

**The Renaissance Charter School 2**

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2023

# The Renaissance Charter School 2

## Audited Financial Statements

June 30, 2023

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## Independent Auditor's Report

To the Board of Trustees of  
The Renaissance Charter School 2

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of The Renaissance Charter School 2 (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

The financial statements of the School as of and for the year ended June 30, 2022, were audited by other auditors whose report dated October 27, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects with the audited financial statement from which it was derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.



New York, NY  
October 30, 2023



# The Renaissance Charter School 2

## Statement of Activities

For the Year ended June 30, 2023  
(With comparative totals for the year ended June 30, 2022)

	<u>Total 6/30/23</u>	<u>Total 6/30/22</u>
<b>WITHOUT DONOR RESTRICTIONS</b>		
Public support and revenue:		
Public school district revenue:		
Resident student enrollment	\$ 6,650,871	\$ 3,724,630
Students with special education services	575,291	360,285
Subtotal public school district revenue	7,226,162	4,084,915
New York City rental assistance	1,995,261	1,117,389
Other government grants	562,448	792,036
Contributions	226,567	12,038
After-school program income	-	44,221
Other income	16,557	11,269
Total public support and revenue	<u>10,026,995</u>	<u>6,061,868</u>
<b>EXPENSES</b>		
Program services:		
Regular Education	9,638,057	3,413,923
Special Education	1,694,125	612,769
Food program	715,368	266,957
Total program services	<u>12,047,550</u>	<u>4,293,649</u>
Supporting services:		
Management and general	2,184,143	562,107
Fundraising	-	11,229
Total supporting services	<u>2,184,143</u>	<u>573,336</u>
Total expenses	<u>14,231,693</u>	<u>4,866,985</u>
Change in net assets	<b>(4,204,698)</b>	<b>1,194,883</b>
<b>NET ASSETS, beginning of year</b>	<u>1,685,388</u>	<u>490,505</u>
<b>NET ASSETS, end of year</b>	<u><b>\$ (2,519,310)</b></u>	<u><b>\$ 1,685,388</b></u>

The attached notes and auditor's report are an integral part of these financial statements

# The Renaissance Charter School 2

## Statement of Functional Expenses

For the Year ended June 30, 2023

(With comparative totals for the year ended June 30, 2022)

	Program Services			Total Program Services	Supporting Services	Total Expenses 6/30/23	Total Expenses 6/30/22
	Regular Education	Special Education	Food Program		Management And General		
Salaries	\$ 2,512,358	\$ 441,608	\$ 110,822	\$ 3,064,788	\$ 508,134	\$ 3,572,922	\$ 2,195,411
Employee benefits and payroll taxes	426,193	74,914	18,800	519,907	204,522	724,429	429,764
<b>Total personnel costs</b>	<b>2,938,551</b>	<b>516,522</b>	<b>129,622</b>	<b>3,584,695</b>	<b>712,656</b>	<b>4,297,351</b>	<b>2,625,175</b>
Professional fees	345,344	60,703	2,685	408,732	190,232	598,964	453,052
Occupancy	5,570,266	979,111	245,708	6,795,085	1,126,607	7,921,692	1,016,731
Repairs and maintenance	112,851	19,836	4,978	137,665	22,824	160,489	5,000
Curriculum and classroom expenses	259,842	45,673	-	305,515	-	305,515	126,520
Professional development	47,569	8,362	179	56,110	819	56,929	39,292
Equipment and furnishings	15,828	2,782	698	19,308	3,201	22,509	19,391
Office expenses	18,853	3,314	832	22,999	3,813	26,812	30,567
Food services	-	-	316,155	316,155	-	316,155	245,477
Technology	108,632	19,095	4,792	132,519	21,972	154,491	112,086
Marketing and recruitment	-	-	-	-	55,014	55,014	24,495
Moving expenses	-	-	-	-	2,445	2,445	31,042
Insurance	38,804	6,821	1,712	47,337	7,848	55,185	41,769
Depreciation	181,517	31,906	8,007	221,430	36,712	258,142	96,388
<b>Total other than personnel costs</b>	<b>6,699,506</b>	<b>1,177,603</b>	<b>585,746</b>	<b>8,462,855</b>	<b>1,471,487</b>	<b>9,934,342</b>	<b>2,241,810</b>
<b>Total expenses</b>	<b>\$ 9,638,057</b>	<b>\$ 1,694,125</b>	<b>\$ 715,368</b>	<b>\$ 12,047,550</b>	<b>\$ 2,184,143</b>	<b>\$ 14,231,693</b>	<b>\$ 4,866,985</b>

The attached notes and auditor's report are an integral part of these financial statements

# The Renaissance Charter School 2

## Statement of Cash Flows

For the Year ended June 30, 2023  
(With comparative totals for the year ended June 30, 2022)

	<b>6/30/23</b>	<b>6/30/22</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,204,698)	\$ 1,194,883
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	258,142	96,388
Change in operating lease right-of-use asset and liability	5,369,634	-
Changes in assets and liabilities:		
Government grants receivable/advance - per pupil funding	(1,854)	11,379
Government grants receivable - other	155,731	(359,977)
Due from related organizations	(159,604)	(9,322)
Prepaid expenses and other assets	198,173	(96,856)
Security deposit	103,650	-
Accounts payable and accrued expenses	80,025	335,275
Deferred rent	-	(214,181)
Total adjustments	<b>6,003,897</b>	<b>(237,294)</b>
Net cash provided by operating activities	<b>1,799,199</b>	<b>957,589</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(375,489)	(689,925)
Net cash used for investing activities	<b>(375,489)</b>	<b>(689,925)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>1,423,710</b>	<b>267,664</b>
<b>Cash, cash equivalents and restricted cash, <i>beginning of year</i></b>	<b>508,362</b>	<b>240,698</b>
<b>Cash, cash equivalents and restricted cash, <i>end of year</i></b>	<b>\$ 1,932,072</b>	<b>\$ 508,362</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
Cash and cash equivalents	\$ 1,856,079	\$ 458,302
Restricted cash	75,993	50,060
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 1,932,072</b>	<b>\$ 508,362</b>

**SUPPLEMENTAL INFORMATION:**

No taxes or interest were paid.



# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 1 - Organization

The Renaissance Charter School 2 (the "School"), located in Queens, New York is a not-for-profit education corporation chartered by the Board of Regents of the State of New York, for and on behalf of the State Education Department.

The School is modeled after The Renaissance Charter School ("TRCS"), a public charter school located in Jackson Heights, Queens, New York. The School's mission as a planned Kindergarten to 12th grade school is to foster educated, responsible, humanistic young leaders who will through their own personal growth spark a renaissance in New York. The School completed the 2022-2023 fiscal year with an average enrollment of approximately 377 Kindergarten, 1st grade, 2nd grade, and 3rd grade students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE"). The School was granted a provisional charter for a term up to and including June 2025.

The School has the following programs:

Regular Education - Instruction provided to students from Kindergarten through 12th grade.

Special Education - Instruction that is specially designed to meet the unique needs of students with disabilities.

Food Program - All enrolled students are eligible to receive a healthy breakfast and lunch at school each day of the school year, free of charge.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation. The School's main sources of revenue are public school district revenue and government grants.

The School is affiliated with TRCS by virtue of some common board members and a memorandum of understanding; whereby, TRCS provides support and guidance to the School through shared staff. TRCS does not meet the requirements for consolidation because neither the School nor TRCS exercise control over one another.

The School is also affiliated with Friends of The Renaissance Charter Schools, Inc. ("Friends") through the use of shared members of their respective Boards of Directors. Friends is a not-for-profit corporation established to support the School and function as the fundraising arm of the School. Friends does not meet the requirements for consolidation because the School does not exercise control over Friends.

### Note 2 - Significant Accounting Policies

#### *a. Basis of Accounting*

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 2 - Significant Accounting Policies - Continued

#### *b. Recently Adopted Accounting Standards*

Effective July 1, 2022, the School adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The School elected transition relief that allows entities, in the period of adoption, to present the current period under FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

As a result of implementing FASB ASU No. 2016-02, the School recognized right-of-use ("ROU") assets of \$145,625,932 and lease liabilities totaling \$145,441,420 in its statement of financial position as of the July 1, 2022 commencement date of their lease for space. The ROU asset included \$184,512 of prepaid rent. The School does not report a ROU asset or lease liability for its equipment lease due to the immaterial nature of the ROU asset and lease liability as of June 30, 2023.

#### *c. Basis of Presentation*

The School reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors for a specific purpose or the passage of time. There were no net assets with donor restrictions at June 30, 2023 or June 30, 2022.

#### *d. Revenue Recognition*

The School follows the requirements of FASB ASC 958-605 for recording contributions, which are recognized when a contribution becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved, or qualifying expenditures are incurred as well as other conditions under the agreements are met.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 2 - Significant Accounting Policies - Continued

#### *d. Revenue Recognition - Continued*

Government grants may be subject to conditions which are defined as both a barrier to entitlement and a right of return or release from obligations and are recognized as income once conditions have been substantially met. As of June 30, 2022, conditional grants that had not been recognized amounted to \$115,607, which were conditioned upon incurring qualifying expenditures. There were no conditional grants not recognized as of June 30, 2023.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate. As of June 30, 2023 and June 30, 2022, all unconditional promises to give are due within one year. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2023 or June 30, 2022.

The School also follows the requirements of FASB ASC 606 for recognizing revenue from contracts with customers. The School receives fees for its after-school program that fall under FASB ASC 606 and are included in the statement of activities. After-school program income is recognized as revenue over the period that the after-school classes take place, and the performance obligations are met. Fees that have not been collected at year end are reflected as fees receivable. Amounts collected in advance are recognized as deferred revenue.

#### *e. Cash and Cash Equivalents*

Checking, savings, and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Cash maintained in escrow per requirements of the NYCDOE are treated as restricted cash.

#### *f. Concentration of Credit Risk*

Financial instruments which potentially subject the School to a concentration of credit risk consist of checking and savings accounts which have been placed with a financial institution that management deems to be creditworthy. From time-to-time, cash balances may be in excess of insurance levels. At year end and at various times throughout the year, balances were in excess of insured amounts. The School has not suffered any losses due to bank failure.

#### *g. Fixed Assets*

Fixed assets that the School retains title to that exceed a dollar threshold of \$1,000, and which benefit future periods are capitalized at cost or at the fair value at the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Furniture and equipment - *5 to 10 years*

Leasehold improvements - *lower of useful life of asset and life of lease*

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 2 - Significant Accounting Policies - Continued

#### *h. Leases*

The School determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The change in operating lease right-of-use asset and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. The School does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

#### *i. In-kind Contributions*

Donated goods and services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members and other individuals volunteer their time and perform a variety of services that assists the School. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

#### *j. Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Employee benefits and payroll taxes
- Occupancy
- Repairs and maintenance
- Professional development
- Equipment and furnishings
- Office expenses
- Technology
- Insurance
- Depreciation

Certain program expenses have been allocated between Regular Education and Special Education based on student FTE rates. All other expenses have been charged directly to the applicable program or supporting services.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 2 - Significant Accounting Policies - Continued

#### *k. Advertising Costs*

Advertising costs are expensed as incurred.

#### *l. Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *m. Contingencies*

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

#### *n. Accounting for Uncertainty of Income Taxes*

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2020 and later are subject to examination by applicable taxing authorities.

#### *o. Summarized Comparative Financial Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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, 2022 from which the summarized information was derived.

### Note 3 - Government Grant (Advance)/Receivable - Per Pupil Funding

Activity related to the contract with the NYCDOE can be summarized as follows:

	<u>6/30/23</u>	<u>6/30/22</u>
Beginning grant (advance)/receivable	\$ (5,637)	\$ 5,742
Funding based on allowable FTE's	7,226,162	4,084,915
Cash receipts	<u>(7,224,308)</u>	<u>(4,096,294)</u>
Ending grant advance	<u>\$ (3,783)</u>	<u>\$ (5,637)</u>

In addition to per pupil funding, the School was entitled to receive a rent subsidy that is calculated at the lower of 30% of the per pupil amount or actual lease costs. The School recognized revenue of \$1,995,261 and \$1,117,389 during the years ended June 30, 2023 and 2022, respectively as a subsidy for payments made to Friends, a related party, under the sublease agreement referred to in Note 6.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 4 - Related Party Transactions

Due from related organizations consisted of the following:

	<u>6/30/23</u>	<u>6/30/22</u>
Friends	\$ 775	\$ -
TRCS	171,028	12,199
Total	<u>\$ 171,803</u>	<u>\$ 12,199</u>

The School has an ongoing support agreement with TRCS, the related organization described in Note 1. As part of the agreement, the School pays a management fee in exchange for receiving certain staff time and other operating support from TRCS.

The net balance due from TRCS as of June 30, 2023 consists of the following:

Balance due from TRCS at June 30, 2022	\$ 12,199
FY23 Activity:	
Management fee charged by TRCS	(189,500)
Reimbursable expenses paid by TRCS	(22,257)
Grants to the School collected by TRCS	335,371
Payments by TRCS	<u>35,215</u>
Balance due from TRCS at June 30, 2023	<u>\$ 171,028</u>

### Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/23</u>	<u>6/30/23</u>
Furniture and equipment	\$ 1,269,681	\$ 926,887
Leasehold improvements	183,417	150,722
	1,453,098	1,077,609
Less accumulated depreciation	(410,626)	(152,484)
Total fixed assets, net	<u>\$ 1,042,472</u>	<u>\$ 925,125</u>

### Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The School evaluated current contracts to determine which met the criteria of a lease under FASB ASC 842. Starting July 1, 2022, the School entered into a non-cancelable sublease agreement with Friends for space which expires on June 30, 2053. The lease does not include any extension or purchase options. Friends' underlying lease with the landlord of the space contains the same payment terms as the sublease. The School has guaranteed this underlying lease between Friends and the landlord. The maximum potential amount that the School can be required to pay on this lease is the same as the future minimum rental payments due under the sublease. The School's sublease with Friends has been determined to be an operating lease.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability - Continued

The ROU asset represents the School's right to use the underlying asset for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from this lease. The ROU asset and lease liability were calculated based on the present value of future lease payments over the lease terms. As of June 30, 2023, the weighted-average remaining lease term for the School's operating leases was approximately 30 years. The School has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 3.11%.

For the year ended June 30, 2023, total operating lease cost was \$7,862,102. Cash paid for operating leases for the year ended June 30, 2023 was \$2,307,956, which included prepaid rent of \$278,327. There were no noncash investing and financing transactions related to leasing other than the ROU asset obtained in exchange for the lease liability recorded at the date of commencement.

Escalations under the lease are determined based on the greater of minimum enrollment and actual enrollment. Future variable costs will be recognized in the years when actual enrollment exceeds minimum enrollment. No variable costs were recognized for the year ended June 30, 2023.

Future maturities of lease liabilities are presented in the following table:

Year ending:	
June 30, 2024	\$ 3,061,581
June 30, 2025	4,758,464
June 30, 2026	5,628,660
June 30, 2027	6,223,485
June 30, 2028	6,363,514
Thereafter	<u>215,196,957</u>
Total lease payments	241,232,661
Less: present value discount	<u>(93,542,768)</u>
Total lease obligations	<u>\$ 147,689,893</u>

### Note 7 - Restricted Cash

An escrow account has been established to meet the requirement of the NYCDOE. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

### Note 8 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 92% and 86% of the School's total public support and revenue was received from the NYCDOE for the years ended June 30, 2023 and 2022, respectively. If the NYCDOE were to discontinue funding, this would have a severe economic impact on the School's ability to operate.

# The Renaissance Charter School 2

## Notes to Financial Statements

June 30, 2023

### **Note 9 - Liquidity and Availability of Financial Resources**

The School strives to maintain cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the School operates its programs within a board-approved budget and relies primarily on per pupil funding and grants to fund its operations and program activities. At June 30, 2023, the School's financial assets available to meet cash needs for general expenditures within one year totaled \$2,334,470, which consist of cash and cash equivalents of \$1,856,079, government grants receivable of \$306,588, and due from related organizations of \$171,803.

### **Note 10 - Subsequent Events**

Subsequent events have been evaluated through October 30, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

### **Note 11 - Net Asset Deficit**

The School's statement of financial position reflects a net asset deficit balance of \$2,519,310 at June 30, 2023. As the result of the implementation of FASB ASC 842 as described in Note 6, the School recorded noncash operating lease costs of \$5,647,961 during the year ended June 30, 2023.





**Report on Internal Control over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Trustees of  
The Renaissance Charter School 2

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 The Renaissance Charter School 2 (the "School"), which comprise the statement of financial position as of June 30, 2023, 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 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 financial statements. 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.

*Sax CPAs LLP*

New York, NY  
October 30, 2023

# **The Renaissance Charter School 2**

## Schedule of Findings and Questioned Costs

June 30, 2023

Current Year:

None

Prior Year:

None