

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS

FINANCIAL STATEMENTS

June 30, 2017



Heveron & Company

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Renaissance Academy Charter School of the Arts
Rochester, New York

We have audited the accompanying financial statements of Renaissance Academy Charter School of the Arts (a nonprofit organization), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of cash flows for the years then ended, and the related statements of activities and functional expenses for the year ended June 30, 2017, 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.

Auditors' 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

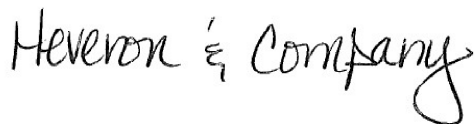
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Academy Charter School of the Arts as of June 30, 2017 and 2016, and its cash flows for the years then ended, and the changes in net assets and functional expenses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

Report on Summarized Comparative Information

We have previously audited the Renaissance Academy Charter School of the Arts' statements of activities and functional expenses for the year ended June 30, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017 on our consideration of Renaissance Academy Charter School of the Arts' 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 Academy Charter School of the Arts' internal control over financial reporting and compliance.



Heveron & Company
Certified Public Accountants

Rochester, New York
September 12, 2017

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
BALANCE SHEETS
June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 364,532	\$ 495,948
Accounts Receivable	46,702	135,496
Grants Receivable	<u>493,078</u>	<u>259,937</u>
Total Current Assets	<u>904,312</u>	<u>891,381</u>
<u>Fixed Assets</u>		
Building and Equipment, Net	<u>2,794,683</u>	<u>1,868,145</u>
TOTAL ASSETS	<u><u>3,698,995</u></u>	<u><u>2,759,526</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	338,113	197,106
Accrued Payroll	-	60,000
Current Portion of Long-Term Debt	<u>123,037</u>	<u>116,513</u>
Total Current Liabilities	<u>461,150</u>	<u>373,619</u>
<u>Long-Term Liabilities</u>		
Long-Term Debt	1,193,972	1,367,337
Less: Loan Acquisition Costs, Net	<u>(33,293)</u>	<u>(35,854)</u>
Net Long-Term Debt	<u>1,160,679</u>	<u>1,331,483</u>
Total Liabilities	<u>1,621,829</u>	<u>1,705,102</u>
<u>Net Assets</u>		
Unrestricted	1,918,895	1,037,292
Temporarily Restricted	<u>158,271</u>	<u>17,132</u>
Total Net Assets	<u>2,077,166</u>	<u>1,054,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$3,698,995</u></u>	<u><u>\$2,759,526</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017
(With Comparative Totals For The Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	<u>Totals</u>	
			2017	2016
<u>Revenues and Other Support:</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$4,002,895	\$ -	\$4,002,895	\$2,972,962
Revenue - Students with Disabilities	380,584	-	380,584	373,862
Special Charter School Aid	139,237	-	139,237	51,415
Federal Grants	245,343	-	245,343	371,028
State Grants	303,684	-	303,684	132,558
Contributions	104,597	158,271	262,868	52,699
Interest Income	620	-	620	278
Other Income	9,756	-	9,756	11,288
Releases from Restrictions	<u>17,132</u>	<u>(17,132)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>5,203,848</u>	<u>141,139</u>	<u>5,344,987</u>	<u>3,966,090</u>
<u>Expenses:</u>				
<u>Program Services:</u>				
Regular Education	3,191,823	-	3,191,823	2,232,112
Special Education	<u>639,947</u>	<u>-</u>	<u>639,947</u>	<u>582,194</u>
Total Program Services Expense	3,831,770	-	3,831,770	2,814,306
<u>Supporting Services:</u>				
Management and General	<u>490,475</u>	<u>-</u>	<u>490,475</u>	<u>338,233</u>
Total Expenses	<u>4,322,245</u>	<u>-</u>	<u>4,322,245</u>	<u>3,152,539</u>
Change in Net Assets	881,603	141,139	1,022,742	813,551
Net Assets - Beginning of Year	<u>1,037,292</u>	<u>17,132</u>	<u>1,054,424</u>	<u>240,873</u>
Net Assets - End of Year	<u>\$1,918,895</u>	<u>\$ 158,271</u>	<u>\$2,077,166</u>	<u>\$1,054,424</u>

See Independent Auditors' Report and Notes to Financial Statements.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2017

(With Comparative Totals For The Year Ended June 30, 2016)

	<u>2017</u> No. of Positions	<u>Program Services</u>		<u>Supporting</u> <u>Services</u>	<u>Totals</u>	
		<u>Regular</u> <u>Education</u>	<u>Special</u> <u>Education</u>	<u>Management</u> <u>and General</u>	<u>2017</u>	<u>2016</u>
Personnel Services Costs						
Instructional Personnel	50	\$1,649,417	\$ 389,793	\$ 9,964	\$2,049,174	\$1,468,333
Administrative Staff Personnel	6	186,302	-	232,068	418,370	343,911
Non-Instructional Personnel	<u>6</u>	<u>100,124</u>	<u>8,909</u>	<u>44,953</u>	<u>153,986</u>	<u>143,629</u>
Total Salaries	62	1,935,843	398,702	286,985	2,621,530	1,955,873
Pension Expense		6,604	1,360	979	8,943	-
Fringe Benefits and Payroll Taxes		<u>459,142</u>	<u>94,564</u>	<u>68,067</u>	<u>621,773</u>	<u>418,352</u>
Total Personal Services		<u>2,401,589</u>	<u>494,626</u>	<u>356,031</u>	<u>3,252,246</u>	<u>2,374,225</u>
Repairs and Maintenance		103,280	18,226	13,501	135,007	77,665
Other Purchased Services		75,033	20,558	34,006	129,597	58,870
Student Services		109,210	19,796	-	129,006	76,644
Technology		95,549	16,862	-	112,411	107,761
Supplies and Materials		85,899	15,575	-	101,474	92,648
Utilities		65,923	11,633	10,084	87,640	78,197
Interest		57,724	10,187	7,546	75,457	73,928
Depreciation		41,901	7,394	5,477	54,772	42,068
Office Expense		24,584	4,338	22,773	51,695	40,453
Marketing and Recruitment		22,297	3,608	20,625	46,530	11,892
Other Expenses		36,803	5,875	1,955	44,633	9,860
Equipment and Furnishings		28,516	5,032	1,650	35,198	48,298
Insurance		21,442	3,784	2,803	28,029	23,738
Staff Development		22,073	2,453	-	24,526	19,761
Accounting and Auditing Fees		-	-	9,970	9,970	10,746
Legal Services		<u>-</u>	<u>-</u>	<u>4,054</u>	<u>4,054</u>	<u>5,785</u>
Total Expenses		<u>\$3,191,823</u>	<u>\$ 639,947</u>	<u>\$ 490,475</u>	<u>\$4,322,245</u>	<u>\$3,152,539</u>

See Independent Auditors' Report and Notes to Financial Statements.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities</u>		
Revenue from School Districts	\$ 4,450,985	\$ 2,887,652
Grant Revenues	403,709	311,731
Contributions	262,868	127,699
Other Sources	10,375	11,566
Payments to Vendors for Goods and Services Rendered	(798,956)	(659,812)
Payments to Charter School Personnel for Services Rendered	<u>(3,312,246)</u>	<u>(2,374,225)</u>
Net Cash Flows Provided By Operating Activities	<u>1,016,735</u>	<u>304,611</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Fixed Assets	<u>(981,311)</u>	<u>(403,970)</u>
Net Cash Flows Used By Investing Activities	<u>(981,311)</u>	<u>(403,970)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from Long-Term Debt	-	217,702
Payments on Long-Term Debt	(166,840)	(43,901)
Proceeds from Line of Credit	-	38,039
Payments on Line of Credit	<u>-</u>	<u>(84,502)</u>
Net Cash Flows Provided/(Used) By Financing Activities	<u>(166,840)</u>	<u>127,338</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(131,416)	27,979
Cash and Cash Equivalents - Beginning of Year	<u>495,948</u>	<u>467,969</u>
Cash and Cash Equivalents - End of Year	<u>\$ 364,532</u>	<u>\$ 495,948</u>

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2017 and 2016
(Continued)

	<u>2017</u>	<u>2016</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 1,022,742	\$ 813,551
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	54,772	42,068
Loan Acquisition Interest Expense	2,561	2,561
(Increase)/Decrease In:		
Accounts Receivable	88,794	(61,466)
Grants Receivable	(233,141)	(259,937)
Contributions Receivable	-	75,000
Other Receivable	-	8,522
Increase/(Decrease) In:		
Accounts Payable	141,007	144,592
Accrued Payroll	(60,000)	-
Deferred Revenue	-	(460,280)
	<u> </u>	<u> </u>
Net Cash Flows Provided By Operating Activities	<u>\$ 1,016,735</u>	<u>\$ 304,611</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During The Year For:		
Interest	<u>\$ 72,896</u>	<u>\$ 71,367</u>

See Independent Auditors' Report and Notes to Financial Statements.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Renaissance Academy Charter School of the Arts (the School) is a nonprofit organization that was formed to provide children an enriched and rigorous educational experience, through the infusion of the humanities and arts rooted in a culture of high academic standards leading to success in college and careers in the Greece and Rochester, New York community. The School currently serves grades Kindergarten through 4th grade with plans to grow to a K-6 school. The school receives the majority of its funding from New York State, through local school districts. The school also receives federal and state grants, contributions, and other income.

The main programs of the School are as follows:

REGULAR EDUCATION: The School's instructional pedagogy is one based on active learning and inquiry-based lessons. Engaging students in the “why” of the lessons is as important to the teaching staff as is the final outcomes. The arts staff works diligently with the academic staff to integrate arts into the curriculum and to integrate academics into the arts, while keeping in alignment with the New York State Learning Standards.

SPECIAL EDUCATION: The School is open to all children and does not discriminate on the basis of ethnicity, national origin, gender, disability, or any other grounds that would be unlawful or deny the civil rights of any individual. In accordance with the Individuals with Disabilities Education Act, the Rehabilitation Act, and Section 504, and the Americans with Disabilities Act, the School provides a free and appropriate education, in the least restrictive environment, to students with disabilities. The primary service delivery for students with special needs is inclusion. For students requiring supplemental services, the School ensures the required services are provided as outlined in the student's Individual Education Plan or 504 Plan.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the School reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no permanently restricted net assets at June 30, 2017 and 2016.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The School also records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America, allow the School to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The School has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

The following are descriptions of the School's net asset classifications:

Unrestricted:

Unrestricted net assets include undesignated resources that are available for the general support of the School's operations.

Temporarily Restricted Net Assets:

Temporarily restricted net assets result from contributions subject to donors' restrictions that expire with the passage of time or by actions of the School.

When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as releases from restrictions. Temporarily restricted net assets consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Restricted for Time	100,000	-
Excellence in Education	50,000	-
Parent Engagement	8,271	-
FitKids Initiative	-	12,792
Summer Learning	-	2,500
Food for Families in Need	-	1,000
Curriculum and Professional Development	-	840
Total Temporarily Restricted Net Assets	<u>\$ 158,271</u>	<u>\$ 17,132</u>

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

A portion of the School's revenue is derived from grants and tuition. Amounts received, but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the School with the terms of the grants and contracts. The School records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Contributions

Contributions are recorded at the time of receipt or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted, unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenue and expenses. Actual results could vary from those estimates.

Receivables

Receivables are stated at the amount management expects to collect. Amounts that management believes to be uncollectible after collection efforts have been completed are written off. In addition, if necessary, management provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2017 and 2016.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and in banks, which at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certain of these accounts are not federally insured. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Cash and cash equivalents consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Checking	\$ 15,621	\$ 8,389
Savings	<u>348,911</u>	<u>487,559</u>
Total	<u>\$ 364,532</u>	<u>\$ 495,948</u>

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

Fixed Assets

Property and equipment are stated at cost, less accumulated depreciation. The School capitalizes property and equipment with a cost of over \$5,000 and an estimated life of three or more years. The cost and accumulated depreciation of property items sold or retired are eliminated from the accounts. Minor expenditures for maintenance, repairs, and renewals are expensed. Donated assets are recorded at their estimated fair market value at the time of donation.

Fixed assets consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Building and Improvements	\$ 2,297,423	\$ 1,697,913
Construction In Progress	499,624	117,824
Equipment	5,415	5,415
Land	89,964	89,964
Less: Accumulated Depreciation	<u>(97,743)</u>	<u>(42,971)</u>
Building and Equipment, Net	<u>\$ 2,794,683</u>	<u>\$ 1,868,145</u>

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (Continued)

Depreciation is computed on a straight-line basis over the estimated useful lives of assets. The estimated useful lives used in computing depreciation are as follows:

	<u>Years</u>
Building	40
Equipment	5

Depreciation expense amounted to \$54,772 and \$42,068 for the years ended June 30, 2017 and 2016, respectively.

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and management and general categories.

An immaterial amount of fund raising costs for the years ended June 30, 2017 and 2016 is included in management and general expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

Reclassifications

Certain account balances as of June 30, 2016 have been reclassified to conform with the presentation as of June 30, 2017.

Marketing

Marketing costs are expensed as incurred.

**RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017
(Continued)**

NOTE 2 - LINE OF CREDIT

The School had a line of credit with a maximum authorization of \$100,000. During the year ended June 30, 2017, the maximum authorization increased to \$250,000. Advances against this line bears interest at 1.75% above the current bank prime rate. This line is secured by any cash, securities, instruments or other property of the School in possession of M&T Bank. There was no amount outstanding at June 30, 2017 and 2016.

NOTE 3 - LONG TERM DEBT

Long-term debt consists of the following at June 30:

	2017	2016
Note payable to Canandaigua National Bank, originally in the amount of \$955,500. This note bears interest at a rate of 4.79%. The interest rate will change in July 2020 and July 2025. Principal and interest are payable in monthly installments of \$7,488 through July 1, 2030. As part of the agreement, the School must maintain a debt service coverage ratio of not less than 1.2:1. This note is secured by a mortgage on the building.	\$ 868,662	\$ 915,062
Note payable to Canandaigua National Bank, originally in the amount of \$172,250. This note bears interest at a rate of 4.79%. The interest rate will change in July 2020 and July 2025. Principal and interest are payable in monthly installments of \$1,342 through January 1, 2031. As part of the agreement, the School must maintain a debt service coverage ratio of not less than 1.2:1. This note is secured by a second lien on the building mortgage.	160,228	168,788

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

NOTE 3 - LONG TERM DEBT (Continued)

Note payable to a related party (family relationship to CEO), originally in the amount of \$350,000, net of loan acquisition cost of \$33,293 and \$35,854 at June 30, 2017 and 2016, respectively. This note bears interest at a rate of 6%. Interest only is payable through June 1, 2016.

Beginning July 1, 2016, principal and interest are payable in monthly installments of \$6,766 through June 1, 2020.

The remaining principal is due on

June 30, 2020.	288,119	350,000
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Note payable to a related party (board member), originally in the amount of \$50,000. This note bore interest at a rate of 6%. This note was paid in full during the year ended June 30, 2017.

	-	50,000
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Less: Current Maturities	<u>(123,037)</u>	<u>(116,513)</u>
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Long-Term Portion	<u>\$1,193,972</u>	<u>\$1,367,337</u>
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Maturities of long-term debt for the years after June 30, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 129,930
2020	215,735
2021	66,289
2022	70,574
2023	73,021
Thereafter	<u>638,423</u>
Total	<u>\$ 1,193,972</u>

In prior years, the School had reported loan acquisition costs as a deferred charge on the balance sheet and amortization of such costs in the statement of activities as amortization expense. To comply with new generally accepted accounting principle presentation requirements, during the year ended June 30, 2017, the School began reporting such costs as a direct reduction from the face amount of the related debt (as shown in the note above) and reclassified prior year amounts, resulting in a reduction of 2016 total assets by \$35,854. The change did not affect net assets.

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

NOTE 3 - LONG TERM DEBT (Continued)

Similarly, the School now reports amortization of loan acquisition costs as interest expense. The 2016 amount has been reclassified accordingly. As a result, reported interest expense in 2016 was increased, and amortization decreased by \$2,561, with no effect on the change in net assets.

NOTE 4 - SPECIAL EDUCATION AND OTHER SERVICES

Rochester City School District provides some of the special education services required by students of the School. Transportation is provided by the Rochester City and Greece School Districts. The School was unable to determine a value for these services, thus, these financial statements do not reflect revenue or expenses associated with those services.

The School does need to offer special education services that are not provided through the Rochester City School District. The School has teachers on staff to provide these services; the revenue and expense for these services have been included in the financial statements.

The School also receives State Aid in the form of textbooks and computer software through the Rochester City School District. The total aid received for the years ended June 30, 2017 and 2016 was \$21,508 and \$14,734, respectively.

NOTE 5 - COMMITMENTS

The School has entered into a lease agreement under which they are leasing a copier. The lease expires in February 2022, and requires monthly payments of \$1,242. Future minimum lease payments are as follows for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2018	\$ 14,908
2019	14,908
2020	14,908
2021	14,908
2022	8,696

RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017
(Continued)

NOTE 6 - DONATED SERVICES AND GOODS

The School receives donated services that do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended June 30, 2017 and 2016, there were 9 board members who donated 675 and 700 hours, respectively. There were also 3 volunteers who provided 474 hours of service during the year ended June 30, 2016. There were no additional volunteers during the year ending June 30, 2017. Volunteers assisted with tutoring services, administrative duties, and in the library.

NOTE 7 - PENSION EXPENSE

The School also has a 403(b) annuity retirement plan for its employees. Beginning February 2017, there is no minimum service requirement to participate in the plan. Prior to February 2017, the minimum service requirement stated that employees must be at least 21 years of age and work a minimum of 1,000 hours annually to participate. Eligible employees may also receive discretionary amounts the School contributes. The Board of Trustees voted to make a contribution to the plan for the year ended June 30, 2017. Pension expense for the year ended June 30, 2017 was \$8,943. The Board of Trustees voted not to make a discretionary contribution for the year ended June 30, 2016.

NOTE 8 - CONTINGENT LIABILITY

The School has disputed a claim that property taxes are owed on their building. The School does not believe they owe the taxes however, subsequent to year-end, \$92,000 was transferred to an escrow account that will hold the funds until the matter is settled.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment affecting the year ended June 30, 2016 was made. The June 30, 2016 comparative financial statements have been restated to reflect this adjustment. The adjustment was necessary to record income and the corresponding receivable and liability in the proper period. The net adjustment was an increase of \$50,165 in Unrestricted Net Assets.

**RENAISSANCE ACADEMY CHARTER SCHOOL OF THE ARTS
NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

(Continued)

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 12, 2017, which is the date the statements were available for issuance.

Subsequent to year-end, the School was approved for a building loan of \$772,000. The loan is to assist with additional improvements to the School's building.



**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 Auditors' Report

To the Board of Trustees
Renaissance Academy Charter School of the Arts

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 Academy Charter School of the Arts (a nonprofit organization), which comprise the balance sheet as of June 30, 2017, 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 September 12, 2017.

Internal Control Over Financial Reporting

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



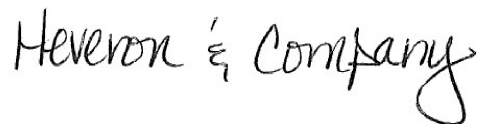
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Academy Charter School of the Arts' financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that reads "Heveron & Company". The signature is written in a cursive, flowing style.

Heveron & Company CPAs
Certified Public Accountants

Rochester, New York
September 12, 2017