

**RENAISSANCE CHARTER HIGH SCHOOL FOR  
INNOVATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**JUNE 30, 2015**

# **RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION**

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## **Independent Auditor's Report on Financial Statements**

**Board of Trustees  
Renaissance Charter High School for Innovation**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Renaissance Charter High School for Innovation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Charter High School for Innovation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of Renaissance Charter High School for Innovation'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* in considering Renaissance Charter High School for Innovation's internal control over financial reporting and compliance.

Loeb & Troper LLP

October 27, 2015

**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****STATEMENT OF FINANCIAL POSITION****JUNE 30, 2015****ASSETS**

Current assets	
Cash	\$ 2,189,628
Grants and contracts receivable	291,020
Prepaid expenses	<u>41,854</u>
Total current assets	2,522,502
Fixed assets - net (Note 3)	569,032
Cash reserves (Note 2)	<u>70,207</u>
Total assets	<u><u>\$ 3,161,741</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable and accrued expenses	\$ 103,854
Accrued salaries and related liabilities	345,762
Due to New York City Department of Education	<u>33,570</u>
Total current liabilities	483,186
Net assets (Exhibit B)	
Unrestricted	<u>2,678,555</u>
Total liabilities and net assets	<u><u>\$ 3,161,741</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**EXHIBIT B****RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2015**

Operating revenues and other support	
State and local per-pupil operating revenues	\$ 8,557,807
Government grants and contracts - Federal	409,324
Government grants and contracts - State	36,243
In-kind contributions (Note 4)	39,581
Contributions	20,195
Interest	140
Other revenue	630
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Total operating revenues and other support	9,063,920
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Expenses (Exhibit C)	
Program services	
General education	5,655,116
Special education	2,253,868
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Total program services	7,908,984
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Supporting services	
Management and general	2,189,998
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Total expenses	10,098,982
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Change in unrestricted net assets (Exhibit D)	(1,035,062)
Net assets - unrestricted - beginning of year	3,713,617
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Net assets - unrestricted - end of year (Exhibit A)	\$ 2,678,555
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See independent auditor's report.

The accompanying notes are an integral part of these statements.

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Instructional personnel	61	\$ 2,938,632	\$ 1,179,648	\$ 4,118,280		\$ 4,118,280
Non-instructional personnel	14	833,441	267,689	1,101,130		1,101,130
Administrative personnel	24				\$ 1,475,852	1,475,852
Total salaries and staff	99	3,772,073	1,447,337	5,219,410	1,475,852	6,695,262
Payroll taxes and employee benefits		835,502	320,617	1,156,119	326,845	1,482,964
Retirement expense (Note 6)		86,509	33,197	119,706	33,842	153,548
Legal fees (Note 4)					56,247	56,247
Audit fees					23,000	23,000
Professional fees		198,940	112,074	311,014	74,015	385,029
Curriculum and classroom		126,400	69,265	195,665		195,665
Student services		161,907	88,723	250,630		250,630
Food service		5,140	2,817	7,957		7,957
Staff development		82,586	31,692	114,278	32,307	146,585
Travel/conferences		66,627	25,567	92,194	26,064	118,258
Office expense		70,212	26,943	97,155	44,333	141,488
Postage, printing and copying		15,700	6,025	21,725	6,141	27,866
Insurance		26,684	10,240	36,924	10,439	47,363
Marketing and recruiting		10,625	4,077	14,702	4,156	18,858
Information technology		61,330	23,535	84,865	23,992	108,857
Non-capitalized equipment and furnishings		10,130	3,887	14,017	3,963	17,980
Equipment rental		8,100	3,108	11,208	3,169	14,377
Repairs and maintenance		6,788	2,605	9,393	2,655	12,048
Depreciation and amortization		109,863	42,159	152,022	42,978	195,000
Total expenses (Exhibit B)		\$ 5,655,116	\$ 2,253,868	\$ 7,908,984	\$ 2,189,998	\$ 10,098,982

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**EXHIBIT D****RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ (1,035,062)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	195,000
Increase in assets	
Grants and contracts receivable	(144,878)
Prepaid expenses	(41,854)
Increase in liabilities	
Accounts payable and accrued expenses	103,854
Accrued salaries and related liabilities	103,309
Due to New York City Department of Education	<u>33,570</u>
Net cash used by operating activities	<u>(786,061)</u>
Cash flows from investing activities	
Fixed asset acquisitions	(212,225)
Increase in cash reserves	<u>(140)</u>
Net cash used by investing activities	<u>(212,365)</u>
Net change in cash	(998,426)
Cash - beginning of year	<u>3,188,054</u>
Cash - end of year	<u>\$ 2,189,628</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

# RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE 1 - NATURE OF ORGANIZATION

Renaissance Charter High School for Innovation (the "School") is an educational corporation that operates as a charter school in the borough of Manhattan, New York City. On December 15, 2012, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted the School a charter to operate grades 9-12, valid for a term of 5 years. In 2015, the charter was renewed, and is valid through June 30, 2018. The School's mission is to develop leadership through innovation. Student innovators achieve academic excellence by setting self-created goals within a three-tiered educational model of core classroom instruction, portfolio-based annual individual projects, and hands-on, experimental learning. During fiscal year 2015, the School operated classes for 421 full-time equivalent general instruction students, of which 147 were special education students.

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The School is supported primarily by state and local per-pupil operating revenues.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash reserves*** - Escrow deposits represent funds held aside for contingency purposes as required by the New York City Department of Education ("NYCDOE").

***Grants and contracts receivable*** - Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by the School. Receivables are recorded when the revenue is earned. Bad debt is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2015, the School had no allowance for doubtful accounts.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fixed assets*** - Fixed assets are recorded at cost. Items with a cost of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation is provided on the straight-line basis over the estimated following useful lives of assets. Leasehold improvements are capitalized at cost and amortized over the anticipated term of occupancy or the useful life of the improvement, whichever is shorter.

***Due to New York City Department of Education*** - These amounts are monies owed to NYCDOE when payments received exceed the per-pupil revenue.

***Unrestricted net assets*** - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

***State and local per-pupil revenues*** - Revenues from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These grants are recorded as revenue by the School when services are rendered.

***Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The NYCDOE provides free and reduced-price lunches directly to a majority of the students. Such costs are not included in the financial statements.

***In-kind contributions*** - In-kind contributions are recorded at fair value at the date of donation.

***Government grants and contracts*** - Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by the School.

***Functional allocation of expenses*** - The costs of providing services have been summarized on a functional basis. Expenses are allocated among the program and supporting services based on the nature of the expense.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Uncertainty in income taxes* -The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through October 27, 2015, which is the date the financial statements were available to be issued.

**NOTE 3 - FIXED ASSETS**

		<u>Useful Lives</u>
Furniture and fixtures	\$ 211,418	5-10 years
Equipment	710,045	3-5 years
Leasehold improvements	49,999	10 years
Computer software and website	<u>114,525</u>	3-5 years
	1,085,987	
Accumulated depreciation and amortization	<u>(516,955)</u>	
	<u>\$ 569,032</u>	

**NOTE 4 - IN-KIND CONTRIBUTIONS**

The School received \$39,581 of pro bono legal services relating to review of internal manuals and contracts. This has been recorded in the financial statements as both operating revenue and expense.

The School has been provided space in a building owned by the NYCDOE at no charge to the School. As the value of the space contributed is difficult to determine, it is not recorded in the financial statements. The space is provided to the School in a building utilization plan provided by the NYCDOE. The plan provides approximately 19,755 square feet, or 49% of the building's educational space to the School. An additional allocation of approximately 4,400 square feet of the facility's shared auditorium and cafeteria space has been calculated based on the School's share of the facility enrollment target.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 5 - CONTINGENCIES AND CONCENTRATIONS**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

A significant portion of the School's operating revenue is paid by New York City Department of Education.

Financial instruments which potentially subject the School to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

**NOTE 6 - PENSION PLAN**

The School has a voluntary 401(k) defined contribution retirement plan. The School provides a matching contribution of up to 5% of employee contributions. Retirement expense for the year ended June 30, 2015 was \$153,548.

**NOTE 7 - RELATED PARTIES**

A current board member of the School is part of the management team for a nonprofit entity which has a joint venture with the School. The board member receives no direct benefit from the business relationship between the two organizations.



**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**

Independent Auditor's Report

**Board of Trustees  
Renaissance Charter High School for Innovation**

We have audited, in accordance with the 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 financial statements of Renaissance Charter High School for Innovation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Renaissance Charter High School for Innovation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Charter High School for Innovation's internal control. Accordingly, we do not express an opinion on the effectiveness of Renaissance Charter High School for Innovation's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Renaissance Charter High School for Innovation's financial statements are free from 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*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loeb & Troper LLP

October 27, 2015