



STATE OF INDIANA
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B46127

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

April 13, 2016

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 Donovan, P.C., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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, 2015, 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, 2015 and 2014



DONOVAN
CPAs | ADVISORS

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, 2015 and 2014, 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, 2015 and 2014 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 dark ink that reads "DONOVAN". The letters are cursive and somewhat stylized, with the 'D' being particularly large and the 'N' having a long tail.

Indianapolis, IN
March 1, 2016

RENAISSANCE ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2015	2014
Current assets:		
Cash and cash equivalents	\$ 434,339	254,063
Accounts receivable:		
Grants	30,293	32,603
Other, net	17,088	17,026
Total current assets	481,720	303,692
Property and equipment:		
Land	326,520	298,630
Building	637,261	-
Leasehold improvements	638,524	638,524
Furniture and equipment	133,415	109,081
Vehicles	24,154	26,154
Textbooks	26,698	26,698
Construction in progress	-	357,510
Less: accumulated depreciation	(433,063)	(360,130)
Property and equipment, net	1,353,509	1,096,467
	\$ 1,835,229	1,400,159
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 89,696	91,703
Current portion of long-term debt	65,567	39,192
Deferred revenue	51,949	64,791
Total current liabilities	207,212	195,686
Long-term debt	657,207	188,736
Total liabilities	864,419	384,422
Unrestricted net assets	970,810	1,015,737
	\$ 1,835,229	1,400,159

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<u>Revenue and Support</u>		
State education support	\$ 1,288,703	1,276,255
Grant revenue	98,444	83,973
Student fees	188,596	164,537
Fundraising	39,831	45,699
Contributions	-	255
Other income	30,318	24,458
Total revenue and support	<u>1,645,892</u>	<u>1,595,177</u>
 <u>Expenses</u>		
Program services	1,154,397	988,816
Management and general	536,422	527,137
Total expenses	<u>1,690,819</u>	<u>1,515,953</u>
 Increase (decrease) in net assets	(44,927)	79,224
 Net assets, beginning of year	<u>1,015,737</u>	<u>936,513</u>
 Net assets, end of year	<u>\$ 970,810</u>	<u>1,015,737</u>

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2015	2014
Increase (decrease) in net assets	\$ (44,927)	79,224
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain on disposal of fixed asset	(2,519)	-
Depreciation	74,736	60,405
Change in:		
Accounts receivable	2,248	78,009
Accounts payable and accrued expenses	(2,007)	39,845
Refundable advances	-	(7,876)
Deferred revenue	(12,842)	26,211
Net cash provided by operating activities	14,689	275,818
 <u>Investing Activities</u>		
Purchases of property and equipment	(331,975)	(591,394)
Proceeds from insurance settlement	2,716	-
Net cash used by investing activities	(329,259)	(591,394)
 <u>Financing Activities</u>		
Proceeds from long-term debt	550,000	-
Principal repayments of long-term debt	(55,154)	(38,362)
Net cash provided (used) by financing activities	494,846	(38,362)
 Net increase (decrease) in cash	180,276	(353,938)
 Cash and cash equivalents, beginning of year	254,063	608,001
 Cash and cash equivalents, end of year	\$ 434,339	254,063
 Supplemental disclosures:		
Cash payments for interest expense	\$ 26,102	4,541

See accompanying notes to financial statements.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(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 as of June 30, 2015 and 2014.

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, 2015 and 2014, 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 March 1, 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.

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:

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

(2) Long-Term Debt

Long-term debt at June 30, 2015 and 2014 was comprised of:

	<u>2015</u>	<u>2014</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)	\$188,860	227,928
Mortgage loan payable to 1st 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	<u>533,914</u>	<u>-</u>
	722,774	227,928
Less: current maturities	<u>(65,567)</u>	<u>(39,192)</u>
Long-term portion	<u>\$657,207</u>	<u>188,736</u>

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(2) Long-Term Debt, Continued

Principal maturities under the loan agreement are as follows:

<u>Year Ending June 30:</u>	
2016	\$ 65,567
2017	67,405
2018	69,670
2019	72,035
2020	<u>448,098</u>
	<u>\$ 722,774</u>

(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, 2015 and 2014 was \$100,944 and \$117,072. 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>	
2016	\$100,944
2017	100,944

(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 \$31,300 and \$29,473 for the years ended June 30, 2015 and 2014. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

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 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 \$66,390 and \$50,701 for the years ended June 30, 2015 and 2014, respectively.

(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, 2015, 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

(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. Following is a summary of expenses comprising each program and service for the years ended June 30, 2015 and 2014:

	<u>2015</u>	
	<u>Program</u>	<u>Management</u>
	<u>Services</u>	<u>and General</u>
Salaries and wages	\$ 553,397	282,974
Employee benefits.....	149,671	110,877
Professional services.....	19,423	19,397
Staff development and recruitment.....	29,364	-
Authorizer oversight fee	-	31,300
Transportation.....	637	-
Food costs	26,958	-
Classroom, kitchen and office supplies	42,384	9,986
Field trips and events	64,244	-
Travel	-	100
Bad debt	-	13,386
Occupancy	140,504	-
Repairs and maintenance	52,562	-
Depreciation.....	74,736	-
Interest	-	26,102
Insurance	-	23,540
Other	<u>517</u>	<u>18,760</u>
	<u>\$1,154,397</u>	<u>536,422</u>

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(7) Functional Expense Reporting, Continued

	<u>2014</u>	
	<u>Program Services</u>	<u>Management 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.

Other Reports

Year Ended June 30, 2015

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*.