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December 23, 2019

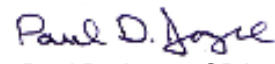
Charter School Board
Renaissance Academy, Inc.
4093 West US 20
LaPorte, IN 46350

We have reviewed the audit report of Renaissance Academy, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 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 the audit report in accordance with 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 report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

RENAISSANCE ACADEMY, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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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, 2019 and 2018, 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, 2019 and 2018, 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 signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana

December 12, 2019

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 167,198	\$ 336,172
Grants receivable	48,368	82,450
Other receivables, net of allowance for doubtful accounts	75,938	60,314
Prepaid expenses	8,322	-
<i>Total current assets</i>	<u>299,826</u>	<u>478,936</u>
PROPERTY AND EQUIPMENT		
Land	355,346	355,346
Buildings and improvements	723,448	697,021
Leasehold improvements	640,199	640,199
Furniture and equipment	174,472	153,124
Vehicles	57,916	57,916
Textbooks	33,712	26,698
Less: accumulated depreciation	<u>(733,493)</u>	<u>(652,538)</u>
<i>Property and equipment, net</i>	<u>1,251,600</u>	<u>1,277,766</u>
TOTAL ASSETS	<u><u>\$ 1,551,426</u></u>	<u><u>\$ 1,756,702</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 60,728	\$ 72,034
Accounts payable and accrued expenses	96,927	81,159
Deferred revenue	65,370	50,432
<i>Total current liabilities</i>	223,025	203,625
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>389,657</u>	<u>449,928</u>
<i>Total liabilities</i>	612,682	653,553
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>938,744</u>	<u>1,103,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,551,426</u></u>	<u><u>\$ 1,756,702</u></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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 1,332,315	\$ 1,505,392
Grant revenue	272,112	268,024
Student fees	214,071	231,533
Fundraising income	48,559	36,804
Other income	30,109	4,785
	<u>1,897,166</u>	<u>2,046,538</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,305,925	1,254,033
Management and general	755,646	719,495
	<u>2,061,571</u>	<u>1,973,528</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(164,405)	73,010
NET ASSETS, BEGINNING OF YEAR	<u>1,103,149</u>	<u>1,030,139</u>
NET ASSETS, END OF YEAR	<u>\$ 938,744</u>	<u>\$ 1,103,149</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, 2019 and 2018

	<u>2019</u>			<u>2018</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>
Salaries and wages	\$ 647,855	\$ 387,608	\$ 1,035,463	\$ 648,521	\$ 367,484	\$ 1,016,005
Employee benefits	160,908	146,783	307,691	163,702	147,869	311,571
Professional services	35,952	23,890	59,842	36,570	21,676	58,246
Staff development and recruitment	36,001	-	36,001	40,075	-	40,075
Authorizer oversight fees	-	36,768	36,768	-	40,813	40,813
Food costs	25,632	-	25,632	24,203	-	24,203
Classroom, kitchen, and office supplies	32,023	14,892	46,915	24,762	15,821	40,583
Field trips and events	64,214	-	64,214	54,720	-	54,720
Occupancy	148,601	-	148,601	137,556	-	137,556
Repairs and maintenance	57,471	-	57,471	40,920	-	40,920
Information technology	-	20,787	20,787	-	-	-
Depreciation	80,955	-	80,955	78,223	-	78,223
Insurance	-	41,735	41,735	-	42,384	42,384
Interest	-	25,715	25,715	-	28,087	28,087
Transportation	5,532	133	5,665	515	635	1,150
Bad debt	-	5,559	5,559	-	9,253	9,253
Other	10,781	51,776	62,557	4,266	45,473	49,739
<i>Total functional expenses</i>	<u>\$ 1,305,925</u>	<u>\$ 755,646</u>	<u>\$ 2,061,571</u>	<u>\$ 1,254,033</u>	<u>\$ 719,495</u>	<u>\$ 1,973,528</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (164,405)	\$ 73,010
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	80,955	78,223
Change in certain assets and liabilities:		
Grants receivable	34,082	(7,524)
Other receivables	(15,624)	(11,257)
Prepaid expenses	(8,322)	-
Accounts payable and accrued expenses	15,768	(38,724)
Deferred revenue	14,938	(8,287)
Refundable advance	-	(10,365)
	(42,608)	75,076
<i>Net cash provided by (used in) operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(54,789)	(18,615)
FINANCING ACTIVITIES		
Principal payments on notes payable	(71,577)	(69,204)
NET CHANGE IN CASH	(168,974)	(12,743)
CASH, BEGINNING OF YEAR	336,172	348,915
CASH, END OF YEAR	\$ 167,198	\$ 336,172
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 25,715	\$ 28,087

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, 2019 and 2018

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 served approximately 230 students in grades kindergarten to eight during the 2018-2019 school year (250 during the 2017-2018 school year). Enrollment for the 2019-2020 school year is approximately 245. The School also provides an early childhood education program for children ages three and four on a fee basis.

As of June 30, 2019, the public charter school had a payable due to the early childhood education program of \$170,000. This balance was eliminated from the statements of financial position as it is an intercompany transaction.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis, therefore the net assets as of and for the year ended June 30, 2018 have been restated to comply with ASU 2016-14. Net assets as of June 30, 2019 and 2018 were without donor restrictions.

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 consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 \$44,294 and \$46,675 as of June 30, 2019 and 2018, 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.

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, 2019 and 2018, 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 2015 are open to audit for both federal and state purposes.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events – The School evaluated subsequent events through December 12, 2019, 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>2019</u>	<u>2018</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 3).	\$ 25,275	\$ 67,299
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. The note was refinanced with 1 st Source Bank in October 2019, monthly installments of \$5,597 including interest at 4.17% per annum through September 2024. The School drew additional proceeds of \$327,681 to be used for loan closing costs, facility and grounds improvements, and operations.	425,110	454,663
	<u>450,385</u>	<u>521,962</u>
Less: current portion	<u>(60,728)</u>	<u>(72,034)</u>
Long-term portion	\$ <u>389,657</u>	\$ <u>449,928</u>

Principal maturities of notes payable, after the October 2019 refinancing and including the additional loan proceeds, are as follows for the years ending June 30:

2020	\$ 60,728
2021	37,551
2022	39,170
2023	40,859
2024	42,553
Thereafter	<u>557,205</u>
Total	\$ <u>778,066</u>

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 3 - 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 \$114,312 and \$103,572 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$	98,292
2021		98,292
2022		98,292
2023		98,292
2024		98,292
Thereafter		294,876

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 \$36,768 and \$40,813 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until June 30, 2022 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. 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, 2018 (the latest year reported), both TRF and PERF were approximately 80% funded.

Retirement plan expense was \$77,109 and \$81,878 for the years ended June 30, 2019 and 2018, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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, 2019, 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 7 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash, grants receivable, and other receivables, net of allowance for doubtful accounts. Financial assets at June 30, 2019 total \$291,504, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

RENAISSANCE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2019

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*.