



STATE OF INDIANA
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January 13, 2017

Charter School Board
Renaissance Academy
4093 West US 20
LaPorte, IN 46350

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan PC, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 Renaissance Academy, as of June 30, 2016, 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 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

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 auditors' 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 auditors consider 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.

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, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
December 13, 2016

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 438,672	\$ 434,339
Grants receivable	69,671	30,293
Other receivables, net of allowance for doubtful accounts	<u>35,435</u>	<u>17,088</u>
<i>Total current assets</i>	<u>543,778</u>	<u>481,720</u>
PROPERTY AND EQUIPMENT		
Land	355,346	326,520
Buildings and improvements	666,821	637,261
Leasehold improvements	638,524	638,524
Furniture and equipment	136,338	133,415
Vehicles	63,391	24,154
Textbooks	26,698	26,698
Less: accumulated depreciation	<u>(509,414)</u>	<u>(433,063)</u>
<i>Property and equipment, net</i>	<u>1,377,704</u>	<u>1,353,509</u>
TOTAL ASSETS	<u>\$ 1,921,482</u>	<u>\$ 1,835,229</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 67,405	\$ 65,567
Accounts payable and accrued expenses	76,894	89,696
Deferred revenue	<u>59,435</u>	<u>51,949</u>
<i>Total current liabilities</i>	203,734	207,212
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>590,693</u>	<u>657,207</u>
<i>Total liabilities</i>	794,427	864,419
NET ASSETS, UNRESTRICTED	<u>1,127,055</u>	<u>970,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,921,482</u>	<u>\$ 1,835,229</u>

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT		
State education support	\$ 1,400,279	\$ 1,288,703
Grant revenue	251,313	98,444
Student fees	202,584	188,596
Fundraising income	44,687	39,831
Other income	<u>34,479</u>	<u>30,318</u>
<i>Total revenue and support</i>	<u>1,933,342</u>	<u>1,645,892</u>
EXPENSES		
Program services	1,211,071	1,154,397
Management and general	<u>566,026</u>	<u>536,422</u>
<i>Total expenses</i>	<u>1,777,097</u>	<u>1,690,819</u>
CHANGE IN NET ASSETS	156,245	(44,927)
NET ASSETS, BEGINNING OF YEAR	<u>970,810</u>	<u>1,015,737</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,127,055</u></u>	<u><u>\$ 970,810</u></u>

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 607,823	\$ 293,853	\$ 901,676	\$ 553,397	\$ 282,974	\$ 836,371
Employee benefits	136,517	104,126	240,643	149,671	110,877	260,548
Professional services	32,220	20,386	52,606	19,423	19,397	38,820
Staff development and recruitment	50,068	-	50,068	29,364	-	29,364
Authorizer oversight fees	-	36,873	36,873	-	31,300	31,300
Transportation	680	-	680	637	100	737
Food costs	33,633	-	33,633	26,958	-	26,958
Classroom, kitchen, and office supplies	35,770	13,226	48,996	42,384	9,986	52,370
Field trips and events	62,427	-	62,427	64,244	-	64,244
Occupancy	137,320	-	137,320	140,504	-	140,504
Repairs and maintenance	37,412	-	37,412	52,562	-	52,562
Depreciation	76,351	-	76,351	74,736	-	74,736
Interest	-	32,615	32,615	-	26,102	26,102
Insurance	-	26,789	26,789	-	23,540	23,540
Bad debt	-	4,525	4,525	-	13,386	13,386
Other	850	33,633	34,483	517	18,760	19,277
	<u>850</u>	<u>33,633</u>	<u>34,483</u>	<u>517</u>	<u>18,760</u>	<u>19,277</u>
<i>Total functional expenses</i>	<u>\$ 1,211,071</u>	<u>\$ 566,026</u>	<u>\$ 1,777,097</u>	<u>\$ 1,154,397</u>	<u>\$ 536,422</u>	<u>\$ 1,690,819</u>

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 156,245	\$ (44,927)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of fixed assets	-	(2,519)
Depreciation	76,351	74,736
Change in certain assets and liabilities:		
Grants receivable	(39,378)	2,310
Other receivables	(18,347)	(62)
Accounts payable and accrued expenses	(12,802)	(2,007)
Deferred revenue	7,486	(12,842)
	<u>169,555</u>	<u>14,689</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(100,546)	(331,975)
Proceeds from insurance settlement	-	2,716
	<u>(100,546)</u>	<u>(329,259)</u>
<i>Net cash used by investing activities</i>		
FINANCING ACTIVITIES		
Proceeds from note payable	-	550,000
Principal payments on notes payable	(64,676)	(55,154)
	<u>(64,676)</u>	<u>494,846</u>
<i>Net cash provided by (used in) financing activities</i>		
NET CHANGE IN CASH	4,333	180,276
CASH, BEGINNING OF YEAR	<u>434,339</u>	<u>254,063</u>
CASH, END OF YEAR	<u>\$ 438,672</u>	<u>\$ 434,339</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 32,615	\$ 26,102

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 monthly installments in July through June coinciding with the academic 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 amount 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 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.

Accounts Receivable – Grants 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 include student and preschool fees and are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts of \$53,320 and \$64,000 as of June 30, 2016 and 2015, respectively.

Property and Equipment – Purchases of 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:

Buildings and improvements	39 years
Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 7 years
Vehicles	5 years
Textbooks	3 years

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Revenue – Deferred revenue consists of enrollment fees and materials and supplies fees received as part of the enrollment process for the subsequent academic school year.

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, 2016 and 2015, 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 13, 2016, 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.

NOTE 2 - NOTES PAYABLE

Notes payable were comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Loan payable to 1 st Source Bank, payable in monthly installments of \$3,575 including interest at 1.8% per annum through January 2020, secured by assets purchased with the loan proceeds and guaranteed by the school facility landlord (see Note 3)	\$ 149,081	\$ 188,860
Mortgage loan payable to 1 st Source Bank, payable in monthly installments of \$4,532 including interest at 5.55% per annum through September 2019, with a lump-sum payment of \$417,381 due October 2019, secured by a mortgage on school facilities	509,017	533,914
	658,098	722,774
Less: current portion	(67,405)	(65,567)
Long-term portion	\$ 590,693	\$ 657,207

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 2 - NOTES PAYABLE, Continued

Principal maturities of notes payable are as follows for the years ending June 30:

2017	\$ 67,405
2018	69,670
2019	72,034
2020	<u>448,989</u>
	\$ <u>658,098</u>

NOTE 3 - LEASES

The School leases a portion of the school facilities 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 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, 2016 and 2015 was \$101,136 and \$100,944, respectively. The lease expense is scheduled to increase by the rate of inflation reported by the U.S. Bureau of Labor Statistics. The lease obligation for the year ending June 30, 2017 is \$100,944.

NOTE 4 - 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 payments received. Expense under this charter agreement was \$36,873 and \$31,300 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

NOTE 5 - 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 cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements of plan members are determined by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 10.25% of compensation until December 31, 2014 and 11.2% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$69,955 and \$66,390 for the years ended June 30, 2016 and 2015, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 6 - 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, 2016, 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 insured up to the FDIC insurance up to the legal limit.

NOTE 7 - 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 between program and management services.

RENAISSANCE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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.