

**RENAISSANCE CHARTER HIGH SCHOOL FOR
INNOVATION**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

JUNE 30, 2016 AND 2015

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

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Government Auditing Standards**



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, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 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, 2016 and 2015, 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.

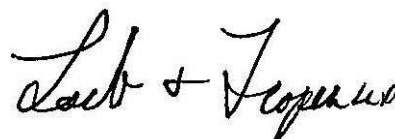
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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 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.



October 18, 2016

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 1,871,885	\$ 2,189,628
Grants and contracts receivable	242,859	291,020
Prepaid expenses and other current assets	<u>61,765</u>	<u>41,854</u>
Total current assets	2,176,509	2,522,502
Fixed assets - net (Note 3)	451,872	569,032
Cash reserves (Note 2)	70,348	70,207
Operating reserves - board designated cash (Note 2)	<u>1,001,722</u>	<u> </u>
Total assets	<u>\$ 3,700,451</u>	<u>\$ 3,161,741</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 145,372	\$ 103,854
Accrued salaries and related liabilities	190,319	345,762
Due to New York City Department of Education	<u>117,476</u>	<u>33,570</u>
Total current liabilities	<u>453,167</u>	<u>483,186</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	2,245,562	2,678,555
Board designated (Note 2)	<u>1,001,722</u>	<u> </u>
Total unrestricted	<u>3,247,284</u>	<u>2,678,555</u>
Total liabilities and net assets	<u>\$ 3,700,451</u>	<u>\$ 3,161,741</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****YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues and other support		
State and local per-pupil operating revenues	\$ 9,082,950	\$ 8,557,807
Government grants and contracts - Federal	431,683	409,324
Government grants and contracts - State	138,407	36,243
In-kind contributions (Note 4)	19,535	39,581
Contributions	2,100	20,195
Interest	5,891	140
Other revenue	9,793	630
	<u>9,690,359</u>	<u>9,063,920</u>
Total operating revenues and other support		
	<u>9,690,359</u>	<u>9,063,920</u>
Expenses (Exhibit C)		
Program services		
General education	5,658,153	5,655,116
Special education	2,086,445	2,253,868
	<u>7,744,598</u>	<u>7,908,984</u>
Total program services		
	<u>7,744,598</u>	<u>7,908,984</u>
Supporting services		
Management and general	1,377,032	2,189,998
	<u>1,377,032</u>	<u>2,189,998</u>
Total expenses		
	<u>9,121,630</u>	<u>10,098,982</u>
Change in unrestricted net assets (Exhibit D)	568,729	(1,035,062)
Net assets - unrestricted - beginning of year	<u>2,678,555</u>	<u>3,713,617</u>
Net assets - unrestricted - end of year (Exhibit A)	<u>\$ 3,247,284</u>	<u>\$ 2,678,555</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 568,729	\$ (1,035,062)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	205,746	195,000
Decrease (increase) in assets		
Grants and contracts receivable	48,161	(144,878)
Prepaid expenses and other current assets	(19,911)	(41,854)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	41,518	103,854
Accrued salaries and related liabilities	(155,443)	103,309
Due to New York City Department of Education	83,906	33,570
Net cash provided (used) by operating activities	<u>772,706</u>	<u>(786,061)</u>
Cash flows from investing activities		
Fixed asset acquisitions	(88,586)	(212,225)
Increase in cash reserves	(141)	(140)
Increase in operating reserves - board designated cash	<u>(1,001,722)</u>	<u></u>
Net cash used by investing activities	<u>(1,090,449)</u>	<u>(212,365)</u>
Net change in cash	(317,743)	(998,426)
Cash - beginning of year	<u>2,189,628</u>	<u>3,188,054</u>
Cash - end of year	<u>\$ 1,871,885</u>	<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, 2016 AND 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, 2009, 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 2016, the School operated classes for 441 full-time equivalent general instruction students, of which 160 were special education students. 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, 2016 and 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, 2016 AND 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.

Board-designated net assets - The Board established a long-term operating reserve to be maintained by the School and funded annually based on the cash flows from operations.

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.

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RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 18, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

	<u>2016</u>	<u>2015</u>	<u>Useful Lives</u>
Furniture and fixtures	\$ 227,485	\$ 211,418	5-10 years
Equipment	767,319	710,045	3-5 years
Leasehold improvements	65,244	49,999	10 years
Computer software and website	<u>114,525</u>	<u>114,525</u>	3-5 years
	1,174,573	1,085,987	
Accumulated depreciation and amortization	<u>(722,701)</u>	<u>(516,955)</u>	
	<u>\$ 451,872</u>	<u>\$ 569,032</u>	

NOTE 4 - IN-KIND CONTRIBUTIONS

The School received \$19,535 and \$39,581 of pro bono legal services relating to review of internal manuals and contracts in 2016 and 2015, respectively. 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, 2016 AND 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, 2016 and 2015 was \$128,354 and \$153,548, respectively.

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 School paid \$123,149 and \$98,840 to the entity in 2016 and 2015, respectively.

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(With totals for June 30, 2015)

	No. of Positions	Program Services			Supporting Services	Total	
		General Education	Special Education	Total	Management and General	2016	2015
Personnel service costs							
Instructional personnel	61	\$ 3,219,527	\$ 986,442	\$ 4,205,969		\$ 4,205,969	\$ 4,118,280
Non-instructional personnel	3				\$ 73,220	73,220	1,101,130
Administrative personnel	25	671,783	381,854	1,053,637	824,928	1,878,565	1,475,852
Total salaries and staff	89	3,891,310	1,368,296	5,259,606	898,148	6,157,754	6,695,262
Payroll taxes and employee benefits		835,568	293,818	1,129,386	192,925	1,322,311	1,482,964
Retirement expense		81,107	28,520	109,627	18,727	128,354	153,548
Legal fees					19,535	19,535	56,247
Audit fees					34,881	34,881	23,000
Professional fees		147,115	88,064	235,179	98,581	333,760	385,029
Curriculum and classroom		86,465	49,145	135,610		135,610	195,665
Student services		187,016	106,296	293,312		293,312	250,630
Food service		5,780	3,285	9,065		9,065	7,957
Staff development		43,261	15,212	58,473	9,989	68,462	146,585
Travel/conferences		52,462	18,448	70,910	12,113	83,023	118,258
Office expense		41,791	14,695	56,486	26,034	82,520	141,488
Postage, printing and copying		7,863	2,765	10,628	1,816	12,444	27,866
Insurance		26,650	9,371	36,021	6,153	42,174	47,363
Marketing and recruiting		26,729	9,399	36,128	6,171	42,299	18,858
Information technology		73,771	25,941	99,712	17,032	116,744	108,857
Non-capitalized equipment and furnishings		7,904	2,779	10,683	1,826	12,509	17,980
Equipment rental		10,153	3,570	13,723	2,345	16,068	14,377
Repairs and maintenance		3,197	1,124	4,321	738	5,059	12,048
Depreciation and amortization		130,011	45,717	175,728	30,018	205,746	195,000
Total expenses		\$ 5,658,153	\$ 2,086,445	\$ 7,744,598	\$ 1,377,032	\$ 9,121,630	\$ 10,098,982

See independent auditor's report.



**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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2016.

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.

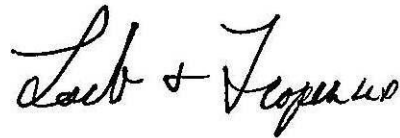
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



October 18, 2016