



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42793

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 7, 2013

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, 2011 to June 30, 2012. 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, 2012, 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.

State Board of Accounts

RENAISSANCE ACADEMY, INC.

Financial Statements

June 30, 2012

RENAISSANCE ACADEMY, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11
Other Reports	12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Renaissance Academy, Inc.

We have audited the accompanying statement of financial position of **Renaissance Academy, Inc.** as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Renaissance Academy, Inc. 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. 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 Renaissance Academy, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald Isaac LLC

August 20, 2013

RENAISSANCE ACADEMY, INC.

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2012</u>
Current assets:	
Cash and cash equivalents	\$ 624,970
Accounts receivable:	
State tuition support	467,938
Grants	68,451
Other, net	28,960
Total current assets	<u>1,190,319</u>
Property and equipment:	
Land	93,040
Leasehold improvements	588,574
Furniture and equipment	77,991
Textbooks	25,701
	<u>785,306</u>
Less: accumulated depreciation	(243,540)
Property and equipment, net	<u>541,766</u>
	<u>\$ 1,732,085</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 72,068
Current portion of long-term debt	37,743
Deferred revenue	46,888
Total current liabilities	<u>156,699</u>
Accrued interest on Common School Fund loans	61,488
Long-term debt	843,921
Total liabilities	<u>1,062,108</u>
Unrestricted net assets	<u>669,977</u>
	<u>\$ 1,732,085</u>

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statement of Activities

	Year Ended June 30, 2012
<u>Revenue, Gains and Support</u>	
State education support	\$ 935,875
Grant revenue	114,187
Student fees	207,419
Fundraising	42,510
Contributions	3,587
Other income	18,611
Total revenue, gains, and support	<u>1,322,189</u>
<u>Expenses</u>	
Program services:	
Educational instruction	769,815
Education support	89,367
Administrative	412,679
Total expenses	<u>1,271,861</u>
Increase in net assets	50,328
Net assets, beginning of year	<u>619,649</u>
Net assets, end of year	<u>\$ 669,977</u>

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statement of Cash Flows

	Year Ended June 30, 2012
<u>Operating Activities</u>	
Increase in net assets	\$ 50,328
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,590
Change in:	
Accounts receivable	20,888
Accounts payable and accrued expenses	(15,001)
Deferred revenue	(33,467)
Net cash provided by operating activities	<u>76,338</u>
<u>Investing Activities</u>	
Purchases of property and equipment	(27,530)
Net cash used by investing activities	<u>(27,530)</u>
<u>Financing Activities</u>	
Principal repayments of long-term debt	(38,303)
Net cash used by financing activities	<u>(38,303)</u>
Net increase in cash	10,505
Cash and cash equivalents, beginning of year	<u>614,465</u>
Cash and cash equivalents, end of year	<u>\$ 624,970</u>
Supplemental disclosures:	
Cash payments for interest expense	\$ 5,931

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

June 30, 2012

(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 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.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(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. Other receivables are reviewed for collectability on an annual basis. The accompanying statement of financial position reflects an allowance for doubtful accounts of \$50,000 as of June 30, 2012.

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 year ended June 30, 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional 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 2011, 2010, and 2009 are open to audit for both federal and state purposes.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(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 August 20, 2013, 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) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represents amounts due relating to the following sources:

Tuition support.....	\$442,482
Special education grant.....	21,496
Prime time grant.....	<u>3,960</u>
	<u>\$467,938</u>

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(2) Accounts Receivable, Continued

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. 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 school. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 3).

(3) Long-Term Debt

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

Note payable to 1 st Source Bank	\$303,958
Notes payable to Indiana Common School Fund.....	<u>577,706</u>
	881,664
Less current maturities	<u>(37,743)</u>
	<u>\$843,921</u>

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 4).

The notes payable to the Indiana Common School Fund are comprised of multiple notes, each of which requires semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments are scheduled to commence again on July 1, 2013. The last note matures January 1, 2033. These notes are secured by unpaid tuition support distributions (see Note 2).

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(3) Long-Term Debt, Continued

Principal maturities under the loan agreements are as follows:

<u>Year Ending June 30:</u>	
2013	\$ 37,743
2014	67,713
2015	68,410
2016	69,120
2017	69,843
Thereafter	<u>568,835</u>
	<u>\$881,664</u>

(4) Leases

The School leases its school building from V&K, LLC under a 5-year lease extension 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 operating leases for the year ended June 30, 2012 was \$100,500. 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:

<u>Year Ending June 30:</u>	
2013	\$97,260
2014	97,260
2015	97,260
2016	97,260
2017	97,260

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(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 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 7.25% of compensation for other employees of PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$38,239 for the year ended June 30, 2012.

(6) 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 \$26,731 for the year ended June 30, 2012. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

(7) 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, 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

(8) 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/or service for the year ended June 30, 2012:

	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
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	-	-	5,433
Other	-	<u>2,308</u>	<u>44,950</u>
	<u>\$769,815</u>	<u>89,367</u>	<u>412,679</u>

RENAISSANCE ACADEMY, INC.

Other Reports

Year Ended June 30, 2012

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*.