



Dave Yost • Auditor of State

RENAISSANCE ACADEMY
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Renaissance Academy
Franklin County
1555 Elaine Rd.
Columbus, Ohio 43227

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Renaissance Academy, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Renaissance Academy, Franklin County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the School has suffered recurring losses from operations and has a net position deficiency. Note 14 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 14, 2015

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Our discussion and analysis of the Renaissance Academy (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2013-2014 school year are as follows:

- Total assets increased \$42,462.
- Total liabilities increased \$96,801.
- Total net position decreased \$54,339.
- Total operating and non-operating revenues were \$1,818,288. Total operating expenses were \$1,872,627.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2014. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal years 2014 and 2013.

**Table 1
Statement of Net Position**

	2014	2013
Assets		
Current Assets	\$ 140,274	\$ 60,005
Capital Assets, Net of Accumulated Depreciation	48,072	85,879
Total Assets	188,346	145,884
Liabilities		
Current Liabilities	334,316	237,515
Total Liabilities	334,316	237,515
Net Position		
Investment in Capital Assets	48,072	85,879
Unrestricted	(194,042)	(177,510)
Total Net Position	\$ (145,970)	\$ (91,631)

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$(145,970).

Current assets represent cash and cash equivalents, accounts receivable and grants receivable. Current liabilities represent accounts payable and accrued expenses at fiscal year-end.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal years 2014 and 2013, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2
Change in Net Position**

	2014	2013
Operating Revenue		
State Aid	\$ 1,427,812	\$ 1,132,091
Other	20,836	10,127
Total Operating Revenues	1,448,648	1,142,218
 Operating Expenses		
Salaries	699,385	575,238
Fringe Benefits	144,913	133,355
Purchased Services	843,036	684,903
Materials and Supplies	114,599	64,091
Depreciation	49,337	45,494
Other	21,357	12,759
Total Operating Expenses	1,872,627	1,515,840
Operating (Loss)	(423,979)	(373,622)
 Non-Operating Revenues		
Federal & State Grants	369,640	399,883
Total Non-Operating Revenues	369,640	399,883
 Increase (Decrease) in Net Position	\$ (54,339)	\$ 26,261

Total State Aid revenue increased by \$295,721 from prior year, which was primarily the result of increased student enrollment. There was a decrease in other Federal and State Grant revenue of \$30,243. Total Operating Expenses increased \$356,787 over the prior year. Net Position decreased \$54,339 in 2014.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detailed budget for every fiscal year to the Board of Trustees and its Sponsor. The five-year forecast is also submitted the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was \$48,072. This balance represents current year additions of \$11,530, offset by current year depreciation of \$49,337. For more information on capital assets, see Note 5 of the Basic Financial Statements.

DEBT OBLIGATIONS

The School does not have any debt obligation other than the current payables.

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue.

The full-time equivalent enrollment of the School for the year ended June 30, 2014 was 204.10 compared to a figure of 166.86 at the end of fiscal year 2013.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA of Massa Financial Solutions, LLC, 1555 Elaine Road, Columbus, Ohio 43227 or e-mail at dave@massasolutionsllc.com

RENAISSANCE ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET POSITION
AT JUNE 30, 2014

Assets	2014
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 108,836
Intergovernmental Receivable	<u>31,438</u>
<i>Total Current Assets</i>	140,274
<i>Noncurrent Assets:</i>	
Capital Assets, net	<u>48,072</u>
<i>Total Noncurrent Assets</i>	<u>48,072</u>
Total Assets	<u><u>\$ 188,346</u></u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	170,931
Accrued Wages and Benefits	73,463
Withholdings Payable	6,564
Accrued Expenses	<u>83,358</u>
<i>Total Current Liabilities</i>	<u>\$ 334,316</u>
Total Liabilities	<u><u>\$ 334,316</u></u>
Net Position	
Investment in Capital Assets	48,072
Unrestricted	<u>(194,042)</u>
Total Net Position	<u><u>\$ (145,970)</u></u>

See accompanying notes to the basic financial statements

RENAISSANCE ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDING JUNE 30, 2014

<u>Operating Revenues</u>	
State Aid	\$ 1,427,812
Other	20,836
Total Operating Revenues	<u>1,448,648</u>
<u>Operating Expenses</u>	
Salaries	699,385
Fringe Benefits	144,913
Purchased Services	843,036
Materials and Supplies	114,599
Depreciation	49,337
Other	21,357
Total Operating Expenses	<u>1,872,627</u>
Operating Loss	(423,979)
<u>Non-Operating Revenues</u>	
Federal and State Grants	<u>369,640</u>
Total Non-Operating Revenues	<u>369,640</u>
Change in Net Position	(54,339)
Net Position, Beginning of Year	<u>(91,631)</u>
Net Position, End of Year	<u>\$ (145,970)</u>

See accompanying notes to the basic financial statements

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,427,812
Cash Received from Other Operating Sources	20,170
Cash Payments to Suppliers for Goods and Services	(868,484)
Cash Payments to Employees for Services	(696,053)
Cash Payments for Employee Benefits	<u>(161,197)</u>

Net Cash Used for Operating Activities (277,752)

Cash Flows from Noncapital Financing Activities

Cash Received from Federal Grants 388,668

Net Cash Provided by Noncapital Financing Activities 388,668

Cash Flows from Capital Financing Activities

Cash Payments Used for Capital Activities (11,530)

Net Cash Used for Capital Activities (11,530)

Net Increase in Cash and Cash Equivalents 99,386

Cash and Cash Equivalents, Beginning of Year 9,450

Cash and Cash Equivalents, End of Year \$ 108,836

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Operating (Loss)	\$ (423,979)
Depreciation	49,337
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(358)
Increase/(Decrease) in Accrued Expenses	48,621
Increase/(Decrease) in Accounts Payable	39,094
Increase/(Decrease) in Withholdings Payable	5,687
Increase/(Decrease) in Accrued Wages and Benefits	<u>3,846</u>
 Net Cash (Used for) Operating Activities	 <u>(277,752)</u>

See accompanying notes to the basic financial statements

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE ENTITY

The Renaissance Academy, Inc., (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Educational Resource Consultants of Ohio, Inc. ("ERCO") (the Sponsor) for a one year period commencing on July 1, 2013. On July 1, 2014, the School was renewed for an additional one year period. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Governing Board controls the School's instructional and administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash. The School has no investment.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$48,072 as of June 30, 2014, net of accumulated depreciation. Deprecation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets, utilizing the half-year convention with consideration given to the salvage value. The useful lives follow:

<u>Asset</u>	<u>Useful Life</u>
Computers & Software	3 years
Textbooks	3 years
Furniture, Fixtures, & Equipment	5 years
Leasehold Improvements	10 years

The School has an asset capitalization threshold policy of \$500. (See Note 5) Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompany statement of Net Position.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program; Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs the School received \$1,427,812 this fiscal year from the Foundation Program and \$369,640 from Federal and State grants.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Vacation is taken in a manner in which corresponds with the school calendar; therefore School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30th are reported as accrued liabilities in the accompanying financial statements which consisted of accounts payable, accrued wages and benefits, accrued expenses, and withholdings payable, totaled \$334,316 at June 30, 2014.

J. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

K. Net Position

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or law and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the School. Revenue and expenses not meeting this definition are reported as non-operating.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2014, the book amount of the School's deposits was \$108,836 and the bank balance was \$109,413.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2014, none of the bank balance was exposed to custodial credit risk.

4. INTERGOVERNMENTAL RECEIVABLE

The School had intergovernmental accounts receivables totaling \$31,438 at June 30, 2014. These receivables consist of Title 1, IDEA, Race to the Top, and Casino revenues earned, but not received as of June 30, 2014

5. CAPITAL ASSETS AND DEPRECIATION

For the period ending June 30, 2014, the School's capital assets consisted of the following:

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/14</u>
Capital Assets:				
Furniture, Fixtures, & Equipment	\$ 191,812	\$ -	\$ -	\$ 191,812
Textbooks	8,161	11,530		19,691
Leasehold Improvements	44,110	-	-	44,110
Total Capital Assets	<u>244,083</u>	<u>11,530</u>	<u>-</u>	<u>255,613</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	(136,540)	(38,363)	-	(174,903)
Textbooks	(5,440)	(6,564)		(12,004)
Leasehold Improvements	(16,224)	(4,410)	-	(20,634)
Total Accumulated Depreciation	<u>(158,204)</u>	<u>(49,337)</u>	<u>- -</u>	<u>(207,541)</u>
Capital Assets, Net	<u>\$ 85,879</u>	<u>\$ (37,807)</u>	<u>\$ -</u>	<u>\$ 48,072</u>

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

6. RISK MANAGEMENT

A. Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2014, the School obtained private insurance coverage for property and general liability in the following coverage amounts:

Damages to Rented Premises	50,000
<u>General Liability</u>	
Each Occurrence	1,000,000
Aggregate	3,000,000
Employment Dishonesty Liability	25,000
Personal Injury	1,000,000

Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Medical and Dental Benefits

The School provides medical, vision, and dental insurance benefits through Anthem to all full-time employees. During the School year, the School paid 60% of the monthly premiums for all employees.

7. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System (SERS Ohio)

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014,

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. School Employees Retirement System (SERS Ohio) (Continued)

13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$21,928, \$20,010 and \$25,762 respectively, which equaled the required contribution for those years or 100%.

B. State Teachers Retirement System (STRS Ohio)

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System (STRS Ohio) (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$69,542, \$57,570 and \$81,744 respectively, which equaled the required contribution for those years or 100%. There were no contributions to the DC and Combined Plans for fiscal year 2014.

8. POST EMPLOYMENT BENEFITS

A. School Employee Retirement System (SERS Ohio)

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999

Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.16 percent of covered payroll was allocated to health care.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (SERS Ohio) (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contribution for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,324, \$1,334 and \$6,303 respectively, which equaled the required contribution for those years or 100%.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.74 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,272, \$1,130 and \$1,658 respectively, which equaled the required contribution for those years or 100%.

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

B. State Teachers Retirement System (STRS Ohio)

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,349, \$4,428 and \$6,288 respectively, which equaled the required contribution for those years or 100%.

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

9. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amount which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation

There are currently no matters in litigation with the School as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Any information available is believed to not materially affect the financial statements.

In addition, ODE has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

10. SPONSOR CONTRACT

The School contracted with Educational Resource Consultants of Ohio, Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2014, the total sponsorship fees paid totaled \$42,401.

11. PURCHASED SERVICES

For the period of July 1, 2013 through June 30, 2014, the School made the following purchased services commitments.

Professional and Technical Services	359,874
Property Services	278,815
Travel and Meetings	13,630
Utilities	4,900
Communications	14,408
Contractual Trade Services	149,318
Pupil Transportation	22,091
	<u>\$ 843,036</u>

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

12. OPERATING LEASES

On or about June 22, 2009, the School entered into an Office Lease Agreement for the lease of 4300 Kimberly Parkway, Suite 100, Columbus, Ohio. The term of the lease agreement is September 1, 2009 to August 31, 2014. The base rent for the premises is as follows:

<u>Fiscal year</u>	<u>Suite 100</u>
2015	\$44,568

13. CONTRACTED FISCAL SERVICES

The School entered into a contract with Massa Financial Solutions, LLC, (MFS) which is an education finance consulting company to provide basic treasurer and financial management services for the fiscal year 2014. The Agreement may be terminated by either party, with or without cause by giving the other party thirty days written notice to terminate. The Agreement provides that MFS will perform basic treasurer services and financial management services. The total contracted fees for these services during fiscal year 2014 was \$40,000.

14. SUBSEQUENT EVENTS

The Renaissance Academy moved in July 2014 from its former location on Kimberly Parkway to its present location at 1555 Elaine Rd. Columbus, Ohio 43227. The Board and the School's administration made the decision to move citing that the new location will offer a better environment in which the school can succeed both academically and financially.

Additionally, as of July 1, 2014, Massa Financial Solutions was no longer serving as the School's Fiscal Officer. Hueston Lauderman became the new contracted treasurer for Renaissance Academy.

15. MANAGEMENT PLAN

For fiscal year 2015, enrollment decreased approximately 5% from fiscal year 2014. Even with the slight decrease in enrollment the school has been able to hold its financial position steady. The School's cash balance has stayed consistent all year and should end up with a small increase in its general fund balance. During the fiscal year 2015, the School was able to negotiate two of its largest debts into payment plans. These new plans will allow the school to focus more of its financial effort toward our core educational needs. The School's move its new location in July 2014 and with its outstanding debt issues resolved, the School is hoping that these changes will help insure a more stable and secure financial future for the staff and students.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Renaissance Academy
Franklin County
1555 Elaine Rd.
Columbus, Ohio 43227

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Renaissance Academy, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 14, 2015, wherein we noted the School has suffered recurring losses from operations and has a net position deficiency.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

May 14, 2015

**RENAISSANCE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2014-001

Financial Statement Presentation/Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the School's financial statements.

One audit adjustment was posted to the School's June 30, 2014 financial statements and, where applicable, the accounting records to accurately reflect account balances. \$41,109 was not included in the year-end accounts payable total, of which, \$17,649 was attributed to Materials and Supply expenses, and \$23,460 was attributed to Purchased Services expenses.

Not posting receipts and expenditures accurately to the ledgers resulted in the financial statements requiring audit adjustments. Furthermore, inaccurate accounting records could make it difficult for the Board of Directors to effectively monitor the School's activities or identify misstatements or errors in a timely manner.

We recommend the School's Treasurer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform School Accounting System line item descriptions. By exercising accuracy in recording financial activity, the School can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the School implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response:

In the future, the School's Fiscal Officer will take steps to ensure that the School's financial statements are inclusive of these amounts at year end.

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Dave Yost • Auditor of State

RENAISSANCE ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 23, 2015**