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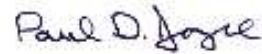
October 14, 2015

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, 2013 to June 30, 2014. 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, 2014, 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, CPA
State Examiner

RENAISSANCE ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

RENAISSANCE ACADEMY, INC.

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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, 2014 and 2013, 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.

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, 2014 and 2013 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.

A handwritten signature in cursive script, appearing to read "Raymond / Jeanne LLC".

Indianapolis, IN
July 28, 2015

RENAISSANCE ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 254,063	608,001
Accounts receivable:		
Grants	32,603	74,349
Other, net	17,026	53,289
Total current assets	303,692	735,639
Property and equipment:		
Land	298,630	95,880
Leasehold improvements	638,524	638,524
Furniture and equipment	109,081	82,447
Vehicles	26,154	21,654
Textbooks	26,698	26,698
Construction in progress	357,510	-
Less: accumulated depreciation	(360,130)	(299,725)
Property and equipment, net	1,096,467	565,478
	\$ 1,400,159	1,301,117
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 91,703	51,858
Current portion of long-term debt	39,192	38,428
Refundable advances	-	7,876
Deferred revenue	64,791	38,580
Total current liabilities	195,686	136,742
Long-term debt	188,736	227,862
Total liabilities	384,422	364,604
Unrestricted net assets	1,015,737	936,513
	\$ 1,400,159	1,301,117

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2014</u>	<u>2013</u>
<u>Revenue and Support</u>		
State education support	\$ 1,276,255	1,121,025
Grant revenue	83,973	183,016
Student fees	164,537	194,130
Fundraising	45,699	24,608
Contributions	255	628
Other income	24,458	17,290
Total revenue and support	<u>1,595,177</u>	<u>1,540,697</u>
<u>Expenses</u>		
Program services	988,816	939,505
Management and general	527,137	436,445
Total expenses	<u>1,515,953</u>	<u>1,375,950</u>
Change in net assets before non-operating revenue	79,224	164,747
<u>Non-Operating Revenue</u>		
Gain due to changes in legislative funding	<u>-</u>	<u>101,789</u>
Increase in net assets	79,224	266,536
Net assets, beginning of year	<u>936,513</u>	<u>669,977</u>
Net assets, end of year	<u>\$ 1,015,737</u>	<u>936,513</u>

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Increase in net assets	\$ 79,224	266,536
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	-	(101,789)
Depreciation	60,405	56,185
Change in:		
Accounts receivable	78,009	(122,802)
Accounts payable and accrued expenses	39,845	2,898
Refundable advances	(7,876)	7,876
Deferred revenue	26,211	(8,308)
Net cash provided by operating activities	275,818	100,596
 <u>Investing Activities</u>		
Purchases of property and equipment	(591,394)	(79,897)
Net cash used by investing activities	(591,394)	(79,897)
 <u>Financing Activities</u>		
Principal repayments of long-term debt	(38,362)	(37,668)
Net cash used by financing activities	(38,362)	(37,668)
 Net decrease in cash	(353,938)	(16,969)
 Cash and cash equivalents, beginning of year	608,001	624,970
 Cash and cash equivalents, end of year	\$ 254,063	608,001
 Supplemental disclosures:		
Cash payments for interest expense	\$ 4,541	5,235

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(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.

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 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 of \$64,000 and \$72,000 as of June 30, 2014 and 2013, respectively.

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, 2014 and 2013, 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 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through July 28, 2015, 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. See Note 7 for information regarding subsequent events.

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
Vehicles	5 years
Textbooks	3 years

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

(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 equal monthly installments 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, charter school funding is 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 to December 2013 was eliminated.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(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 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.....	<u>84,596</u>
	662,302
Elimination of school funding.....	<u>(560,513)</u>
	\$ <u>101,789</u>

(3) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consists of a note with 1st Source Bank. The 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).

Principal maturities under the loan agreement are as follows:

<u>Year Ending June 30:</u>	
2015	\$ 39,192
2016	39,836
2017	40,559
2018	41,295
Thereafter	<u>25,002</u>
	\$ <u>227,928</u>

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(4) 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 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, 2014 and 2013 was \$117,072 and \$129,275. 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>	
2015	\$97,260
2016	97,260
2017	97,260

(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 8.75% of compensation until December 31, 2013 and 10.25% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$50,701 and \$51,504 for the years ended June 30, 2014 and 2013, respectively.

(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 payments received. Expense under this charter agreement was \$29,473 and \$15,610 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(7) Subsequent Events

In 2014, the School acquired land and began construction of a building designed to contain additional space for educational instruction. The cost of the project is expected to approximate \$1,375,000, to be funded by internal resources and a bank loan in the amount of \$550,000. The project is to be completed in fiscal year 2015.

(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, 2014, 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.

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 between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	<u>2014</u>	
	<u>Program</u>	<u>Management</u>
	<u>Services</u>	<u>and General</u>
Salaries and wages	\$462,885	273,443
Employee benefits.....	135,809	88,983
Professional services.....	24,861	17,010
Staff development and recruitment.....	20,003	-
Authorizer oversight fee	-	29,473
Transportation	490	-
Food costs	25,074	-
Classroom, kitchen and office supplies	23,773	13,324
Field trips and events	55,450	-
Travel	-	182
Bad debt	-	34,157
Occupancy	155,921	-
Repairs and maintenance	24,045	-
Depreciation.....	60,405	-
Interest	-	4,541
Insurance	-	20,201
Other	<u>100</u>	<u>45,823</u>
	<u>\$988,816</u>	<u>527,137</u>

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2013</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages	\$453,055	213,571
Employee benefits.....	133,829	77,016
Professional services.....	21,797	14,961
Staff development and recruitment.....	9,595	-
Authorizer oversight fee	-	15,610
Transportation.....	271	-
Food costs	11,089	-
Classroom, kitchen and office supplies	39,887	12,634
Field trips and events	45,385	-
Travel	-	301
Bad debt	-	-
Occupancy	153,919	33,131
Repairs and maintenance	12,858	-
Depreciation.....	56,185	-
Interest	-	28,343
Insurance.....	-	15,395
Other	<u>1,635</u>	<u>25,483</u>
	<u>\$939,505</u>	<u>436,445</u>

RENAISSANCE ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

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*.