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STATE OF INDIANA

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July 25, 2014

Charter School Board
Renaissance Academy, Inc.
4093 West U.S. Highway 20
LaPorte, IN 46350

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Renaissance Academy, Inc., as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Renaissance Academy, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

RENAISSANCE ACADEMY, INC

Financial Statements

June 30, 2013 and 2012

Fitzgerald Isaac LLC
Certified Public Accountants

RENAISSANCE ACADEMY, INC.

Table of Contents

Fitzgerald Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Renaissance Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Renaissance Academy, Inc.**, which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Renaissance Academy, Inc.** as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fitzgerald Isaac LLP

Indianapolis, IN
March 14, 2014

RENAISSANCE ACADEMY, INC.

Statements of Financial Position

Assets	June 30 2013	2012
Current assets:		
Cash and cash equivalents	$ 608,001	624,970
Accounts receivable:		
State tuition support	-	467,938
Grants	74,349	68,451
Other, net	53,289	28,960
Total current assets	735,639	1,190,319
Property and equipment:		
Land	95,880	93,040
Leasehold improvements	638,524	588,574
Furniture and equipment	104,101	77,991
Textbooks	26,698	25,701
	865,203	785,306
Less: accumulated depreciation	(299,725)	(243,540)
Property and equipment, net	565,478	541,766
	$ 1,301,117	1,732,085
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 51,858	72,068
Current portion of long-term debt	38,428	37,743
Refundable advances	7,876	-
Deferred revenue	38,580	46,888
Total current liabilities	136,742	156,699
Accrued interest on Common School Fund loans	-	61,488
Long-term debt	227,862	843,921
Total liabilities	364,604	1,062,108
Unrestricted net assets	936,513	669,977
	$ 1,301,117	1,732,085

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2013	2012
State education support	$ 1,121,025	935,875
Grant revenue	183,016	114,187
Student fees	194,130	207,419
Fundraising	24,608	42,510
Contributions	628	3,587
Other income	17,290	18,611
Total revenue and support	1,540,697	1,322,189
Expenses		
Program services:		
Educational instruction	843,550	769,815
Education support	95,955	89,367
Administrative	436,445	412,679
Total expenses	1,375,950	1,271,861
Change in net assets before non-operating revenue	164,747	50,328
Non-Operating Revenue		
Gain due to changes in legislative funding	101,789	-
Increase in net assets	266,536	50,328
Net assets, beginning of year	669,977	619,649
Net assets, end of year	$ 936,513	669,977

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2013	2012
Increase in net assets	$ 266,536	50,328
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	(101,789)	-
Depreciation	56,185	53,590
Change in:		
Accounts receivable	(122,802)	20,888
Accounts payable and accrued expenses	2,898	(15,001)
Refundable advances	7,876	-
Deferred revenue	(8,308)	(33,467)
Net cash provided by operating activities	100,596	76,338
Investing Activities		
Purchases of property and equipment	(79,897)	(27,530)
Net cash used by investing activities	(79,897)	(27,530)
Financing Activities		
Principal repayments of long-term debt	(37,668)	(38,303)
Net cash used by financing activities	(37,668)	(38,303)
Net increase (decrease) in cash	(16,969)	10,505
Cash and cash equivalents, beginning of year	624,970	614,465
Cash and cash equivalents, end of year	$ 608,001	624,970
Supplemental disclosures:		
Cash payments for interest expense	$ 5,235	5,931

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

General

Renaissance Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Program and activity fees are paid by families based on the number of children enrolled in the activities selected, and are recognized in the school year to which the payments pertain.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary with regard to such receivables. Other receivables are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts as of June 30, 2013 and 2012 of $72,000 and $66,609, respectively.

Taxes on Income

Renaissance Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2012, 2011, and 2010 are open to audit for both federal and state purposes.

Reclassifications

Certain figures for 2012 that were previously reported have been reclassified for comparative purposes.

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 7 years
Textbooks	3 years

Subsequent Events

The School evaluated subsequent events through March 14, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School’s academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July 2013 to December 2013 will no longer be paid.

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments have been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$ 577,706
Repayment of accrued interest on Common School Fund loans	84,596
	662,302
Elimination of school funding	(560,513)
	$ 101,789

(3) Accounts Receivable

Accounts receivable from the State of Indiana for education support reflected the following amounts as of June 30, 2012:

Tuition support	$442,482
Special education grant	21,496
Prime time grant	3,960
	$467,938

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Long-Term Debt

Long-term debt at June 30, 2013 and 2012 was comprised of:

	2013	2012
Note payable to 1st Source Bank	$266,290	303,958
Notes payable to Indiana Common School fund	-	577,706
	266,290	881,664
Less: current portion	(38,428)	(37,743)
	$227,862	843,921

The 1st Source Bank note is payable in monthly installments of $3,575, including interest at 1.8% per annum, through January 2020. The note, obtained through the issuance of Qualified School Construction Bonds by the Indiana Finance Authority, is secured by assets purchased with the loan proceeds and guaranteed by the school facility landlord (see Note 5).

The notes payable to the Indiana Common School Fund were comprised of multiple notes, each of which required semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2013 and 2012, the loans were under a moratorium on loan payments, but interest continued to accrue. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 2).

Principal maturities under the loan agreements are as follows:

Year Ending June 30:	
2014	$ 38,428
2015	39,126
2016	39,836
2017	40,559
2018	41,295
Thereafter	67,046
	$266,290

(5) Leases

The School leases its school building from V&K, LLC under a 5-year lease that ends June 30, 2017. The lease is accounted for as an operating lease. V&K, LLC is owned by Kieran L. McHugh and Vicki McHugh, both of whom are employees of the School. Under the lease agreement, the School is responsible for all utilities and insurance on the contents. Expense under this lease for the years ended June 30, 2013 and 2012 was $129,275 and $105,789. The lease expense is scheduled to increase by the rate of inflation reported by the U.S. Bureau of Labor Statistics. Future minimum lease obligations are as follows:

Year Ending June 30:	
2014	$97,260
2015	97,260
2016	97,260
2017	97,260

(6) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 8.75% of compensation for other employees of PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was $51,504 and $38,239 for the years ended June 30, 2013 and 2012, respectively.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $15,610 and $26,731 for the years ended June 30, 2013 and 2012. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in LaPorte and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at 1st Source Bank and are secured by FDIC insurance up to the legal limit.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012:

	2013		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$443,140	9,915	213,571
Employee benefits	133,238	591	77,016
Professional services	20,307	1,490	14,961
Staff development and recruitment	9,595	-	-
Authorizer oversight fee	-	-	15,610
Transportation	-	271	-
Food costs	-	11,089	-
Classroom, kitchen and office supplies	27,166	12,721	12,634
Field trips and events	-	45,385	-
Travel	-	-	301
Bad debt	-	-	33,131
Occupancy	153,919	-	-
Repairs and maintenance	-	12,858	-
Depreciation	56,185	-	-
Interest	-	-	28,343
Insurance	-	-	15,395
Other	-	1,635	25,483
	$843,550	95,955	436,445

(9) Functional Expense Reporting, Continued

	2012		
	Educational Instruction	Education Support	Admini-strative
Salaries and wages	$403,241	11,229	197,242
Employee benefits	126,697	603	63,310
Professional services	4,835	1,570	10,955
Staff development and recruitment	11,961	-	-
Authorizer oversight fee	-	-	26,731
Transportation	-	5,948	-
Food costs	-	12,340	-
Classroom, kitchen and office supplies	38,553	13,686	12,260
Field trips and events	-	29,720	-
Travel	-	-	1,149
Bad debt	-	-	21,609
Occupancy	130,938	-	-
Repairs and maintenance	-	11,963	-
Depreciation	53,590	-	-
Interest	-	-	29,040
Insurance	-	-	15,793
Other	-	2,308	34,590
	$769,815	89,367	412,679

RENAISSANCE ACADEMY, INC.

Other Reports

Year Ended June 30, 2013

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Renaissance Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*