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November 26, 2018

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

We have reviewed the report prepared by Renaissance Academy, Inc. and opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Renaissance Academy, Inc. as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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.

A handwritten signature in blue ink that reads "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, 2018 and 2017



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Donovan CPAs

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, 2018 and 2017, and 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.

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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, 2018 and 2017, 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 dark ink that reads "DONOVAN". The letters are cursive and somewhat stylized, with a large initial "D".

Indianapolis, Indiana
November 14, 2018

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 336,172	\$ 348,915
Grants receivable	82,450	74,926
Other receivables, net of allowance for doubtful accounts	<u>60,314</u>	<u>49,057</u>
<i>Total current assets</i>	<u>478,936</u>	<u>472,898</u>
PROPERTY AND EQUIPMENT		
Land	355,346	355,346
Buildings and improvements	697,021	681,121
Leasehold improvements	640,199	640,199
Furniture and equipment	153,124	150,409
Vehicles	57,916	57,916
Textbooks	26,698	26,698
Less: accumulated depreciation	<u>(652,538)</u>	<u>(574,315)</u>
<i>Property and equipment, net</i>	<u>1,277,766</u>	<u>1,337,374</u>
TOTAL ASSETS	<u>\$ 1,756,702</u>	<u>\$ 1,810,272</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 72,034	\$ 69,670
Accounts payable and accrued expenses	81,159	119,883
Deferred revenue	50,432	58,719
Refundable advance	<u>-</u>	<u>10,365</u>
<i>Total current liabilities</i>	203,625	258,637
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>449,928</u>	<u>521,496</u>
<i>Total liabilities</i>	<u>653,553</u>	<u>780,133</u>
NET ASSETS, UNRESTRICTED		
Undesignated	347,345	283,931
Invested in property and equipment, net of related notes payable	<u>755,804</u>	<u>746,208</u>
<i>Total net assets, unrestricted</i>	<u>1,103,149</u>	<u>1,030,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,756,702</u>	<u>\$ 1,810,272</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 1,505,392	\$ 1,427,745
Grant revenue	268,024	218,890
Student fees	231,533	220,512
Fundraising income	36,804	48,683
Other income	4,785	14,777
	<u>2,046,538</u>	<u>1,930,607</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,254,033	1,421,880
Management and general	719,495	605,643
	<u>1,973,528</u>	<u>2,027,523</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	73,010	(96,916)
NET ASSETS, BEGINNING OF YEAR	<u>1,030,139</u>	<u>1,127,055</u>
NET ASSETS, END OF YEAR	<u>\$ 1,103,149</u>	<u>\$ 1,030,139</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, 2018 and 2017

	<u>2018</u>			<u>2017</u>		
	<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	\$ 648,521	\$ 367,484	\$ 1,016,005	\$ 707,511	\$ 298,362	\$ 1,005,873
Employee benefits	163,702	147,869	311,571	156,613	114,836	271,449
Professional services	36,570	21,676	58,246	27,087	21,810	48,897
Staff development and recruitment	40,075	-	40,075	53,630	-	53,630
Authorizer oversight fees	-	40,813	40,813	-	37,397	37,397
Transportation	515	635	1,150	616	100	716
Food costs	24,203	-	24,203	34,537	-	34,537
Classroom, kitchen, and office supplies	24,762	15,821	40,583	42,789	19,146	61,935
Field trips and events	54,720	-	54,720	75,685	-	75,685
Occupancy	137,556	-	137,556	146,123	-	146,123
Repairs and maintenance	40,920	-	40,920	64,526	-	64,526
Depreciation	78,223	-	78,223	78,986	-	78,986
Interest	-	28,087	28,087	-	30,359	30,359
Insurance	-	42,384	42,384	-	35,119	35,119
Bad debt	-	9,253	9,253	-	8,345	8,345
Loss on failure to submit grant	-	-	-	27,416	-	27,416
Other	4,266	45,473	49,739	6,361	40,169	46,530
<i>Total functional expenses</i>	<u>\$ 1,254,033</u>	<u>\$ 719,495</u>	<u>\$ 1,973,528</u>	<u>\$ 1,421,880</u>	<u>\$ 605,643</u>	<u>\$ 2,027,523</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 73,010	\$ (96,916)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,223	78,986
Gain from disposal of property and equipment	-	(3,035)
Change in certain assets and liabilities:		
Grants receivable	(7,524)	(5,255)
Other receivables	(11,257)	(13,622)
Accounts payable and accrued expenses	(38,724)	42,989
Deferred revenue	(8,287)	(716)
Refundable advance	<u>(10,365)</u>	<u>10,365</u>
<i>Net cash provided by operating activities</i>	<u>75,076</u>	<u>12,796</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	8,604
Purchases of property and equipment	<u>(18,615)</u>	<u>(44,225)</u>
<i>Net cash used in financing activities</i>	<u>(18,615)</u>	<u>(35,621)</u>
FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(69,204)</u>	<u>(66,932)</u>
NET CHANGE IN CASH	(12,743)	(89,757)
CASH, BEGINNING OF YEAR	<u>348,915</u>	<u>438,672</u>
CASH, END OF YEAR	<u>\$ 336,172</u>	<u>\$ 348,915</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 28,087	\$ 30,359

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, 2018 and 2017

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 serves approximately 250 students in grades kindergarten to eight. The School also provides an early childhood education program for children ages three and four on a fee basis.

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.

Grants and Other Receivables – 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 \$46,675 and \$52,250 as of June 30, 2018 and 2017, 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

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.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Reclassifications – Certain figures for 2017 that were previously reported have been reclassified for comparative purposes. These reclassifications had no impact on the previously reported net assets.

Subsequent Events – The School evaluated subsequent events through November 14, 2018, 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 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2017, the School had refundable grant advances in excess of expenditures of \$10,365. There were no refundable advances at June 30, 2018.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 3 - NOTES PAYABLE

Notes payable were comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Note 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 note proceeds and guaranteed by the school facility landlord (see Note 4)	\$ 67,299	\$ 108,563
Mortgage note 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	<u>454,663</u>	<u>482,603</u>
	521,962	591,166
Less: current portion	<u>(72,034)</u>	<u>(69,670)</u>
Long-term portion	<u>\$ 449,928</u>	<u>\$ 521,496</u>

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

2019	\$ 72,034	
2020	<u>449,928</u>	
	<u>\$ 521,962</u>	

NOTE 4 – RELATED PARTY LEASE

The School leases a portion of the school facilities from V&K, LLC under a 10-year lease that ends June 30, 2027. 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, monthly base rent is \$8,191 (adjusted annually by the rate of inflation, as defined) and the School is responsible for all utilities and insurance on the contents. Expense under this lease was \$103,572 and \$102,348 for the years ended June 30, 2018 and 2017, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 4 – RELATED LEASE, Continued

Future minimum lease obligations under this lease (ignoring the annual rate of inflation adjustment) are as follows for the years ending June 30:

2019	\$	98,292
2020		98,292
2021		98,292
2022		98,292
2023		98,292
Thereafter		393,168

NOTE 5 - 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 \$40,813 and \$37,397 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

NOTE 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 cost-sharing 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 determined by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was \$81,878 and \$70,873 for the years ended June 30, 2018 and 2017, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 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, 2018, substantially all of the grants 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 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

RENAISSANCE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

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.