Renaissance Experience, Inc., (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated November 3, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated November 3, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School in a separate letter dated November 3, 2003.

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www.auditor.state.oh.us

This report is intended for the information and use of the finance committee, management, and the Board of Governors, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

November 3, 2003

Auditor of State
Betty Montgomery

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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
DECEMBER 30, 2003