

Renaissance Charter High School for Innovation

Independent Auditor's Reports and Financial Statements

June 30, 2018

Renaissance Charter High School for Innovation

June 30, 2018

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Independent Auditor's Report

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

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, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Charter High School for Innovation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 30, 2018, 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 30, 2018

Renaissance Charter High School for Innovation
Statement of Financial Position
June 30, 2018

Assets

Current Assets

Cash	\$ 1,529,309
Grants and contracts receivable	392,502
Prepaid expenses and other current assets	<u>69,022</u>
Total current assets	<u>1,990,833</u>

Fixed Assets, net	286,812
Cash Reserves	70,630
Operating Reserves – Board-Designated Cash	<u>2,018,123</u>

Total assets	<u><u>\$ 4,366,398</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 180,895
Accrued salaries and related liabilities	<u>488,479</u>
Total current liabilities	<u>669,374</u>

Net Assets

Unrestricted	
Operating	1,678,901
Board-designated	<u>2,018,123</u>
Total unrestricted	<u>3,697,024</u>

Total liabilities and net assets	<u><u>\$ 4,366,398</u></u>
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Renaissance Charter High School for Innovation
Statement of Activities
Year Ended June 30, 2018

Operating Revenues and Other Support	
Per-pupil operating revenues – resident student enrollment	\$ 6,322,150
Per-pupil operating revenues – students with disabilities	2,664,908
Total state and local per-pupil operating revenues	<u>8,987,058</u>
Government grants and contracts – Federal	476,588
Government grants and contracts – State	193,514
In-kind contributions	1,940,249
Interest	13,651
Other revenue	8,047
Total operating revenues and other support	<u>11,619,107</u>
Expenses	
Program services	
General education	8,329,049
Special education	1,901,895
Total program services	<u>10,230,944</u>
Supporting Services	
Management and general	1,600,622
Fundraising	5,443
Total supporting services	<u>1,606,065</u>
Total expenses	<u>11,837,009</u>
Change in Unrestricted Net Assets	(217,902)
Net Assets – Unrestricted, Beginning of Year	<u>3,914,926</u>
Net Assets – Unrestricted, End of Year	<u><u>\$ 3,697,024</u></u>

Renaissance Charter High School for Innovation
Statement of Cash Flows
Year Ended June 30, 2018

Operating Activities	
Change in net assets	\$ (217,902)
Items not requiring (providing) operating cash flows	
Depreciation and amortization	172,025
Changes in	
Grants and contracts receivable	43,323
Prepaid expenses and other current assets	(18,867)
Accounts payable and accrued expenses	56,634
Accrued salaries and related liabilities	299,876
Due to New York City Department of Education	-
Net cash provided by operating activities	<u>335,089</u>
Investing Activities	
Fixed asset acquisitions	(86,687)
Increase in cash reserves	(141)
Increase in operating reserves - board-designated cash	<u>(1,011,387)</u>
Net cash used in investing activities	<u>(1,098,215)</u>
Net Change in Cash	(763,126)
Cash, Beginning of Year	<u>2,292,435</u>
Cash, End of Year	<u>\$ 1,529,309</u>

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2018

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. 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 year 2018, the School operated classes for 435 full-time equivalent general instruction students, of which 145 were special education students.

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets 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.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 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, 2018 and 2017, 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.

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.

In-Kind Contributions

In-kind contributions are recorded at fair value at the date of donation. The NYCDOE provides free and reduced-price lunches directly to a majority of the students. Such costs are not included in the financial statements. In-kind rent is being recorded at the maximum amount that the School would be eligible to receive from NYCDOE for occupancy costs, which approximates fair value.

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.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2018

Functional Allocation of Expenses

The costs of providing the School's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on actual expenditures and cost allocations estimated by the School's personnel.

Subsequent Events

Subsequent events have been evaluated through October 30, 2018, which is the date the financial statements were available to be issued.

Note 3: Fixed Assets

	<u>2018</u>	<u>Useful Lives</u>
Furniture and fixtures	\$ 235,450	5-10 years
Equipment	725,875	3-5 years
Leasehold improvements	65,244	10 years
Website development	<u>114,525</u>	5 years
	1,141,094	
Accumulated depreciation and amortization	<u>(854,282)</u>	
	<u>\$ 286,812</u>	

Note 4: In-Kind Contributions

The School received \$43,604 of pro bono legal services in 2018, 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. 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. For schools that rent outside space, NYCDOE reimburses them up to 30% of their general education funding to cover rental expenses. Based on this, in-kind rent of \$1,896,645 is being recorded in the financial statements.

Renaissance Charter High School for Innovation

Notes to Financial Statements

June 30, 2018

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. At June 30, 2018, the School's cash accounts exceeded federally insured limits by approximately \$3.3 million.

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, 2018 was \$189,858.

Note 7: Future Changes in Accounting Principles

Presentation of Financial Statements for Not-for-Profit Entities

Restricted Cash

The Financial Accounting Standards Board clarified its standard related to the presentation of restricted cash on the statements of cash flows. The School, which presents cash and cash equivalents with restrictions in multiple line items on the statements of financial position, will now report these items as cash and cash equivalents for the statements of cash flows, and will disclose the location of its cash and cash equivalents to reconcile the two statements for each period presented.

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for annual periods beginning after December 15, 2017, and interim periods within annual reporting periods beginning after December 15, 2018.

A summary of the changes by financial statement area most relevant to the School are as follows:

Statements of Activities/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, 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 statement of financial position.
- Amounts and purposes of governing board designations and appropriations as of the end of the period are disclosed.

The School is evaluating the impact these standards will have on the financial statements.

Supplementary Information

Renaissance Charter High School for Innovation
Schedule of Functional Expenses
Year Ended June 30, 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
Food service		-	-	-	-	-	-	-
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>

**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, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2018.

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 30, 2018