

**RENAISSANCE CHARTER HIGH SCHOOL  
FOR INNOVATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**JUNE 30, 2017 AND 2016**

# **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, 2017 and 2016, 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***

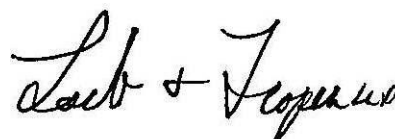
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Charter High School for Innovation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 17, 2017 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 solely 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 the effectiveness of Renaissance Charter High School for Innovation's 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 17, 2017

## RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,292,435	\$ 1,871,885
Grants and contracts receivable	435,825	242,859
Prepaid expenses and other current assets	<u>50,155</u>	<u>61,765</u>
Total current assets	2,778,415	2,176,509
Fixed assets - net (Note 3)	372,150	451,872
Cash reserves (Note 2)	70,489	70,348
Operating reserves - board-designated cash (Note 2)	<u>1,006,736</u>	<u>1,001,722</u>
Total assets	<u>\$ 4,227,790</u>	<u>\$ 3,700,451</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 124,261	\$ 145,372
Accrued salaries and related liabilities	188,603	190,319
Due to New York City Department of Education	<u>                    </u>	<u>117,476</u>
Total current liabilities	<u>312,864</u>	<u>453,167</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	2,908,190	2,245,562
Board-designated (Note 2)	<u>1,006,736</u>	<u>1,001,722</u>
Total unrestricted	<u>3,914,926</u>	<u>3,247,284</u>
Total liabilities and net assets	<u>\$ 4,227,790</u>	<u>\$ 3,700,451</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

## STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating revenues and other support		
Per-pupil operating revenues - resident student enrollment	\$ 6,249,730	\$ 6,115,941
Per-pupil operating revenues - students with disabilities	<u>3,079,052</u>	<u>2,967,009</u>
Total state and local per-pupil operating revenues	9,328,782	9,082,950
Government grants and contracts - Federal	385,601	431,683
Government grants and contracts - State	233,590	138,407
In-kind contributions (Note 4)	71,708	19,535
Contributions		2,100
Interest	5,368	5,891
Other revenue	<u>515</u>	<u>9,793</u>
Total operating revenues and other support	<u>10,025,564</u>	<u>9,690,359</u>
Expenses (Schedule 1)		
Program services		
General education	6,476,683	5,658,153
Special education	<u>1,407,484</u>	<u>2,086,445</u>
Total program services	7,884,167	7,744,598
Supporting services		
Management and general	<u>1,473,755</u>	<u>1,377,032</u>
Total expenses	<u>9,357,922</u>	<u>9,121,630</u>
Change in unrestricted net assets (Exhibit C)	667,642	568,729
Net assets - unrestricted - beginning of year	<u>3,247,284</u>	<u>2,678,555</u>
Net assets - unrestricted - end of year (Exhibit A)	<u>\$ 3,914,926</u>	<u>\$ 3,247,284</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 667,642	\$ 568,729
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	193,886	205,746
Decrease (increase) in assets		
Grants and contracts receivable	(192,966)	48,161
Prepaid expenses and other current assets	11,610	(19,911)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(21,111)	41,518
Accrued salaries and related liabilities	(1,716)	(155,443)
Due to New York City Department of Education	(117,476)	83,906
Net cash provided by operating activities	<u>539,869</u>	<u>772,706</u>
Cash flows from investing activities		
Fixed asset acquisitions	(114,164)	(88,586)
Increase in cash reserves	(141)	(141)
Increase in operating reserves - board-designated cash	(5,014)	(1,001,722)
Net cash used by investing activities	<u>(119,319)</u>	<u>(1,090,449)</u>
Net change in cash	420,550	(317,743)
Cash - beginning of year	<u>1,871,885</u>	<u>2,189,628</u>
Cash - end of year	<u>\$ 2,292,435</u>	<u>\$ 1,871,885</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, 2017 AND 2016

### 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 2017, the School operated classes for 445 full-time equivalent general instruction students, of which 166 were special education students. During fiscal year 2016, the School operated classes for 441 full-time equivalent general instruction students, of which 160 were special education students.

On October 2, 2017, the School submitted a charter renewal application for a new term of five years to its authorizer, the New York City Department of Education (“NYCDOE”). If the NYCDOE approves the renewal application, it will forward the application to the State Education Department for final approval and granting of a second renewal charter.

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*** - The School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the School.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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, 2017 and 2016, the School had no allowance for doubtful accounts.

***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 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.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

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

*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.

*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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through October 17, 2017, which is the date the financial statements were available to be issued.

*Reclassification* - State and local per pupil operating revenues for 2016 have been reclassified to conform to current presentation.

**NOTE 3 - FIXED ASSETS**

	<u>2017</u>	<u>2016</u>	<u>Useful Lives</u>
Furniture and fixtures	\$ 235,450	\$ 227,485	5-10 years
Equipment	777,220	767,319	3-5 years
Leasehold improvements	65,244	65,244	10 years
Website development	<u>114,525</u>	<u>114,525</u>	5 years
	1,192,439	1,174,573	
Accumulated depreciation and amortization	<u>(820,289)</u>	<u>(722,701)</u>	
	<u>\$ 372,150</u>	<u>\$ 451,872</u>	

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****NOTE 4 - IN-KIND CONTRIBUTIONS**

The School received \$71,708 and \$19,535 of pro bono legal services in 2017 and 2016, respectively, relating to advice on a variety of employment law matters, 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.

**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 years ended June 30, 2017 and 2016 was \$166,407 and \$128,354, respectively.

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**RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****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 \$135,505 and \$123,149 to the entity in 2017 and 2016, respectively. These costs are included in professional fees on the schedule of functional expenses within general education and special education.

RENAISSANCE CHARTER HIGH SCHOOL FOR INNOVATION

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

(With totals for June 30, 2016)

	No. of Positions	Program Services			Supporting Services Management and General	Total	
		General Education	Special Education	Total		2017	2016
Personnel service costs							
Instructional personnel	64	\$ 3,878,036	\$ 472,626	\$ 4,350,662		\$ 4,350,662	\$ 4,205,969
Non-instructional personnel	2				\$ 90,933	90,933	73,220
Administrative personnel	23	614,720	397,063	1,011,783	838,642	1,850,425	1,878,565
Total salaries and staff	89	4,492,756	869,689	5,362,445	929,575	6,292,020	6,157,754
Payroll taxes and employee benefits		965,988	186,991	1,152,979	199,869	1,352,848	1,322,311
Retirement expense		118,821	23,001	141,822	24,585	166,407	128,354
Legal fees					71,708	71,708	19,535
Audit fees					29,520	29,520	34,881
Professional fees		183,626	92,438	276,064	107,685	383,749	333,760
Curriculum and classroom		57,522	34,552	92,074		92,074	135,610
Student services		169,710	101,939	271,649		271,649	293,312
Food service		10,709	6,433	17,142		17,142	9,065
Staff development		51,210	9,913	61,123	10,595	71,718	68,462
Travel/conferences		28,761	5,567	34,328	5,951	40,279	83,023
Office expense		53,303	10,318	63,621	23,033	86,654	82,520
Postage, printing and copying		9,449	1,829	11,278	1,955	13,233	12,444
Insurance		32,157	6,225	38,382	6,653	45,035	42,174
Marketing and recruiting		40,967	7,930	48,897	8,477	57,374	42,299
Information technology		80,587	15,600	96,187	16,674	112,861	116,744
Non-capitalized equipment and furnishings		12,151	2,352	14,503	2,514	17,017	12,509
Equipment rental		14,498	2,806	17,304	3,000	20,304	16,068
Repairs and maintenance		16,026	3,102	19,128	3,316	22,444	5,059
Depreciation and amortization		138,442	26,799	165,241	28,645	193,886	205,746
Total expenses		\$ 6,476,683	\$ 1,407,484	\$ 7,884,167	\$ 1,473,755	\$ 9,357,922	\$ 9,121,630

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, 2017 and 2016, 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 17, 2017.

***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.

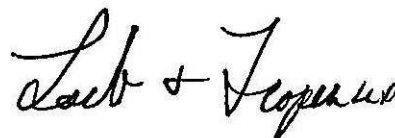
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink, appearing to read "Loeb & Troper". The signature is written in a cursive, flowing style.

October 17, 2017