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**RENEW – REINVENTING EDUCATION**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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A Professional Accounting Corporation

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**RENEW – REINVENTING EDUCATION**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

## TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors for  
ReNEW – Reinventing Education  
New Orleans, Louisiana:

**Report on the Financial Statements**

We have audited the accompanying financial statements of ReNEW – Reinventing Education (“ReNEW”) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ReNEW’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReNEW – Reinventing Education as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of ReNEW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

*Postlethwaite + Netterville*

New Orleans, Louisiana  
December 20, 2013

**RENEW – REINVENTING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

<b><u>ASSETS</u></b>		
	<b>2013</b>	<b>2012</b>
<b><u>CURRENT ASSETS</u></b>		
Cash, unrestricted	\$ 483,152	\$ 340,502
Cash, restricted	214,219	52,139
Grants receivable	1,789,582	1,326,522
Other receivables	10,839	1,434
Prepaid expenses	213,542	145,020
Total current assets	2,711,334	1,865,617
<b><u>PROPERTY AND EQUIPMENT, NET</u></b>		
	217,714	528,000
Total assets	\$ 2,929,048	\$ 2,393,617
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 1,842,789	\$ 1,976,445
Current portion of capital lease payable	26,223	23,644
Total current liabilities	1,869,012	2,000,089
<b><u>LONG-TERM LIABILITIES</u></b>		
Long-term portion of capital lease payable	-	27,512
Total liabilities	1,869,012	2,027,601
<b><u>NET ASSETS</u></b>		
Unrestricted	845,817	313,877
Temporarily restricted	214,219	52,139
Total net assets	1,060,036	366,016
Total liabilities and net assets	\$ 2,929,048	\$ 2,393,617

The accompanying notes are an integral part of these financial statements.

**RENEW - REINVENTING EDUCATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	Year ended June 30, 2013			Year ended June 30, 2012		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Restricted		Total	Restricted
<b>REVENUES AND SUPPORT</b>						
Federal government	\$ 7,146,670	\$ -	\$ 7,146,670	\$ 6,988,797	\$ -	\$ 6,988,797
State and local governments	19,651,104	-	19,651,104	17,224,200	-	17,224,200
Private grants and donations	936,029	516,970	1,452,999	520,712	365,325	886,037
Other revenue	316,989	-	316,989	89,544	-	89,544
Net assets released from restrictions	354,890	(354,890)	-	902,768	(902,768)	-
Total revenues and other support	28,405,682	162,080	28,567,762	25,726,021	(537,443)	25,188,578
<b>EXPENSES</b>						
Program services						
Regular education programs	10,994,108	-	10,994,108	11,104,197	-	11,104,197
Operation and maintenance of plant	5,181,160	-	5,181,160	4,667,408	-	4,667,408
Special education programs	3,114,238	-	3,114,238	2,776,393	-	2,776,393
School administration	2,973,057	-	2,973,057	2,683,512	-	2,683,512
Instructional staff services	1,086,253	-	1,086,253	1,456,407	-	1,456,407
Food service operations	1,894,122	-	1,894,122	123,282	-	123,282
Pupil support services	1,116,023	-	1,116,023	970,882	-	970,882
Student activities	251,856	-	251,856	654,286	-	654,286
Management and general						
General administration	1,262,925	-	1,262,925	1,119,378	-	1,119,378
Total expenses	27,873,742	-	27,873,742	25,555,745	-	25,555,745
Change in net assets	531,940	162,080	694,020	170,276	(537,443)	(367,167)
<b>NET ASSETS, BEGINNING OF YEAR</b>	313,877	52,139	366,016	143,601	589,582	733,183
<b>NET ASSETS, END OF YEAR</b>	\$ 845,817	\$ 214,219	\$ 1,060,036	\$ 313,877	\$ 52,139	\$ 366,016

The accompanying notes are an integral part of these financial statements.

**RENEW - REINVENTING EDUCATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 694,020	\$ (367,167)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	310,286	272,012
Changes in operating assets and liabilities:		
Grant receivable	(463,060)	(1,007,057)
Other receivables	(9,405)	(1,434)
Prepaid expenses	(68,522)	(64,470)
Accounts payable and accrued expenses	<u>(133,656)</u>	<u>964,871</u>
Net cash provided by (used in) operating activities	<u>329,663</u>	<u>(203,245)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of property and equipment	<u>-</u>	<u>(322,636)</u>
Net cash used in investing activities	<u>-</u>	<u>(322,636)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Payments on note payable	-	(300,000)
Payments on capital leases	<u>(24,933)</u>	<u>(23,644)</u>
Net cash used in financing activities	<u>(24,933)</u>	<u>(323,644)</u>
Net increase (decrease) in cash	304,730	(849,525)
Cash, beginning of year	<u>392,641</u>	<u>1,242,166</u>
Cash, end of year	<u>\$ 697,371</u>	<u>\$ 392,641</u>
<b><u>SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION</u></b>		
Cash paid during the year for interest	<u>\$ 10,600</u>	<u>\$ 7,778</u>
In-kind donations	<u>\$ 119,406</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



## RENEW – REINVENTING EDUCATION

### NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies

##### Organization

ReNEW – Reinventing Education (“ReNEW”), incorporated on June 6, 2009, is an educational institution organized to provide a rigorous, college preparatory education to historically underserved prekindergarten through twelfth grade students.

The Board of Elementary and Secondary Education (BESE) approved the granting of two charters to ReNEW effective June 8, 2010 to operate two Type 5 Charter Schools, as defined in LA R.S. 17:3996. ReNEW commenced operations with the 2010-2011 school year. During the year ended June 30, 2012, ReNEW opened three additional schools. At June 30, 2013, ReNEW operated five schools, ReNEW SciTech Academy at Laurel Elementary, ReNEW Cultural Arts Academy at Live Oak Elementary, ReNEW Accelerated High School #1, ReNEW Accelerated High School #2, and ReNEW Dolores T. Aaron Elementary.

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board under *ASC No. 958 Not-for-Profit Entities*.

ReNEW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of ReNEW and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of ReNEW and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of ReNEW pursuant to those stipulations. At June 30, 2013 and 2012, ReNEW had no permanently restricted net assets.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## RENEW – REINVENTING EDUCATION

### NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### Cash

Cash includes amounts on deposit at local financial institutions.

##### Property and Equipment

The land, building and building improvements used to operate ReNEW are owned by the Recovery School District (RSD) and, as such, are recorded on the financial statements of the RSD. The RSD also provided ReNEW with furniture and equipment that is also recorded on the RSD's financial statements and not reported by ReNEW. ReNEW only reports its direct purchases of leasehold improvements, furniture and equipment. ReNEW has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$5,000. Property is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives of 3 years for furniture and equipment and 5 years for leasehold improvements.

##### Contributions and Revenue Recognition

ReNEW reports contributions of cash or other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

Revenues from federal and state grants are recorded when ReNEW has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by ReNEW, or when otherwise earned under the terms of the grants.

##### Contributed Services

The value of contributed services has been recorded as revenues and support and expense in the period received, provided there is an objective basis for measurement of the value of such goods and services and they are significant and form an integral part of the ReNEW's efforts. ReNEW's donated services totaled \$119,406 during the year ended June 30, 2013. There were no donated services recorded during the year ended June 30, 2012.

In addition, ReNEW receives services donated by parents and community members in carrying out ReNEW's mission. The value of these services is not recognized in the accompanying financial statements due to their unspecialized nature.

##### Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the services benefited.

**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies (continued)**

Tax Exempt Status

ReNEW is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (3) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes.

ReNEW applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, ReNEW has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on ReNEW. ReNEW’s tax returns for the years ended June 30, 2012, 2011, and 2010 remain open and is subject to examination by taxing authorities. ReNEW’s 2013 tax return has not been filed as of the report date and is on a valid extension.

Reclassification

Certain accounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

2. **Grants Receivable**

Grants receivable as of June 30 are as follows:

	2013	2012
Due from federal government	\$ 1,626,964	\$ 1,101,645
Due from foundations	510	152,839
Due from State of Louisiana	162,108	72,038
	<u>\$ 1,789,582</u>	<u>\$ 1,326,522</u>

3. **Property and Equipment**

A summary of property and equipment at June 30 is as follows:

	2013	2012
Furniture and equipment	\$ 803,276	\$ 803,276
Leasehold improvements	131,820	131,820
	<u>935,096</u>	<u>935,096</u>
Less accumulated depreciation	(717,382)	(407,096)
Total property and equipment, net	<u>\$ 217,714</u>	<u>\$ 528,000</u>

**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

**4. Temporarily Restricted Net Assets**

A summary of the composition of temporarily restricted net assets at June 30 is as follows:

	<u>2013</u>	<u>2012</u>	<u>Restriction</u>
Best Buy Children’s Foundation	\$ 1,233	\$ -	Student activities
Booth-Bricker Fund	21,822	7,085	Blended learning labs
Centiva	3,000	-	Student activities
Entergy Corporation	10,000	10,000	Second Harvest Backpack Program
Greater New Orleans Foundation	10,000	-	Sports
Individual donor	-	1,000	Sports
New Schools for New Orleans	30,000	-	Curriculum
President’s Award for Arts in Education	4,785	-	Arts Activities
State Farm	4,000	21,554	Pollution prevention
Veolia Water North America	10,000	10,000	Second Harvest Backpack Program
Walton Family Foundation	61,379	-	Administrative Staff
Walton Family Foundation	10,000	-	Recruitment
Walton Family Foundation	48,000	-	Curriculum
Wilinson & Jeansonne, LLC	-	2,500	Sports
	<u>\$ 214,219</u>	<u>\$ 52,139</u>	

**5. Capital Lease Payable**

In July 2010, ReNEW entered into two capital lease arrangements to finance the purchase of copiers. The copiers had a cost of \$97,154 and accumulated depreciation of \$72,865 at June 30, 2013.

Future minimum lease payments under capital leases as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 26,921
Total minimum lease payments	26,921
Less: amount representing interest	698
Present value of future minimum lease payments	26,223
Less: current portion	26,223
Long-term portion of capital leases	<u>\$ -</u>

**6. Line of Credit**

ReNEW has a \$500,000 uncollateralized line of credit with a financial institution at the prime lending rate of 3.25% at June 30, 2013. ReNEW did not have a balance outstanding on the line of credit as of June 30, 2013. The line of credit expired on December 19, 2013.

**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

**7. Note Payable**

On July 7, 2010, ReNEW entered into a promissory note to borrow \$300,000 from Building Hope, a Charter School Facilities Fund. The note bore interest at 4% and had a maturity date of July 27, 2011. The loan was secured by funds disbursed to ReNEW by the State of Louisiana Department of Education pursuant to its grant award for the public charter school federal program under its grant award notification to ReNEW dated October 15, 2009. On September 1, 2011, ReNEW entered into a new promissory note with Building Hope for the remaining balance of \$200,000. The note had an interest rate of 4% and a maturity date of February 12, 2012. Interest only payments continued to be required on a monthly basis. ReNEW paid in full the remaining balance by February 12, 2012.

**8. Functional Allocation of Expenses**

Expenses have been reported in the statements of activities by natural classification. ReNEW presents functional classifications of expenses charged to program services. Instructional programs represent management's estimate of expenses that can be directly allocated to supporting classroom and teaching activities and programs. Supporting services include those expenses related to the administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services, and enterprise programs. Functional expenses for the year ended June 30, 2013 are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ 80,096	\$ -	\$ 80,096
Contract services	1,180,805	14,398	1,195,203
Depreciation expense	310,287	-	310,287
Facility, equipment, and maintenance	1,017,830	-	1,017,830
Food service operations	1,875,530	-	1,875,530
Instructional materials	1,079,954	-	1,079,954
Insurance	343,607	-	343,607
Non-instructional materials	70,450	-	70,450
Miscellaneous	12,991	15	13,006
Telephone, postage, access, and printing	300,589	2,325	302,914
Salaries and benefits	17,276,261	1,197,149	18,473,410
State and local MFP fee	392,711	-	392,711
Student transportation	2,044,295	-	2,044,295
Technology	212,595	98	212,693
Travel and staff development	412,816	48,940	461,756
Total expenses	<u>\$ 26,610,817</u>	<u>\$ 1,262,925</u>	<u>\$ 27,873,742</u>

**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

**8. Functional Allocation of Expenses (continued)**

Functional expenses for the year ended June 30, 2012 are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ 76,119	\$ 4,560	\$ 80,679
Contract services	1,237,936	21,054	1,258,990
Depreciation expense	255,231	-	255,231
Facility, equipment, and maintenance	955,678	-	955,678
Food service operations	123,282	-	123,282
Instructional materials	1,821,346	-	1,821,346
Insurance	25,208	151,192	176,400
Non-instructional materials	124,116	59,746	183,862
Miscellaneous	5,657	5,513	11,170
Telephone, postage, access, and printing	253,529	3,184	256,713
Salaries and benefits	16,586,882	855,979	17,442,861
State and local MFP fee	339,646	-	339,646
Student transportation	2,260,846	-	2,260,846
Technology	266,858	-	266,858
Travel and staff development	104,033	18,150	122,183
Total expenses	<u>\$ 24,436,367</u>	<u>\$ 1,119,378</u>	<u>\$ 25,555,745</u>

**9. Credit Risk Concentration**

ReNEW deposits its cash and cash equivalents with financial institutions in the greater New Orleans area. As of June 30, 2013, all cash accounts at each financial institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. ReNEW's uninsured cash balance at June 30, 2013 totaled \$1,535,013. As of June 30, 2012, non-interest bearing cash accounts at each financial institution were fully insured by the Federal Deposit Insurance Corporation. As of June 30, 2012, all ReNEW's deposits were non-interest bearing; therefore, they were fully insured.

**10. Retirement System**

***Teachers' Retirement System of Louisiana (TRSL)***

In July 2010, employees of ReNEW SciTech Academy were enrolled to be members of the Teachers' Retirement System of Louisiana and in July 2011, employees of ReNEW Dolores T. Aaron Elementary were also enrolled to be members of the system. This system is a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows. In August 2011, The Board of Elementary and Secondary Education approved ReNEW SciTech Academy to withdraw from the Teachers' Retirement System of Louisiana.

## RENEW – REINVENTING EDUCATION

### NOTES TO FINANCIAL STATEMENTS

#### **10. Retirement System (continued)**

*Plan description* – The TRSL consists of three membership plans: Regular Plan, Plan A, and Plan B. The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

*Funding policy* - Plan members are required to contribute 8.0 percent, 9.1 percent, and 5.0 percent of their annual covered salary for the Regular Plan, Plan A, and Plan B, respectively. ReNEW is required to contribute at an actuarially determined rate. The employer contribution rates were 24.5 percent and 23.7 percent of annual covered payroll for all three membership plans as of June 30, 2013 and 2012, respectively. Member contributions and employer contributions for the TRSL are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. ReNEW's employer contribution to the TRSL, as provided by state law, is funded by the State of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by remittances from ReNEW. ReNEW's contributions to the TRSL for the years ended June 30, 2013 and 2012 were \$746,967 and \$947,044, respectively; which is equal to the required contributions for each year.

#### **11. Defined Contribution Plan**

ReNEW has a 401(k) plan that was adopted in July 2010. Full-time employees not enrolled in the Teachers' Retirement System of Louisiana have the option of enrolling in ReNEW's sponsored 401(k). All employees 18 years of age and older are eligible to participate in the Plan after completing one hour of service in a twelve month period. Under the terms of the Plan, ReNEW matches employee contributions up to 4% of employee compensation. For the years ended June 30, 2013 and 2012, ReNEW made \$187,017 and \$143,374, respectively, in employer matching contributions to the plan.

#### **12. School Properties**

On July 1, 2010, ReNEW entered into two lease agreements with the Recovery School District (RSD), which allows ReNEW to use the facilities and its contents located at 3128 Constance Street and 820 Jackson Avenue, or any other locations that may be approved by ReNEW and the Board. ReNEW began operating ReNEW Cultural Arts Academy at Live Oak and ReNEW SciTech Academy charter schools from these facilities. The initial lease term was for three years and terminated on June 30, 2013. The Board of Elementary and Secondary Education extended the Charter Contract for both schools, and therefore, as of July 1, 2013, the lease agreement has been extended for an additional two years terminating on June 30, 2015. The RSD has forgone the payment of rent for the first three years of the lease agreement. The RSD has the right to charge rent in subsequent years of the agreement. During the years ended June 30, 2013 and 2012, no rent was charged to ReNEW by the RSD.

**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

**12. School Properties (continued)**

On July 1, 2011, ReNEW entered into three lease agreements with the RSD, which allowed ReNEW to use facilities and its contents located at 2426 Esplanade Avenue, 709 Park Boulevard, and 5552 Read Boulevard, or any other locations that may be approved by ReNEW and the Board. ReNEW began operating ReNEW Accelerated High School #1, ReNEW Accelerated High School #2, and Reed Elementary Charter School from the facilities in August 2011. During the years ended June 30, 2013 and 2012, no rent was charged to ReNEW by the RSD.

On July 1, 2012, ReNEW entered into a lease agreement with the RSD to allow ReNEW to use facilities and its contents located at 3649 Laurel Street, in lieu of the facilities located at 2426 Esplanade Avenue and 709 Park Boulevard, for an initial lease term of two years, terminating on June 30, 2014. The lease agreement may be extended for an additional two years terminating on June 30, 2016 in the event the Louisiana Board of Elementary and Secondary Education extends the Charter contract for an additional two years. ReNEW began operating both ReNEW Accelerated High School #1 and ReNEW Accelerated High School #2 at that facility in July 2012. The RSD has forgone the payment of rent for the first year of each of these lease agreements. During the year ended June 30, 2013, no rent was charged to ReNEW by RSD.

Use of the property, including fixtures, furniture and equipment provided by the RSD is not recorded as an in-kind contribution. ReNEW is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

**13. Contingencies**

**Grant Programs**

ReNEW participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that ReNEW has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2013 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and ReNEW.



**RENEW – REINVENTING EDUCATION**

**NOTES TO FINANCIAL STATEMENTS**

**14. Economic Dependency**

ReNEW receives the majority of its revenue from the State of Louisiana Minimum Foundation Program Funding and from various federal grants passed through the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/ or state level, the amount of funds ReNEW receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds ReNEW will receive in fiscal year 2013 relating to its grant awards.

**15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2013, and determined that the following items require disclosure.

On July 1, 2013, ReNEW entered into a lease agreement with the RSD to allow ReNEW to use facilities and contents located at 10200 Curran Boulevard, or any other locations approved by ReNEW and the Board in lieu of the facility located at 5552 Read Boulevard for an initial lease term of five years, terminating on June 30, 2017. The lease agreement may be extended for an additional year, terminating on June 30, 2018, in the event the Louisiana Board of Elementary and Secondary Education extends the Charter contract for an additional year. The RSD has forgone the payment of rent for the first year of this lease agreement. The RSD has the right to charge rent in subsequent years of the agreement. As of December 20, 2013, no rent was charged to ReNEW by the RSD, for the period from July 2013 to December 2013.

On July 1, 2013, ReNEW entered into a lease agreement with the RSD to allow ReNEW to use facilities and its contents located at 9501 Grant Street, or any other locations that may be approved by ReNEW and the Board, for an initial period of five years, terminating on June 30, 2018. ReNEW began operating ReNEW Schaumburg Elementary from the facilities in July 2013. The lease agreement may be extended for an additional two years terminating on June 30, 2020 in the event the Louisiana Board of Elementary and Secondary Education extends the Charter contract for an additional two years.

ReNEW was awarded approximately \$1.3 million for the Striving Readers Comprehensive Literacy grant for reimbursement of expenses to be incurred through September 30, 2014.

ReNEW signed an agreement to extend and increase the \$500,000 line of credit that expired on December 19, 2013 to \$800,000 through December 17, 2014 at an interest rate of 5.75%.