

The Renaissance Charter School 2

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2025

The Renaissance Charter School 2

Audited Financial Statements

June 30, 2025

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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, 2025, 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, 2025, 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 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, 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 LLP

New York, NY
October 29, 2025

The Renaissance Charter School 2

Statement of Financial Position

As of June 30, 2025

(With comparative totals as of June 30, 2024)

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 8,572,498	\$ 4,642,822
Government grants receivable	338,509	174,244
Due from related organizations	305,978	227,819
Prepaid expenses and other assets	445,233	424,619
Property and equipment, net	1,255,174	1,189,531
Operating lease right-of-use asset	136,288,125	139,390,330
Restricted cash	107,058	102,910
	<u>107,058</u>	<u>102,910</u>
TOTAL ASSETS	<u>\$ 147,312,575</u>	<u>\$ 146,152,275</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,373,290	\$ 864,275
Operating lease liability	149,108,178	149,239,487
Total liabilities	<u>150,481,468</u>	<u>150,103,762</u>
NET ASSETS		
Without donor restrictions	<u>(3,168,893)</u>	<u>(3,951,487)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 147,312,575</u>	<u>\$ 146,152,275</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, 2025
(With comparative totals for the year ended June 30, 2024)

	June 30,	
	2025	2024
WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT AND REVENUE		
Public school district revenue:		
Resident student enrollment	\$ 15,654,391	\$ 10,689,928
Students with special education services	1,387,487	1,035,794
Subtotal public school district revenue	17,041,878	11,725,722
New York City rental assistance	4,699,107	3,206,978
Federal grants	532,937	234,007
State and city grants	45,323	29,178
Food program grants	847,830	599,997
Contributions	252,131	251,795
Other income	4,658	5,403
Other loss	(319,147)	-
	23,104,717	16,053,080
EXPENSES		
Program services:		
Regular Education	15,393,165	11,856,374
Special Education	3,116,889	2,255,530
Food program	1,279,829	1,001,443
Total program services	19,789,883	15,113,347
Supporting services:		
Management and general	2,492,409	2,371,910
Fundraising	39,831	-
	22,322,123	17,485,257
Change in net assets	782,594	(1,432,177)
NET ASSETS, <i>beginning of year</i>	(3,951,487)	(2,519,310)
NET ASSETS, <i>end of year</i>	\$ (3,168,893)	\$ (3,951,487)

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, 2025

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

	Program Services			Supporting Services		Total Expenses 6/30/25	Total Expenses 6/30/24	
	Regular Education	Special Education	Food Program	Total Program Services	Management And General			Fundraising Expenses
Salaries	\$ 6,407,821	\$ 1,297,490	\$ 235,690	\$ 7,941,001	\$ 810,226	\$ -	\$ 8,751,227	\$ 5,979,353
Employee benefits and payroll taxes	1,211,941	245,400	44,577	1,501,918	403,984	-	1,905,902	1,255,589
Total personnel costs	7,619,762	1,542,890	280,267	9,442,919	1,214,210	-	10,657,129	7,234,942
Professional fees	502,184	101,685	47,958	651,827	363,285	39,831	1,054,943	747,145
Occupancy	5,828,981	1,180,283	214,400	7,223,664	737,036	-	7,960,700	7,660,459
Repairs and maintenance	182,933	37,041	6,729	226,703	23,130	-	249,833	205,656
Curriculum and classroom expenses	604,135	122,328	-	726,463	-	-	726,463	354,278
Professional development	138,634	28,071	358	167,063	1,233	-	168,296	50,258
Equipment and furnishings	45,686	9,251	1,680	56,617	5,778	-	62,395	63,348
Office expenses	19,849	4,019	730	24,598	2,509	-	27,107	29,596
Food services	-	-	711,118	711,118	-	-	711,118	491,707
Technology	111,543	22,586	4,103	138,232	14,104	-	152,336	166,125
Marketing and recruitment	-	-	-	-	88,202	-	88,202	77,230
Insurance	72,237	14,627	2,657	89,521	9,134	-	98,655	76,381
Bad debt expense	-	-	-	-	-	-	-	9,369
Depreciation	267,221	54,108	9,829	331,158	33,788	-	364,946	318,763
Total other than personnel costs	7,773,403	1,573,999	999,562	10,346,964	1,278,199	39,831	11,664,994	10,250,315
Total expenses	\$ 15,393,165	\$ 3,116,889	\$ 1,279,829	\$ 19,789,883	\$ 2,492,409	\$ 39,831	\$ 22,322,123	\$ 17,485,257

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, 2025
(With comparative totals for the year ended June 30, 2024)

	June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 782,594	\$ (1,432,177)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	364,946	318,763
Change in operating lease right-of-use asset and liability	2,970,896	4,479,523
Changes in assets and liabilities:		
Government grants receivable	(164,265)	132,344
Due from related organizations	(78,159)	(56,016)
Prepaid expenses and other assets	(20,614)	(410,578)
Accounts payable and accrued expenses	509,015	251,406
Government grants advance	-	(3,783)
Total adjustments	3,581,819	4,711,659
Net cash provided by operating activities	4,364,413	3,279,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(430,589)	(465,822)
Net cash used for investing activities	(430,589)	(465,822)
Net increase in cash, cash equivalents and restricted cash	3,933,824	2,813,660
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - <i>beginning of year</i>	4,745,732	1,932,072
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - <i>end of year</i>	\$ 8,679,556	\$ 4,745,732
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 8,572,498	\$ 4,642,822
Restricted cash	107,058	102,910
Total cash, cash equivalents and restricted cash	\$ 8,679,556	\$ 4,745,732
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, 2025

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 2024-2025 fiscal year with an average enrollment of approximately 820 Kindergarten, 1st grade, 2nd grade, 3rd grade, 4th grade, 5th grade, 6th grade, 9th grade and 10th 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 2030.

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 has 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 have 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, 2025

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 Statements 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, 2025 or 2024.

b. Revenue Recognition

The School follows the requirements of FASB ASC 958-605 - *Revenue Recognition* 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.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The School's public-school district revenue and other government grants, including New York City rental assistance, 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. Revenue recognized in advance of payments being received is recorded as a government grant receivable.

Contributions and government grants receivable 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, 2025 and 2024, all unconditional promises to give are due within one year. Contributions and government grants receivable 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, 2025 or 2024.

c. 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.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

Note 2 - Significant Accounting Policies - Continued

d. 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.

e. Property and Equipment

Property and equipment assets that the School retains title to that exceed a dollar threshold of \$3,000, 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*

f. 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.

g. 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.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

Note 2 - Significant Accounting Policies - Continued

h. 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.

i. 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.

j. 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, 2025 and 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.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

Note 2 - Significant Accounting Policies - Continued

k. 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, 2022 and later are subject to examination by applicable taxing authorities.

l. 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, 2024 from which the summarized information was derived.

Note 3 - Related Party Transactions

Due from related organizations consisted of the following:

	June 30,	
	2025	2024
Friends	\$ -	\$ 775
TRCS	305,978	227,044
Total	<u>\$ 305,978</u>	<u>\$ 227,819</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 consists of the following:

	June 30,	
	2025	2024
Beginning balance due from TRCS	\$ 227,044	\$ 171,028
FY25 Activity:		
Management fee charged by TRCS	(462,818)	(276,865)
Reimbursable expenses paid by TRCS	(63,229)	(69,022)
Grants to the School collected by TRCS	832,025	572,931
Payments by TRCS	<u>(227,044)</u>	<u>(171,028)</u>
Ending balance due from TRCS	<u>\$ 305,978</u>	<u>\$ 227,044</u>

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

Note 4 - Property and Equipment

Property and equipment consist of the following:

	June 30,	
	2025	2024
Furniture and equipment	\$ 2,084,039	\$ 1,656,915
Leasehold improvements	265,470	262,005
	2,349,509	1,918,920
Less accumulated depreciation	(1,094,335)	(729,389)
Total property and equipment, net	\$ 1,255,174	\$ 1,189,531

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, 2025 and 2024, the weighted-average remaining lease term for the School's operating leases was approximately 28 years and 29 years, respectively. 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, 2025 and 2024 was 3.11%.

For the year ended June 30, 2025 and 2024, total operating lease cost was approximately \$7,878,000 and \$7,600,000, respectively. Cash paid for operating leases for the year ended June 30, 2025 and 2024 was approximately \$4,907,000 and \$3,400,000, 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, 2025.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

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

Future minimum lease payments are presented in the following table:

Year ending:		
June 30, 2026	\$	5,628,660
June 30, 2027		6,223,485
June 30, 2028		6,363,514
June 30, 2029		6,506,693
June 30, 2030		6,653,094
Thereafter		<u>202,037,173</u>
Total lease payments		233,412,619
Less present value discount		<u>(84,304,441)</u>
Total lease obligations		<u>\$ 149,108,178</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% of the School's total public support and revenue was received from the NYCDOE for the years ended June 30, 2025 and 2024. 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, 2025, the School's financial assets available to meet cash needs for general expenditures within one year totaled \$9,216,985 which consist of cash and cash equivalents of \$8,572,498, government grants receivable of \$338,509, and due from related organizations of \$305,978.

Note 9 - Net Asset Deficit

As of June 30, 2025, the School had a deficit balance of \$3,168,893 in net assets. The School's operating lease liability of \$149,108,178 exceeds its operating lease right-of-use asset of \$136,288,125 by \$12,820,053 as of June 30, 2025.

Due to the expiration of the lease going forward many years into the future with escalating payments over the life of the lease, the financial statements reflect occupancy expense that exceeds the actual cash payments in the early years of the lease. For the year ended June 30, 2025, the rent expense recognized under ASC 842 was approximately \$7,878,000 and the amount paid was approximately \$4,907,000, resulting in a reduction of approximately \$2,971,000 to the increase in net assets for the year.

The Renaissance Charter School 2

Notes to Financial Statements

June 30, 2025

Note 10 - Subsequent Events

Subsequent events have been evaluated through October 29, 2025, 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 PERFORMED
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, 2025, 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, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be significant deficiencies.

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*.

School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 LLP

New York, NY
October 29, 2025

The Renaissance Charter School 2

Schedule of Findings and Questioned Costs

June 30, 2025

Current Year:

2025-001 - Significant Deficiency in Vendor Payment Verification Controls

Criteria: Effective internal controls should be designed and implemented to prevent and detect unauthorized or fraudulent disbursements.

Condition: The School processed and paid an invoice to a fraudulent vendor account due to a cyberattack. A malicious actor spoofed a vendor's email address, changing one letter to closely resemble the legitimate address. The attacker then requested a change to the ACH payment information. The fraudulent vendor initiated the request via email. The fraudulent activity was identified through subsequent communication with the legitimate vendor.

Cause: The School did not independently verify the change through a secondary method (e.g., phone call or known contact information). As a result of relying solely on email communication, the fraud was not prevented and an ACH payment was made to a fraudulent bank account.

Effect: The School incurred a financial loss of approximately \$494,000, which was disbursed to a fraudulent party. Insurance recovery offset \$175,000 of the loss and the School is working with its financial institution to recover the remaining balance. Regardless of the outcome, the incident reflects a vulnerability in the School's controls over vendor verification and electronic payments.

Recommendation: We recommend the School implement enhanced controls over vendor maintenance and ACH payment changes, including:

- Requiring independent verification directly with the vendor (e.g., phone confirmation using previously known vendor contact information) for all changes to vendor payment details.
- Implementing multi-person approval workflows for vendor master file changes.
- Training staff to identify phishing or spoofing red flags.
- Considering use of fraud detection tools or domain validation software to flag suspicious communication.

Views of Responsible Officials: See management's corrective action plan attached.

Prior Year:

None



The Renaissance

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Charter School 2

Corrective Action Plan:

1. Immediate Action (Implemented):

- When a vendor requests a change to banking information via email, staff must now perform a mandatory phone verification with the known vendor contact prior to making any updates.
- A follow-up email is sent to confirm the verified banking details and retain documentation of the conversation.
- All vendors using Bill.com are directed to utilize the secure self-service function, which allows vendors to log in and manage their own banking information, thereby reducing manual intervention and fraud risk.
- Comprehensive cybersecurity training was provided to all staff in August 2025, and management intends to make this an annual practice going forward.

2. Strengthening Systems (Within 60 Days):

- Implementation of enhanced email security features, including external sender flags and suspicious domain alerts.
- Establishment of email filters and warning rules to flag spoofed domains and urgent payment-related requests for further review.