

The Renaissance Charter School 2

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2024

The Renaissance Charter School 2

Audited Financial Statements

June 30, 2024

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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, 2024, 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, 2024, 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

We have previously audited the School's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 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*, for the year ended June 30, 2024, we have also issued our report dated October 29, 2024, 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.

Sax CPAs LLP

New York, NY
October 29, 2024

The Renaissance Charter School 2

Statement of Financial Position

At June 30, 2024
(With comparative totals at June 30, 2023)

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 4,642,822	\$ 1,856,079
Government grants receivable	174,244	306,588
Due from related organizations	227,819	171,803
Prepaid expenses and other assets	424,619	14,041
Property and equipment, net	1,189,531	1,042,472
Operating lease right-of-use asset	139,390,330	142,320,259
Restricted cash	102,910	75,993
TOTAL ASSETS	<u>\$ 146,152,275</u>	<u>\$ 145,787,235</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 864,275	\$ 612,869
Government grant advance	-	3,783
Operating lease liability	149,239,487	147,689,893
Total liabilities	<u>150,103,762</u>	<u>148,306,545</u>
NET ASSETS		
Without donor restrictions	<u>(3,951,487)</u>	<u>(2,519,310)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 146,152,275</u>	<u>\$ 145,787,235</u>

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

The Renaissance Charter School 2

Statement of Activities

For the Year ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	June 30,	
	2024	2023*
WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT AND REVENUE		
Public school district revenue:		
Resident student enrollment	\$ 10,689,928	\$ 6,650,871
Students with special education services	1,035,794	575,291
Subtotal public school district revenue	11,725,722	7,226,162
New York City rental assistance	3,206,978	1,995,261
Federal grants	234,007	248,924
State and city grants	29,178	20,713
Food program grants	599,997	292,811
Contributions	251,795	226,567
Other income	5,403	16,557
	16,053,080	10,026,995
EXPENSES		
Program services:		
Regular Education	11,856,374	9,638,057
Special Education	2,255,530	1,694,125
Food program	1,001,443	715,368
Total program services	15,113,347	12,047,550
Supporting services:		
Management and general	2,371,910	2,184,143
	17,485,257	14,231,693
Change in net assets	(1,432,177)	(4,204,698)
NET ASSETS, <i>beginning of year</i>	(2,519,310)	1,685,388
NET ASSETS, <i>end of year</i>	\$ (3,951,487)	\$ (2,519,310)

* Reclassified for comparative purposes

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, 2024

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

	Program Services			Total Program Services	Supporting Services	Total Expenses 6/30/24	Total Expenses 6/30/23
	Regular Education	Special Education	Food Program		Management And General		
Salaries	\$ 4,305,955	\$ 818,816	\$ 190,422	\$ 5,315,193	\$ 664,160	\$ 5,979,353	\$ 3,572,922
Employee benefits and payroll taxes	765,651	145,690	33,881	945,222	310,367	1,255,589	724,429
Total personnel costs	<u>5,071,606</u>	<u>964,506</u>	<u>224,303</u>	<u>6,260,415</u>	<u>974,527</u>	<u>7,234,942</u>	<u>4,297,351</u>
Professional fees	311,491	59,271	13,620	384,382	362,763	747,145	598,964
Occupancy	5,515,577	1,049,519	244,074	6,809,170	851,289	7,660,459	7,921,692
Repairs and maintenance	148,074	28,176	6,553	182,803	22,853	205,656	160,489
Curriculum and classroom expenses	297,642	56,636	-	354,278	-	354,278	305,515
Professional development	40,947	7,792	339	49,078	1,180	50,258	56,929
Equipment and furnishings	45,611	8,679	2,018	56,308	7,040	63,348	22,509
Office expenses	21,308	4,054	945	26,307	3,289	29,596	26,812
Food services	-	-	491,707	491,707	-	491,707	316,155
Technology	119,612	22,760	5,293	147,665	18,460	166,125	154,491
Marketing and recruitment	-	-	-	-	77,230	77,230	55,014
Moving expenses	-	-	-	-	-	-	2,445
Insurance	54,995	10,465	2,434	67,894	8,487	76,381	55,185
Bad debt expense	-	-	-	-	9,369	9,369	-
Depreciation	229,511	43,672	10,157	283,340	35,423	318,763	258,142
Total other than personnel costs	<u>6,784,768</u>	<u>1,291,024</u>	<u>777,140</u>	<u>8,852,932</u>	<u>1,397,383</u>	<u>10,250,315</u>	<u>9,934,342</u>
Total expenses	<u>\$ 11,856,374</u>	<u>\$ 2,255,530</u>	<u>\$ 1,001,443</u>	<u>\$ 15,113,347</u>	<u>\$ 2,371,910</u>	<u>\$ 17,485,257</u>	<u>\$ 14,231,693</u>

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, 2024
(With comparative totals for the year ended June 30, 2023)

	June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,432,177)	\$ (4,204,698)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	318,763	258,142
Change in operating lease right-of-use asset and liability	4,479,523	5,369,634
Changes in assets and liabilities:		
Government grants receivable	132,344	155,731
Due from related organizations	(56,016)	(159,604)
Prepaid expenses and other assets	(410,578)	198,173
Security deposit	-	103,650
Accounts payable and accrued expenses	251,406	80,025
Government grants advance	(3,783)	(1,854)
Total adjustments	4,711,659	6,003,897
Net cash provided by operating activities	3,279,482	1,799,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(465,822)	(375,489)
Net cash used for investing activities	(465,822)	(375,489)
Net increase in cash, cash equivalents and restricted cash	2,813,660	1,423,710
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - <i>beginning of year</i>	1,932,072	508,362
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - <i>end of year</i>	\$ 4,745,732	\$ 1,932,072
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 4,642,822	\$ 1,856,079
Restricted cash	102,910	75,993
Total cash, cash equivalents and restricted cash	\$ 4,745,732	\$ 1,932,072
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

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

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

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 2023-2024 fiscal year with an average enrollment of approximately 580 Kindergarten, 1st grade, 2nd grade, 3rd grade, 4th grade, and 9th 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 and Presentation

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, 2024

Note 2 - Significant Accounting Policies - Continued

a. Basis of Accounting and Presentation - Continued

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 Presentation of Financial Statement of Not-For-Profit Entities. FASB ASC 958 requires the School to report information regarding its financial position and activities according to the following specific 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 contributions and the net residual of assets with donor-imposed restrictions that are expected to be satisfied by performing certain activities or through the passage of time. The School had no donor restricted net assets at June 30, 2024 or 2023.

b. Recently Adopted Accounting Standard

Effective July 1, 2023, the School adopted FASB Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. The ASU did not have a material impact on the School's financial statements.

c. 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.

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, 2024 and 2023, 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, 2024 or 2023.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

c. Revenue Recognition - Continued

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.

d. Cash and Cash Equivalents

Checking, savings, and money market accounts with local banks and highly liquid financial 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.

e. 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. The School has not suffered any losses due to bank failure.

f. Property and Equipment

Property and equipment 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*

g. 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.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

h. 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.

i. 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 Full Time Equivalent (FTE) rates. All other expenses have been charged directly to the applicable program or supporting services.

j. 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.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

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.

In the normal course of business, the School is involved in proceedings, lawsuits, and other claims. These matters are subject to many uncertainties, and outcomes are not predictable with a high degree of assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of June 30, 2024 cannot be ascertained. Management believes that the final outcome of these matters will not have a material impact on the financial statements of the School.

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, 2023 from which the summarized information was derived.

Note 3 - Related Party Transactions

Due from related organizations consisted of the following:

	June 30,	
	2024	2023
Friends	\$ 775	\$ 775
TRCS	227,044	171,028
Total	<u>\$ 227,819</u>	<u>\$ 171,803</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 Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 3 - Related Party Transactions - Continued

The net balance due from TRCS as of June 30, 2024 consists of the following:

Balance due from TRCS at June 30, 2023	\$ 171,028
FY24 Activity:	
Management fee charged by TRCS	(276,865)
Reimbursable expenses paid by TRCS	(69,022)
Grants to the School collected by TRCS	572,931
Payments by TRCS	<u>(171,028)</u>
Balance due from TRCS at June 30, 2024	<u>\$ 227,044</u>

Note 4 - Property and Equipment

Property and equipment consist of the following:

	June 30,	
	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 1,656,915	\$ 1,269,681
Leasehold improvements	<u>262,005</u>	<u>183,417</u>
	1,918,920	1,453,098
Less accumulated depreciation	<u>(729,389)</u>	<u>(410,626)</u>
Total property and equipment, net	<u>\$ 1,189,531</u>	<u>\$ 1,042,472</u>

Note 5 - 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 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, 2024, the weighted-average remaining lease term for the School's operating leases was approximately 29 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, 2024 and 2023 was 3.11%.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 5 - Operating Lease Right-of-Use Asset and Operating Lease Liability - Continued

For the year ended June 30, 2024 and 2023, total operating lease cost was \$7,600,000 and \$7,862,102, respectively. Cash paid for operating leases for the year ended June 30, 2024 and 2023 was \$3,400,000 and \$2,307,956, respectively. 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, 2024.

Future minimum lease payments are presented in the following table:

Year ending:		
	June 30, 2025	\$ 4,758,464
	June 30, 2026	5,628,660
	June 30, 2027	6,223,485
	June 30, 2028	6,363,514
	June 30, 2029	6,506,693
	Thereafter	<u>208,690,265</u>
	Total lease payments	238,171,081
	Less present value discount	<u>(88,931,594)</u>
	Total lease obligations	<u>\$ 149,239,487</u>

Note 6 - 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 7 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 93% and 92% of the School's total public support and revenue was received from the NYCDOE for the years ended June 30, 2024 and 2023, respectively. If the NYCDOE were to discontinue funding, this would have a severe economic impact on the School's ability to operate.

Note 8 - 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, 2024, the School's financial assets available to meet cash needs for general expenditures within one year totaled \$5,044,885 which consist of cash and cash equivalents of \$4,642,822, government grants receivable of \$174,244, and due from related organizations of \$227,819.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2024

Note 9 - Net Asset Deficit

As of June 30, 2024, the School had a deficit balance of \$3,951,487 in net assets. The School's operating lease liability of \$149,239,487 exceeds its operating lease right-of-use asset of \$139,390,330 by \$9,849,157 as of June 30, 2024.

Note 10 - Subsequent Events

Subsequent events have been evaluated through October 29, 2024, 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.

**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, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 29, 2024.

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*.

To the Board of Trustees of
The Renaissance Charter School 2

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 29, 2024

The Renaissance Charter School 2

Schedule of Findings and Questioned Costs

June 30, 2024

Current Year:

None

Prior Year:

None