

Boston Renaissance Charter Public School

Financial Statements
and
Auditors' Reports
June 30, 2012



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Boston Renaissance Charter Public School

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Daniel Dennis & Company LLP

Certified Public Accountants

To the Board of Trustees of
Boston Renaissance Charter Public School

Independent Auditors' Report

We have audited the accompanying statement of net assets of Boston Renaissance Charter Public School (a governmental entity) and its aggregate discretely presented component unit, the Boston Renaissance Charter School, Inc. (a nonprofit organization) as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Boston Renaissance Charter School, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Renaissance Charter Public School and its aggregate discretely presented component unit, the Boston Renaissance Charter School, Inc., as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of Boston Renaissance Charter Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Schedule of 20% Excess Carryover Calculation* for the year ended June 30, 2012, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of the Boston Renaissance Charter Public School's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Daniel Dennis & Company LLP

November 9, 2012

Boston Renaissance Charter Public School
Management Discussion and Analysis
June 30, 2012
(Unaudited)

The following discussion and analysis of Boston Renaissance Charter Public School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2012 with comparative information for fiscal year 2011. Please read it in conjunction with the School's financial statements, which begin on page 7.

The School as a Whole

The School received its charter on July 1, 1995 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Department of Elementary and Secondary Education (DESE). The School's charter was recently renewed for a fourth time and is effective through June 30, 2015. During fiscal year 2012 and 2011, the School operated kindergarten through sixth grade and the enrollment was comprised of approximately 1,015 and 1,091 students, respectively.

The School's primary source of revenue is from DESE, in the form of a public school tuition rate. The public school tuition rate represents the average per pupil expenditures incurred by the traditional public school district. The tuition rate per pupil increased from an average of \$13,009 in fiscal year 2011 to an average of \$13,187 in fiscal year 2012.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the School discretely presents financial information of the Boston Renaissance Charter School, Inc., (the Foundation) a related nonprofit organization, in its financial statements. GASB defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship to a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Foundation acts primarily as a fund-raising organization to supplement the resources of the School. Although the School does not control the timing or amounts of receipts from the Foundation, the majority of the resources or income thereon that it holds are restricted for the activities of the School. Because these restricted resources can only be used by or for the benefit of the School, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements.

Financial Highlights – Charter School

The following financial highlights are from fiscal year 2012 with comparative information from fiscal year 2011:

- The School held total assets of \$47,235,045 and \$47,388,212 at June 30, 2012 and 2011, respectively, of which \$36,689,375 and \$37,819,710 were net capital assets, respectively, and the majority of the remaining assets consisted of cash and cash equivalents, accounts receivable, bond reserve funds and deferred financing fees.

Boston Renaissance Charter Public School
Management Discussion and Analysis
June 30, 2012
(Unaudited)

Financial Highlights – Charter School - *continued*

- The School owed total liabilities of \$15,594,417 and \$16,468,907 at June 30, 2012 and 2011, respectively, of which \$1,753,314 and \$2,192,351 were current and \$13,841,103 and \$14,276,556 were non-current, respectively.
- Total net assets for the School were \$31,640,628 and \$30,919,305 at June 30, 2012 and 2011, respectively. The School had net assets invested in capital assets, net of related debt of \$25,763,093 and \$25,710,383 as of June 30, 2012 and 2011, respectively.
- The School earned total revenues of \$15,872,877 and \$42,687,866 for the years ended June 30, 2012 and 2011, respectively, of which 97% and 41%, respectively, were operating revenues and 3% and 59%, respectively, was from non-operating revenues (private grants, contributions, gain on sale of assets, etc.).
- The School had total expenses of \$15,151,554 and \$18,282,823 for the years ended June 30, 2012 and 2011, respectively.
- The School earned net income of \$721,323 and \$24,405,043 for the years ended June 30, 2012 and 2011, respectively. In fiscal year 2012, net income was comprised of operating income of \$1,141,029 and non-operating loss of \$419,706. In fiscal year 2011, net income was comprised of operating income of \$758,474 and non-operating income of \$23,646,569.

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management’s Discussion and Analysis - for State and Local Governments (GASB No. 34)*, the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in the enterprise fund within the proprietary fund group. In accordance with *GASB No. 34* the School issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements and the schedule of expenditures of federal awards, which identifies all of the School’s federal expenditures.

Boston Renaissance Charter Public School
Management Discussion and Analysis
June 30, 2012
(Unaudited)

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of the School as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets. Net assets represent the difference between assets and liabilities. Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets* and *unrestricted net assets*. *Net assets invested in capital assets, net of related debt*, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations. *Unrestricted net assets* represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*. Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial activities (revenues and expenses) of the School and divides them into two categories: operating activities and non-operating activities. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether the School had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about the School's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the year?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Boston Renaissance Charter Public School

Management Discussion and Analysis

June 30, 2012

(Unaudited)

Supplemental Information

In addition to the financial statements and accompanying notes, this report also presents supplemental information, which contains the following:

(a) The *Schedule of 20% Excess Carryover Calculation – Unaudited*, contains the School's calculation of its net tuition revenue to determine if there is any excess over the requirements of the DESE. The schedule can be found on page 24 of this report.

(b) The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget, *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards can be found on page 26 of this report.

Budgetary Highlights

The School's annual budget was amended as the year progressed. For the year ended June 30, 2012, the School incurred \$15,151,554 in actual expenditures compared to budgeted expenditures of \$14,344,220. The major reason for the increase between the budgeted and actual expenditures was due to actual revenue exceeding budgeted revenue. All in all, conservative budgeting and increases to revenue allowed for increases to various expenditure budgets.

School's Financial Activities

The majority of the School's funding is received from DESE in the form of a per pupil allocation. The School received \$12,543,823 in per pupil funding in fiscal year 2012, versus \$14,193,562 in fiscal year 2011. This represents 81% of the School's total operating revenue for each year. In addition, the School received various federal and state grants that totaled \$2,445,004 and \$3,016,501 in fiscal years 2012 and 2011, respectively.

Other Financial Factors

DESE imposed a condition of the School's charter renewal to decrease enrollment as follows:

- 944 students in September 2012
- 880 students in September 2013

Contacting the School's Financial Management

This financial report is designed to provide the reader with a general overview of the School's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Billie Jo Turner, Chief Financial Officer at (617) 357-0900.

Boston Renaissance Charter Public School
Statement of Net Assets
June 30, 2012
With summarized comparative totals at June 30, 2011

	<i>Boston Renaissance Charter Public School</i>	<i>Component Unit - Boston Renaissance Charter School, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2012</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2011</i>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,282,715	\$ 283,307	\$ 6,566,022	\$ 6,425,195
Accounts receivable	364,168	13,932	378,100	211,013
Due from component unit	911	-	911	6,118
Prepaid expenses	<u>117,426</u>	<u>-</u>	<u>117,426</u>	<u>173,813</u>
Total current assets	<u>6,765,220</u>	<u>297,239</u>	<u>7,062,459</u>	<u>6,816,139</u>
Noncurrent Assets:				
Deferred financing fees	243,277	-	243,277	252,414
Bond reserve funds	3,537,173	-	3,537,173	2,655,970
Capital assets, net	<u>36,689,375</u>	<u>-</u>	<u>36,689,375</u>	<u>37,819,710</u>
Total noncurrent assets	<u>40,469,825</u>	<u>-</u>	<u>40,469,825</u>	<u>40,728,094</u>
Total assets	<u>\$ 47,235,045</u>	<u>\$ 297,239</u>	<u>\$ 47,532,284</u>	<u>\$ 47,544,233</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 243,053	\$ 253	\$ 243,306	\$ 444,423
Accrued expenses	885,709	-	885,709	1,188,097
Due to school	-	911	911	6,118
Deferred revenue	2,200	-	2,200	75,115
Bonds payable - current	573,073	-	573,073	445,070
Notes payable - current	<u>49,279</u>	<u>-</u>	<u>49,279</u>	<u>43,671</u>
Total current liabilities	<u>1,753,314</u>	<u>1,164</u>	<u>1,754,478</u>	<u>2,202,494</u>
Noncurrent Liabilities:				
Bonds payable	13,818,090	-	13,818,090	14,221,224
Notes payable	<u>23,013</u>	<u>-</u>	<u>23,013</u>	<u>55,332</u>
Total noncurrent liabilities	<u>13,841,103</u>	<u>-</u>	<u>13,841,103</u>	<u>14,276,556</u>
Total liabilities	<u>15,594,417</u>	<u>1,164</u>	<u>15,595,581</u>	<u>16,479,050</u>
Net Assets:				
Investment in capital assets, net of related debt	25,763,093	-	25,763,093	25,710,383
Unrestricted	5,006,703	172,737	5,179,440	4,190,192
Temporarily restricted	870,832	122,938	993,770	1,164,208
Permanently restricted	<u>-</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total net assets	<u>31,640,628</u>	<u>296,075</u>	<u>31,936,703</u>	<u>31,065,183</u>
Total liabilities and net assets	<u>\$ 47,235,045</u>	<u>\$ 297,239</u>	<u>\$ 47,532,284</u>	<u>\$ 47,544,233</u>

See accompanying notes to financial statements.

Boston Renaissance Charter Public School
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ending June 30, 2012
With summarized comparative totals for the year ended June 30, 2011

	<i>Boston Renaissance Charter Public School</i>	<i>Component Unit - Boston Renaissance Charter School, Inc.</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2012</i>	<i>(Memorandum Only - Financial Reporting Entity) Totals June 30, 2011</i>
<i>Operating revenues:</i>				
State grants	\$ 12,580,620	\$ -	\$ 12,580,620	\$ 14,221,804
Federal grants	1,937,075	-	1,937,075	2,424,038
School food	551,872	-	551,872	596,100
Contributions	-	339,065	339,065	76,209
After school program	202,291	-	202,291	251,659
Summer camp	123,302	-	123,302	-
Total operating revenues	<u>15,395,160</u>	<u>339,065</u>	<u>15,734,225</u>	<u>17,569,810</u>
<i>Operating expenses:</i>				
Salaries	8,947,107	-	8,947,107	10,276,238
Payroll taxes	348,515	-	348,515	456,978
Fringe benefits	1,197,008	-	1,197,008	1,466,066
Insurance	65,165	-	65,165	63,924
Contracted labor	487,769	-	487,769	759,044
Professional fees	149,086	-	149,086	366,936
Supplies	345,508	-	345,508	376,399
Computer	20,857	-	20,857	63,851
Travel	50,593	19,849	70,442	62,950
Field trips	30,371	-	30,371	31,201
Vehicles	32,929	-	32,929	22,859
Maintenance and operations	655,788	-	655,788	869,972
Staff development	77,861	-	77,861	87,718
Food service	458,763	-	458,763	459,659
Depreciation and amortization	1,280,582	-	1,280,582	1,298,755
Dues and fees	53,397	-	53,397	29,416
Program expenses	-	32,248	32,248	18,724
Bad debt expense	52,832	-	52,832	46,064
Scholarships	-	200	200	11,968
Contributions	-	133,721	133,721	41,569
Miscellaneous	-	2,895	2,895	2,314
Total operating expenses	<u>14,254,131</u>	<u>188,913</u>	<u>14,443,044</u>	<u>16,812,605</u>
Operating income	<u>1,141,029</u>	<u>150,152</u>	<u>1,291,181</u>	<u>757,205</u>
<i>Nonoperating revenues/(expenses):</i>				
Interest income	71,514	45	71,559	75,535
Interest expense	(852,794)	-	(852,794)	(1,502,252)
Medicaid reimbursement	67,974	-	67,974	51,138
Fundraising	200,664	-	200,664	160,057
Gain on sale of assets	-	-	-	24,884,618
Loss on disposal of assets	-	-	-	(34,607)
Daycare revenue	67,364	-	67,364	-
Miscellaneous revenue	70,201	-	70,201	57,899
Miscellaneous expense	(44,629)	-	(44,629)	(45,444)
Total nonoperating revenues/(expenses)	<u>(419,706)</u>	<u>45</u>	<u>(419,661)</u>	<u>23,646,944</u>
Change in net assets	721,323	150,197	871,520	24,404,149
Net assets, beginning of the year	<u>30,919,305</u>	<u>145,878</u>	<u>31,065,183</u>	<u>6,661,034</u>
Net assets, end of the year	<u>\$ 31,640,628</u>	<u>\$ 296,075</u>	<u>\$ 31,936,703</u>	<u>\$ 31,065,183</u>

See accompanying notes to financial statements.

Boston Renaissance Charter Public School
 Boston Renaissance Charter Public School - Statement of Cash Flows
 For the Year Ended June 30, 2012
 With comparative totals for the year ended June 30, 2011

	2012	2011
Cash flows from operating activities:		
Receipts from tuition	\$ 12,543,823	\$ 14,193,562
Receipts from grants	2,237,683	2,540,992
Receipts from programs	357,904	817,949
Payments to employees	(10,667,713)	(12,359,600)
Payments to suppliers and vendors	<u>(2,725,385)</u>	<u>(3,152,801)</u>
Net cash provided by operating activities	<u>1,746,312</u>	<u>2,040,102</u>
Cash flows from investing activities:		
Non-operating receipts	477,717	298,099
Non-operating disbursements	(897,423)	(610,284)
Bond reserve deposits (net)	<u>(881,203)</u>	<u>316,935</u>
Net cash used in investing activities	<u>(1,300,909)</u>	<u>4,750</u>
Cash flows from capital and related financing activities:		
Payment of loan principal	(26,711)	(48,352)
Payment of bond principal	(275,131)	(384,615)
Purchase of capital assets	<u>(141,110)</u>	<u>(8,508,250)</u>
Net cash used in capital and related financing activities	<u>(442,952)</u>	<u>(6,231,197)</u>
Cash flows from noncapital financing activities:	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	2,451	(4,186,345)
Cash and cash equivalents, beginning of year	<u>6,280,264</u>	<u>10,466,609</u>
Cash and cash equivalents, end of year	<u>\$ 6,282,715</u>	<u>\$ 6,280,264</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 682,355</u>	<u>\$ 451,772</u>

See accompanying notes to financial statements.

Boston Renaissance Charter Public School
 Boston Renaissance Charter Public School - Statement of Cash Flows - *Continued*
 For the Year Ended June 30, 2012
 With comparative totals for the year ended June 30, 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Change in net assets from operations	\$ 1,141,029	\$ 758,474
<i>Adjustments to reconcile change in net assets to net cash used by operating activities:</i>		
Depreciation and amortization	1,280,582	1,298,755
Bad debt expense	52,832	46,064
<i>Change in assets and liabilities:</i>		
Increase in accounts receivable	(211,870)	(14,526)
Decrease in prepaid expenses	56,387	140,754
Decrease in accounts payable	(197,345)	(115,648)
Decrease in accrued expenses	(302,388)	(147,431)
Increase/(decrease) in deferred revenue	<u>(72,915)</u>	<u>73,660</u>
Net cash provided by operating activities	<u>\$ 1,746,312</u>	<u>\$ 2,040,102</u>

See accompanying notes to financial statements.

Boston Renaissance Charter Public School
 Boston Renaissance Charter School, Inc. - Statement of Cash Flows
 For the Year Ended June 30, 2012
 With comparative totals for the year ended June 30, 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 150,197	\$ (894)
<i>Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:</i>		
Changes in assets and liabilities		
Increase in accounts receivable	(2,842)	(11,090)
Decrease in accounts payable	(3,772)	3,773
Decrease in due to School	<u>(5,207)</u>	<u>(232)</u>
Net cash provided by/(used in) operating activities	<u>138,376</u>	<u>(8,443)</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Change in cash	<u>138,376</u>	<u>(8,443)</u>
Cash, beginning of year	<u>144,931</u>	<u>153,374</u>
Cash, end of year	<u>\$ 283,307</u>	<u>\$ 144,931</u>

See accompanying notes to financial statements.

Boston Renaissance Charter Public School
Notes to Financial Statements
June 30, 2012

1. *Nature of Organization*

The Boston Renaissance Charter Public School (the School) was established on September 1995 after receiving its charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The charter is granted for five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts' Department of Elementary and Secondary Education (DESE). The School's charter was renewed for a fourth time in fiscal year 2010 and is effective through June 30, 2015. The School is considered a special purpose governmental entity, and operates as a public school. For the year ended June 30, 2012 DESE provided 93% of the funding to operate the School through federal and state grants.

The School was located in Boston, Massachusetts and moved to a new facility in Hyde Park, Massachusetts in August 2010. The School offers children in the City of Boston in grades kindergarten through sixth grade a publicly supported academic education. During fiscal year 2012 the School served approximately 1,015 students.

The School's mission is to nurture and develop academic, social and emotional competence while building confidence, character and citizenship among its students.

2. *Summary of Significant Accounting Policies*

The accounting policies of the School conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the School and its component unit, the Boston Renaissance Charter School, Inc., (the Foundation) in conformance with the Government Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Under these statements component units are organizations that are included in the School's reporting entity because of the significance of their operational or financial relationships with the School.

The component unit column in the accompanying financial statements contains financial data of the Foundation. The Foundation is a legally separate, tax-exempt organization that acts primarily as a fund-raising organization to supplement the resources of the School. Although the School does not control the timing or amounts of receipts from the Foundation, the majority of the resources or income thereon that the Foundation holds is restricted for the activities of the School. Because these restricted resources can only be used by, or for the benefit of the School, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements.

Boston Renaissance Charter Public School
Notes to Financial Statements- *Continued*
June 30, 2012

2. *Summary of Significant Accounting Policies – Continued*

Financial Reporting Entity – Continued

The School and the Foundation are parties both jointly and severally on certain debt agreements held. These debt agreements are further discussed in the notes to these financial statements. In addition, the Foundation provided scholarships for certain students at the School. The School initially pays for these scholarships and is subsequently reimbursed by the Foundation. At June 30, 2012, the School has a receivable of \$911 from the Foundation.

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) accounting standards. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features. No modifications have been made to the Foundation's financial information presented in the School's financial statements for those differences.

Complete financial statements for the Foundation can be obtained from the School's business office located at 1415 Hyde Park Avenue, Hyde Park, MA 02136.

Financial Statement Presentation

The School, in accordance with GASB Statement No. 34 - *Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund. Also, in accordance with GASB Statement No. 39 - *Determining Whether Certain Organizations are Component Units*, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements in a separate column to emphasize that it is legally separate from the School. The discretely presented component unit has a June 30 fiscal year end.

Basis of Accounting

The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. The Commonwealth of Massachusetts Executive Office of Administration and Finance calculates the per pupil tuition that is paid to the School by DESE. Grants and contributions are recognized when all eligibility requirements are met.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the School has elected to apply the provisions of all relevant pronouncements of FASB that do not conflict with or contradict with GASB pronouncements.

Boston Renaissance Charter Public School
Notes to Financial Statements- *Continued*
June 30, 2012

2. ***Summary of Significant Accounting Policies – Continued***

Deferred Revenue

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as deferred revenue.

Tax Status

The School was established under a charter granted by DESE and operates as part of the Commonwealth of Massachusetts and, is therefore, generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of the *Statement of Net Assets* and the *Statement of Cash Flows*, the School considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2012, management has deemed all receivables to be fully collectable.

Accrued Sick and Vacation Leave

Teaching and administrative personnel are granted vacation and sick leave benefits pursuant to the School's policy. All vacation must be taken within the fiscal year earned. Sick days can be accrued for future use, but there is no buy-back policy upon termination of employment. Accordingly, there is no obligation recorded for payment of any accrued sick or vacation days in the accompanying financial statements.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing educational and instructional services in connection with the School's principal operations. The principal operating revenues include tuition receipts, federal grants and state grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Boston Renaissance Charter Public School
Notes to Financial Statements- *Continued*
June 30, 2012

2. *Summary of Significant Accounting Policies – Continued*

Capital Assets

Property, equipment and building improvements are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives as follows:

Buildings	40 years
Building improvements	25-40 years
Furniture and fixtures	7 years
Curriculum	6 years
Vehicles	5 years
Software	3 years

Net Assets

Net assets represent the difference between assets and liabilities of the School. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School’s policy is to first apply restricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available. The temporary restricted net asset balance at June 30, 2012 represents the discounted portion of the zero percent interest bond received by the School (Note 8).

Deferred Financing Fees

Deferred financing fees represent financing costs that are amortized on a straight-line basis over the life of the related debt. Amortization expense is \$9,137 for the year ended June 30, 2012. Amortization expense for each of the subsequent five years is expected to be as follows:

<i>Year</i>	<i>Amount</i>
2013	\$ 9,137
2014	\$ 9,137
2015	\$ 9,137
2016	\$ 9,137
2017	\$ 9,137

Boston Renaissance Charter Public School
Notes to Financial Statements - *Continued*
June 30, 2012

2. *Summary of Significant Accounting Policies – Continued*

Fair Value of Financial Instruments

The School's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The School estimates that the fair value of all financial instruments at June 30, 2012 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

Memorandum Only – Financial Reporting Entity

The financial statements include *Memorandum Only* totals for the year ended June 30, 2012 and 2011. These totals include all the activity of the financial reporting entity as described above and do not take into consideration any eliminating entries that would be prepared if the entities were consolidated.

3. *Deposits with Financial Institutions*

At June 30, 2012 the bank balance of cash, cash equivalents, and bond reserve funds was \$9,911,884. The School maintains its cash accounts at two financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation insured limit. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of June 30, 2012:

Fully insured deposits	\$	786,921
Collateralized with securities held by the pledging financial institution in the School's name		-
Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name		-
Uncollateralized		<u>9,124,963</u>
Total	\$	<u><u>9,911,884</u></u>

Boston Renaissance Charter Public School
Notes to Financial Statements - *Continued*
June 30, 2012

4. *Restricted Deposits and Funded Reserves*

Debt Service Reserve Fund

Proceeds from the bond financing described at Note 8 were used to establish a debt service reserve fund. The fund is restricted to be used to make required payments on the outstanding bonds if operating funds are not available. Accrued investment income from the fund is applied semi-annually to the required monthly payments. During the year ended June 30, 2012 the School earned interest of \$26,167. The balance of the *Debt Service Reserve Fund* at June 30, 2012 was \$1,234,639.

Project Fund

Proceeds from the bond financing described at Note 8 were used to establish three accounts collectively known as the *Project Fund*. The fund is restricted to pay costs related to the construction of the new school project in Hyde Park, Massachusetts and disbursements require approval of the bond owner. The School is required to make monthly payments to the fund of \$125,000 for the first three years after the bond proceeds have been disbursed. During the year ended June 30, 2012 the School made deposits of \$1,500,000, withdrew \$745,649 and earned interest of \$33,424. The balance of the *Project Fund* at June 30, 2012 was \$2,167,532.

Renewal and Replacement Fund

The bond financing described at Note 8 requires the School to establish a renewal and replacement fund which is to be used to pay for capital improvements and repairs to the new school project in Hyde Park, Massachusetts. Withdrawals from the fund are subject to bond owner approval. Funding of \$6,750 per month is to begin following the issuance of a certificate of occupancy. During the year ended June 30, 2012 the School made deposits of \$67,500 and earned interest of \$2. The certificate of occupancy was issued in August 2010. The balance of the *Renewal and Replacement Fund* at June 30, 2012 was \$135,002.

5. *Capital Assets*

Changes in capital assets during fiscal year 2012 are as follows:

<i>Capital assets</i>	<i>Balance July 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2012</i>
Land	\$ 3,325,000	\$ -	\$ -	\$ 3,325,000
Building	2,220,787	-	-	2,220,787
Building improvements	31,657,407	30,974	-	31,688,381
Furniture and equipment	899,781	25,147	-	924,928
Computers	713,193	61,700	-	774,893
Vehicles	204,755	23,289	-	228,044
Total capital assets	<u>39,020,923</u>	<u>141,110</u>	<u>-</u>	<u>39,162,033</u>
Less accumulated depreciation	<u>1,201,213</u>	<u>1,271,445</u>	<u>-</u>	<u>2,472,658</u>
Capital assets, net	<u>\$37,819,710</u>	<u>\$ (1,130,335)</u>	<u>\$ -</u>	<u>\$ 36,689,375</u>

Boston Renaissance Charter Public School
Notes to Financial Statements - *Continued*
June 30, 2012

6. *Accounts Receivable*

Accounts receivable at June 30, 2012 are as follows:

Grants	\$	327,821
Miscellaneous		<u>36,347</u>
Total		<u><u>\$ 364,168</u></u>

7. *Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses at June 30, 2012 are as follows:

Operating	\$	146,367
Salaries and benefits		962,006
Interest		<u>20,389</u>
Total		<u><u>\$ 1,128,762</u></u>

8. *Bonds Payable*

On February 19, 2010 the School entered into a loan agreement with the City of Boston Industrial Development Financing Authority (the City). The loan proceeds were used for construction of an academic facility located in Hyde Park, Massachusetts. The loan is financed by the issuance of the following Revenue Bonds:

Boston Renaissance Charter School Issue Series 2010A Revenue Bonds were issued in the original principal amount \$11,605,000. The bonds are payable monthly with interest only payments for the first three years and principal and interest due thereafter. The bonds bear interest at 5.75% for the first ten years. On February 19, 2019 and 2029 the interest rate resets to the Federal Home Loan Bank Rate plus 50 basis points, but cannot be less than 5.75%. At June 30, 2012 the outstanding balance on the bonds was \$11,544,046. The bonds mature February 19, 2039. Interest for the year ending June 30, 2012 was \$677,945.

Boston Renaissance Charter School Issue Series 2010B Qualified Zone Academy Bonds Series were issued in the original principal amount of \$5,000,000. The bonds are payable in monthly installments of \$32,051. The bonds do not bear interest and have been recorded at their net present value of \$2,847,117. Interest on the bonds for the year ended June 30, 2012 of \$170,438 has been imputed at 5.75%.

The bonds are collateralized by a mortgage and a security interest in the building located at 1415 Hyde Park Avenue, Hyde Park, Massachusetts.

Boston Renaissance Charter Public School
Notes to Financial Statements - *Continued*
June 30, 2012

8. Bonds Payable – Continued

As of June 30, 2012, principal and interest payments due over the remaining years of the bonds are as follows:

<i>Year Ending</i>	<i>Principal</i>	<i>Interest</i>
<i>June 30,</i>		
2013	\$ 573,073	\$ 658,896
2014	584,199	647,770
2015	595,983	635,986
2016	608,462	623,507
2017	621,678	610,291
2018 - 2022	3,207,404	2,824,238
2023 - 2027	1,881,741	2,355,029
2028 - 2032	2,506,809	1,729,961
2033 - 2037	3,339,510	897,260
2038 - 2039	<u>1,343,136</u>	<u>68,625</u>
Total	15,261,995	11,051,563
Less bonds discount	<u>(870,832)</u>	<u>-</u>
Net payable	<u>\$ 14,391,163</u>	<u>\$ 11,051,563</u>

9. Notes Payable

Vehicle Loans

The School paid off four loans and acquired five new loans to purchase vehicles to transport students. The loans are secured by the vehicles and mature at various times through June 2015. Payments of principal and interest are due monthly.

The balance of the loans at June 30, 2012 and the related activity for the year then ended was:

<i>Balance</i>	<i>Principal</i>	<i>Balance</i>	<i>Interest</i>
<i>July 1, 2011</i>	<i>Payments</i>	<i>June 30, 2012</i>	<i>Expense</i>
<u>\$ 99,003</u>	<u>\$ 26,711</u>	<u>\$ 72,292</u>	<u>\$ 4,410</u>

Principal and interest payments due over the remaining years of the loans are as follows:

<i>Year Ending</i>	<i>Principal</i>	<i>Interest</i>
<i>June 30,</i>		
2013	\$ 49,279	\$ 1,960
2014	13,803	1,030
2015	<u>9,210</u>	<u>231</u>
Total	<u>\$ 72,292</u>	<u>\$ 3,221</u>

Boston Renaissance Charter Public School
Notes to Financial Statements - *Continued*
June 30, 2012

10. *Lease Commitment*

In September 2008, the Foundation purchased the land and building located at 1415 Hyde Park Avenue, Hyde Park, Massachusetts and immediately entered into a seventy-five year lease agreement with the School. The terms of the lease agreement require the School to make an initial payment of \$5,000,000, which represents the base rent for the entire lease term. The School also agrees to pay additional rent which includes all operating expenses associated with the property. Due to the terms of the lease, the School has treated the lease transaction as if it has purchased the land and building from the Foundation as this reflects the economic substance of the transaction.

11. *Retirement Plan*

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible teachers through the Massachusetts Teachers' Retirement System (the MTRS), a contributory retirement system administered by the Massachusetts Teachers' Retirement Board. The MTRS is governed by Massachusetts General Laws (M.G.L.), Chapter 32, as well as regulations contained in the Code of Massachusetts Regulations (CMR). Oversight is provided by a seven member board. The MTRS issues a publicly available annual report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

This retirement plan requires an employee contribution of five, seven, eight, or eleven percent (depending on the plan and the employment date) of the employee's compensation. The School is not assessed under this plan. This retirement system is a contributory defined benefit plan covering all the employees deemed eligible. Members of the plan become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 and upon attaining 20 years of service.

The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was first employed by the School after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund.

As noted above, the School does not contribute to the MTRS. Contributions to the MTRS are made by the Commonwealth of Massachusetts on behalf of the School. Accounting principles generally accepted in the United States require the School to record such "on behalf payments" as revenue and expenditures in the financial statements. At June 30, 2012, \$23,797 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the School is included in the general fund revenue and expenditures.

Boston Renaissance Charter Public School
Notes to Financial Statements – *Continued*
June 30, 2012

12. *Related Party Transactions*

The Foundation is a supporting organization and related party to the School as certain individuals serve as Board of Trustees of both organizations.

The School and the Foundation enter into certain transactions throughout the fiscal year. During fiscal year 2012, the Foundation received grant revenue of \$9,000 for support of the School's activities and the Foundation made contributions to the School totaling \$133,281 for funds raised on behalf of the School. At June 30, 2012 the School has a receivable of \$911 from the Foundation.

In September 2008, the School entered into a seventy-five year capital lease agreement with the Foundation in which the School leases the land and building located at 1415 Hyde Park Avenue, Hyde Park, Massachusetts. The terms of the lease agreement require the School to make an initial payment of \$5,000,000, which represents the base rent for the entire lease term. The School also agrees to pay additional rent which includes all operating expenses associated with the property (Note 10).

The Foundation has guaranteed the bonds financing between the School and Century Bank in the amount of \$16,605,000. As of June 30, 2012, \$14,391,163 of principal is outstanding. The bonds mature between February 19, 2022 and February 19, 2039.

13. *Risk Management*

The School is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health claims.

The School carries commercial insurance for general liability, property and casualty, workers' compensation, unemployment, and employee health claims. Losses are insured to the extent the losses exceed the deductibles. There have been no significant reductions in insurance coverage during 2012.

14. *Contingencies*

Grant Funding

The District's various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with these grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any. Therefore, no adjustment has been made to the 2012 financial statements.

Boston Renaissance Charter Public School
Notes to Financial Statements – *Continued*
June 30, 2012

14. Contingencies – Continued

Enrollment

During fiscal year 2010 the Schools charter was renewed for an additional five year period through June 30, 2015. As of June 30, 2012 all of the conditions stated in the fiscal year 2010 renewal were met with the exception of the requirement to decrease enrollment. The School was granted an extension until September 2013 to decrease the enrollment to 880 students. The School must adhere to the following schedule without terminating the enrollment of any student currently attending the School.

- 944 students in September 2012
- 880 students in September 2013

15. Subsequent Events

The School has evaluated subsequent events through November 9, 2012, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

SUPPLEMENTAL INFORMATION - UNAUDITED

Boston Renaissance Charter Public School
Schedule of 20% Excess Carryover Calculation - Unaudited
June 30, 2012

Surplus Tuition Calculations

1 Cumulative Surplus/(deficit) beginning of year		\$	(8,382,147)
2 Change in net assets			721,323
Less:			
3 Contributions	200,664		
4 Interest income	71,514		
5 Principal payments on debt	301,842		
6 Capital expenses, less related debt/reserve funds	(604,539)		
7 Current deposits to reserve funds for capital funds	67,500		
8 Current deposits to reserve funds held as security for debt	1,500,000		
9 Other:			
Medicaid revenue	67,974		
Miscellaneous revenue	<u>70,201</u>		
Subtotal			(1,675,156)
Plus:			
10 Fundraising expenses	-		
11 Depreciation	1,271,445		
12 Other:			
Miscellaneous expense	<u>44,629</u>		
Subtotal			1,316,074
Total Surplus/(deficit)		(A)	(8,019,906)
13 25% of actual tuition payment for current year	3,135,956		
14 20% of projected tuition for following year	2,620,688		
15 20% budgeted expenditures from capital projects reserve fund	<u>-</u>		
16 Allowable carryover		(B)	<u>5,756,644</u>
17 Excess surplus		(A) - (B)	<u>\$ (13,776,550)</u>

If (A)-(B) is negative no amount is due back to the District.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Boston Renaissance Charter Public School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<i>Federal Grantor (Pass-Through Grantor) Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Direct Award			
Foreign Language Assistance	84.293		\$ 181,358
Passed through the Massachusetts Department of Elementary and Secondary Education			
Title I	84.010	305-270-1-0481 305-566-1-0481 305-349-2-0481 305-356-2-0481	1,090,462
ARRA Title I Stimulus	84.389	770-042-1-0481	101
Special Education Allocation	84.027	240-171-1-0481 240-223-2-0481 274-057-2-0481	311,783
ARRA Special Education Stimulus	84.391	760-125-1-0481	192
Teacher Quality	84.367	140-168-1-0481 140-236-2-0481	104,806
Drug Free Schools	84.186	331-047-0-0481	53
Enhanced Education Through Technology	84.318	160-245-0-0481	103
ARRA Title IID Comp	84.386	776-021-0-0481	16,721
ARRA Race to the Top Incentive Grants	84.395	201-211-1-0481 201-168-2-0481 202-014-2-0481	<u>231,496</u>
		Total U.S. Department of Education	<u>1,937,075</u>
<i>U.S. Department of Agriculture</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
National School Lunch Program	10.555	12758N70532112 12758T70532112	458,616
Summer Food Service Program for Children	10.559	12758T70532202	<u>15,085</u>
		Total U.S. Department of Agriculture	<u>473,701</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,410,776</u></u>

Boston Renaissance Charter Public School
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boston Renaissance Charter Public School (the School) under programs of the Federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. *Capital Assets*

Capital assets purchased with federal cost reimbursement grant funds are capitalized in the period purchased on the basic financial statements in accordance with generally accepted accounting principles; however these costs are included on the Schedule as a federal expenditure. During fiscal year 2012, \$16,343 of AARA IDEA Stimulus Program funds were used to purchase capital assets and are included as an expenditure on the Schedule.

4. *Sub-recipients*

There were no pass-through federal awards to sub-recipients by the School during fiscal year 2012.

**REPORT ON COMPLIANCE
AND INTERNAL CONTROL**

Daniel Dennis & Company LLP

Certified Public Accountants

To the Board of Trustees of
Boston Renaissance Charter Public School

*Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards*

We have audited the financial statements of Boston Renaissance Charter Public School (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The School's component unit Boston Renaissance Charter School, Inc. was not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School, in a separate letter dated November 9, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, the United States Department of Education and the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis & Company LLP

November 9, 2012

**REPORT IN ACCORDANCE
WITH
OMB CIRCULAR A-133**

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Trustees

Boston Renaissance Charter Public School

*Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect On Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133*

Compliance

We have audited Boston Renaissance Charter Public School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 through 2012-02.

Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees, management, the United States Department of Education and the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis & Company LLP

November 9, 2012

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Renaissance Charter Public School
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no

- Significant deficiency identified that is not considered to be a material weakness? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no

- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditor's report issued on compliance for major programs - Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

CFDA Number	Name of Program
84.010	<i>Title I</i>
84.389	<i>ARRA Title I Stimulus</i>
84.027	<i>Special Education Allocation</i>
84.391	<i>ARRA Special Education Stimulus</i>
10.555	<i>National School Lunch Program</i>
10.559	<i>Summer Food Service Program for Children</i>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

A. *Deficiencies in Internal Control over Financial Reporting*

None

B. *Findings of Fraud and Illegal Acts*

None

C. *Material Violations of Contracts and Grants*

None

D. *Material Abuse*

None

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-01 Cash Management

*Questioned
Costs*

Condition

One of four tested cash requisitions for the Title I grant (84.010) and one of three tested cash requisitions for the Special Education Allocation grant (84.027) included requests for reimbursement of non-cash expenses.

\$ -

Effect

Cash requisitions exceeded the limit allowed by the pass-through agency.

Cause

A portion of the grant expenses are paid to vendors by the pass-through agency directly. These expenses were not excluded from the calculation used by the School to requisition cash.

Criteria

The pass-through agency requires the School report cash paid to date for expenditures in order to minimize the time elapsing between the transfer of funds from the pass-through agency and disbursement by the School.

Recommendation

We recommend that management develop procedures to ensure cash requisitions conform to the requirements of the pass-through agency by not including non-cash expenses.

Management Response

Management recognizes that MTRS surcharge expenditures paid directly by the DESE should not be included in any future grant cash requisitions. Management will implement new procedures to ensure cash requisitions meet the requirements of the pass-through agency by not including non-cash expenses until year end.

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS –
Continued

2012-01 Cash Management – Continued

Responsibility

The Chief Financial Officer of the School will be responsible for implementation of the corrective action.

Timing

This corrective action will be implemented during fiscal year 2013.

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS –
Continued

2012-02 Food Services Account

*Questioned
Costs*

Condition

Two of fourteen cash receipts for the Child Nutrition Cluster Grants (10.555 & 10.559) were not deposited into the food services cash account or a separate accounting was not maintained to properly account for the food services cash receipts in accordance with the program requirements.

\$ -

Effect

The cash receipts are not identified as being held for the purpose of operating and improving its food services program.

Cause

All of the Schools grant funds are deposited into its general operating account. School lunch receipts are transferred from the operating account to the school lunch account after receipt. Due to an administrative oversight the two deposits were not transferred into the school lunch account.

Criteria

Per OMB A-133 Compliance Supplement, Federal reimbursement payments should be promptly credited to the school food service account or a separate accounting maintained to track cash receipts and disbursements for the food services program.

Recommendation

We recommend that management transfer the identified cash receipts to the school lunch account. Additionally, we recommend management develop procedures to ensure all Federal reimbursement payments applicable to the food services program are deposited into the school lunch account in a timely manner.

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS –
Continued

2012-02 Food Services Account – Continued

Management Response

Management recognizes the importance of segregating the school lunch account from the general operating account. Going forward, the required transfers will be part of our month end checklist.

Responsibility

The Chief Financial Officer of the School will be responsible for implementation of the corrective action.

Timing

This corrective action will be implemented during fiscal year 2013.

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

IV. STATUS OF PRIOR AUDIT FINDINGS

2011-01 Financial Reporting

Condition

The School's system of internal control over accounting and financial reporting does not include controls over the financial statements preparation, including note disclosures, in accordance with generally accepted accounting principles (GAAP). During the audit, a significant number of adjustments were identified that were not detected by the School's internal controls. In addition, reconciliations of several general ledger accounts were not performed in a timely manner.

Status

No similar issues noted in fiscal year 2012. Issue resolved as of June 30, 2012.

2011-02 MTRS Payments

Condition

The employees' contribution to the Massachusetts Teachers Retirement System (MTRS) for the month of September 2010 was not paid in a timely manner. The check issued for the employees' withholdings for their MTRS contributions was never received by MTRS and the School did not discover the check outstanding until September 2011.

Status

Auditor noted the funds were remitted to MTRS in September 2011. No similar issues noted in fiscal year 2012. Issue resolved as of June 30, 2012.

2011-03 Semi-Annual Certifications of Employees

Condition

The School did not perform semi-annual certifications to document the time charged to Federal grants for employees who worked solely on the Federal grant throughout the year. Salaries were charged to the following grants received, however the semi-annual reports were not available for examination. (Title I Distribution (84.010), ARRA Title I Stimulus (84.389), Special Education – 94-142 Allocation (84.027), ARRA IDEA Stimulus Program (84.391) and the Foreign Language Assistance (84.293))

Status

No similar issues noted in fiscal year 2012. Issue resolved as of June 30, 2012.

Boston Renaissance Charter Public School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2012

IV. STATUS OF PRIOR AUDIT FINDINGS – *Continued*

2011-04 Federal Reporting

Condition

The expenses reported in the Annual Performance Report for the Foreign Language Assistance grant (84.293) could not be reconciled to the expenses recorded in the general ledger.

Status

No Annual Performance Report for the Foreign Language Assistance grant was required to be filed until fiscal year 2013. Issue will be reviewed during the fiscal year 2013 audit.

BOARD ACCEPTANCE LETTER

ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Boston Renaissance Charter Public School, have voted to accept the representations of management and the expression of the opinions made by Daniel Dennis & Company LLP as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2012.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the *Commonwealth of Massachusetts Charter School Audit Guide* for the period ended June 30, 2012.

Board President or Treasurer
or Other Designated Person

Date