

Renaissance Charter High School for Innovation

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



Renaissance Charter High School for Innovation

June 30, 2019 and 2018

Contents

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....	 16

Independent Auditor's Report

Board of Trustees
Renaissance Charter High School for Innovation
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Renaissance Charter High School for Innovation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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.

Emphasis of Matter

As described in *Note 6* to the financial statements, in 2019, Renaissance Charter High School for Innovation, adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information within the statements 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 audits 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 29, 2019, 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.

BKD, LLP

New York, New York
October 29, 2019

Renaissance Charter High School for Innovation
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,447,856	\$ 1,529,309
Grants and contracts receivable	161,201	392,502
Prepaid expenses and other current assets	60,405	69,022
Total current assets	1,669,462	1,990,833
Property and equipment, net	203,823	286,812
Cash reserves	70,771	70,630
Operating reserves – board-designated cash	2,041,728	2,018,123
Total assets	\$ 3,985,784	\$ 4,366,398
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 47,390	\$ 180,895
Accrued salaries and related liabilities	391,690	488,479
Deferred revenue	11,603	-
Total current liabilities	450,683	669,374
Net Assets		
Without donor restrictions		
Operating	1,493,373	1,678,901
Designated by the board for operating reserve	2,041,728	2,018,123
Total net assets	3,535,101	3,697,024
Total liabilities and net assets	\$ 3,985,784	\$ 4,366,398

Renaissance Charter High School for Innovation

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019	2018
Revenues and Other Support		
Per-pupil operating revenue – resident student enrollment	\$ 6,552,702	\$ 6,322,150
Per-pupil operating revenue – students with disabilities	2,065,723	2,664,908
Total state and local per-pupil operating revenues	8,618,425	8,987,058
Government grants and contracts – federal	397,309	476,588
Government grants and contracts – state	240,909	193,514
In-kind contributions	2,020,684	1,940,249
Interest	24,046	13,651
Other revenue	2,249	8,047
Total revenues and other support	11,303,622	11,619,107
Expenses		
Program services		
General education	7,793,624	8,329,049
Special education	2,155,949	1,901,895
Total program services	9,949,573	10,230,944
Supporting services		
Management and general	1,509,725	1,600,622
Fundraising	6,247	5,443
Total supporting services	1,515,972	1,606,065
Total expenses	11,465,545	11,837,009
Change in Net Assets	(161,923)	(217,902)
Net Assets Without Donor Restrictions, Beginning of Year	3,697,024	3,914,926
Net Assets Without Donor Restrictions, End of Year	\$ 3,535,101	\$ 3,697,024

Renaissance Charter High School for Innovation
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019							
	No. of Positions*	Program Services			Supporting Services			Total
		General Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Service Costs								
Instructional personnel	61	\$ 4,059,983	\$ 795,438	\$ 4,855,421	\$ -	\$ -	\$ -	\$ 4,855,421
Non-instructional personnel	2	-	-	-	91,262	-	91,262	91,262
Administrative personnel	19	649,470	482,357	1,131,827	753,098	5,020	758,118	1,889,945
Total salaries and staff	<u>82</u>	<u>4,709,453</u>	<u>1,277,795</u>	<u>5,987,248</u>	<u>844,360</u>	<u>5,020</u>	<u>849,380</u>	<u>6,836,628</u>
Payroll taxes and employee benefits		995,611	270,135	1,265,746	178,504	1,061	179,565	1,445,311
Retirement expense		155,769	42,264	198,033	27,928	166	28,094	226,127
Legal fees		-	-	-	47,832	-	47,832	47,832
Audit fees		-	-	-	1,000	-	1,000	1,000
Professional fees		75,044	24,603	99,647	101,049	-	101,049	200,696
Curriculum and classroom		78,233	36,090	114,323	-	-	-	114,323
Student services		111,901	51,622	163,523	-	-	-	163,523
Staff development		34,682	9,410	44,092	6,255	-	6,255	50,347
Travel/conferences		3,565	967	4,532	643	-	643	5,175
Office expense		16,442	4,461	20,903	12,177	-	12,177	33,080
Postage, printing and copying		8,534	2,315	10,849	1,539	-	1,539	12,388
Insurance		37,746	10,241	47,987	6,808	-	6,808	54,795
Marketing and recruiting		18,214	5,917	24,131	2,360	-	2,360	26,491
Information technology		81,324	22,065	103,389	14,667	-	14,667	118,056
Non-capitalized equipment and furnishings		4,040	1,096	5,136	729	-	729	5,865
Equipment rental		11,282	3,061	14,343	2,035	-	2,035	16,378
Repairs and maintenance		5,236	1,421	6,657	944	-	944	7,601
In-kind rent		1,356,263	367,989	1,724,252	244,611	-	244,611	1,968,863
Depreciation and amortization		90,285	24,497	114,782	16,284	-	16,284	131,066
Total expenses		<u>\$ 7,793,624</u>	<u>\$ 2,155,949</u>	<u>\$ 9,949,573</u>	<u>\$ 1,509,725</u>	<u>\$ 6,247</u>	<u>\$ 1,515,972</u>	<u>\$ 11,465,545</u>

* Supplementary information

Renaissance Charter High School for Innovation
Statements of Functional Expenses (Continued)
Year Ended June 30, 2019 and 2018

	2018							
	No. of Positions*	Program Services			Supporting Services			Total
		General Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Service Costs								
Instructional personnel	66	\$ 4,330,984	\$ 577,267	\$ 4,908,251	\$ -	\$ -	\$ -	\$ 4,908,251
Non-instructional personnel	3	3,000	-	3,000	113,208	-	113,208	116,208
Administrative personnel	21	666,805	511,878	1,178,683	765,091	4,391	769,482	1,948,165
Total salaries and staff	<u>90</u>	<u>5,000,789</u>	<u>1,089,145</u>	<u>6,089,934</u>	<u>878,299</u>	<u>4,391</u>	<u>882,690</u>	<u>6,972,624</u>
Payroll taxes and employee benefits		1,060,781	231,032	1,291,813	186,307	932	187,239	1,479,052
Retirement expense		136,167	29,656	165,823	23,915	120	24,035	189,858
Legal fees		-	-	-	34,598	-	34,598	34,598
Audit fees		-	-	-	29,850	-	29,850	29,850
Professional fees		67,105	32,201	99,306	123,313	-	123,313	222,619
Curriculum and classroom		94,162	47,439	141,601	-	-	-	141,601
Student services		142,872	71,979	214,851	-	-	-	214,851
Staff development		61,525	13,400	74,925	10,860	-	10,860	85,785
Travel/conferences		23,423	5,101	28,524	4,134	-	4,134	32,658
Office expense		60,622	13,203	73,825	14,067	-	14,067	87,892
Postage, printing and copying		8,240	1,795	10,035	1,454	-	1,454	11,489
Insurance		33,879	7,379	41,258	5,980	-	5,980	47,238
Marketing and recruiting		23,427	7,597	31,024	2,595	-	2,595	33,619
Information technology		95,629	20,827	116,456	16,879	-	16,879	133,335
Non-capitalized equipment and furnishings		13,170	2,868	16,038	2,325	-	2,325	18,363
Equipment rental		14,468	3,151	17,619	2,554	-	2,554	20,173
Repairs and maintenance		9,133	1,989	11,122	1,612	-	1,612	12,734
In-kind rent		1,360,280	296,262	1,656,542	240,103	-	240,103	1,896,645
Depreciation and amortization		123,377	26,871	150,248	21,777	-	21,777	172,025
Total expenses		<u>\$ 8,329,049</u>	<u>\$ 1,901,895</u>	<u>\$ 10,230,944</u>	<u>\$ 1,600,622</u>	<u>\$ 5,443</u>	<u>\$ 1,606,065</u>	<u>\$ 11,837,009</u>

* Supplementary information

Renaissance Charter High School for Innovation
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (161,923)	\$ (217,902)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	131,066	172,025
Changes in		
Grants and contracts receivable	231,301	43,323
Prepaid expenses and other current assets	8,617	(18,867)
Accounts payable and accrued expenses	(133,505)	56,634
Accrued salaries and related liabilities	(96,789)	299,876
Deferred revenue	11,603	-
	<u>(9,630)</u>	<u>335,089</u>
Net cash (used in) provided by operating activities		
Investing Activities		
Purchase of property and equipment	(48,077)	(86,687)
Cash reserves	(141)	(141)
Operating reserves – board-designated cash	(23,605)	(1,011,387)
	<u>(71,823)</u>	<u>(1,098,215)</u>
Net cash used in investing activities		
Decrease in Cash and Cash Equivalents	(81,453)	(763,126)
Cash and Cash Equivalents, Beginning of Year	<u>1,529,309</u>	<u>2,292,435</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,447,856</u>	<u>\$ 1,529,309</u>

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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. On March 12, 2018, the School's charter was renewed by the New York State Board of Regents through June 30, 2021. 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 years 2019 and 2018, the School operated classes for 429 and 435 full-time equivalent general instruction students, of which 123 and 145 were special education students, respectively. The School is supported primarily by state and local per-pupil revenues.

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, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

At June 30, 2019, the School's cash accounts exceeded federally insured limits by approximately \$3,329,000.

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.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, the School had no allowance for doubtful accounts.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and fixtures	5 - 10 years
Equipment	3 - 5 years
Leasehold improvements	10 years
Website development	5 years

Long-Lived Asset Impairment

The School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Deferred Revenue

Revenue from the state and local governments and fees collected for field trips are deferred and recognized over the periods to which the fees relate.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor or grantor restrictions, net assets for an operating reserve.

State and Local Per-Pupil Revenue

Revenue 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

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

In-Kind Contributions

The School receives in-kind contributions of free and reduced-price lunches directly to a majority of the student and in-kind rent from The New York City Department of Education (NYCDOE). It is the policy of the School to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by the same amount.

The School has been provided space in a building owned by the NYCDOE at no charge to the School. 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 percent 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. For schools that rent outside space, NYCDOE reimburses them up to 30 percent of their general education funding to cover rental expenses. Based on this, in-kind rent of \$1,968,863 and \$1,896,645 is being recorded in the financial statements for the years ended June 30, 2019 and 2018, respectively.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of:

	<u>2019</u>	<u>2018</u>
Pro bono legal services for management and general activities	<u>\$ 47,590</u>	<u>\$ 34,598</u>

Government Grants

Support funded by grants is recognized as the School meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The School is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income.

The School files tax returns in the U.S. federal jurisdiction.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services, management and general and fundraising categories based on actual expenditures and cost allocations estimated by the School's personnel.

Note 2: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 235,450	\$ 235,450
Equipment	773,952	725,875
Leasehold improvements	65,244	65,244
Website development	<u>114,525</u>	<u>114,525</u>
	1,189,171	1,141,094
Less accumulated depreciation and amortization	<u>(985,348)</u>	<u>(854,282)</u>
	<u>\$ 203,823</u>	<u>\$ 286,812</u>

Note 3: 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 revenue is paid NYCDOE.

Note 4: Defined Contribution Pension Plan

The School has a 401(k) defined contribution retirement plan covering substantially all employees. The School provides a matching contribution of up to 5 percent of employee contributions. Pension expense was \$226,127 and \$189,858 for the years ended June 30, 2019 and 2018, respectively.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets	
Cash and cash equivalents	\$ 1,447,856
Grants and contracts receivable	161,201
Operating reserves – board-designated cash	2,041,728
Total financial assets	3,650,785
Internal designations	
Operating reserves – board-designated cash	2,041,728
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,609,057

The financial assets of the School without donor restrictions or restricted by state laws are available for general expenditures. As part of liquidity management, the School invests cash in excess of daily requirements in cash and cash equivalents. Although the School does not intend to spend from its net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary. During the year ended June 30, 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 6: Change in Accounting Principles

In 2019, the School adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statements of financial position distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statements of Activities and Functional Expenses

- Expenses are reported by both nature and function in one location.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statements of financial position.

This change had no impact on previously reported total change in net assets.

Note 7: Future Change in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018 for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019. The School is in the process of evaluating the impact the amendment will have on the financial statements.

FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities* Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2019 and 2018

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

**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
New York, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renaissance Charter High School for Innovation, which comprise the statement of financial position as of June 30, 2019, 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 29, 2019.

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.

BKD, LLP

New York, New York
October 29, 2019