



Audited Financial Statements In Accordance  
With Government Auditing Standards

June 30, 2016

# THE RENAISSANCE CHARTER SCHOOL

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 - 13
Schedule of Findings	14
Management Responses	15

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
The Renaissance Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Renaissance Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

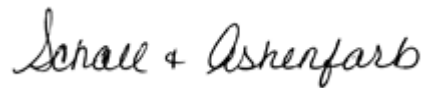
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Renaissance Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally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

## **Correction of Error**

As discussed in Note 6 to the financial statements, the prior year financial statements did not include a material liability, which had the effect of overstating net assets. These financial statements include a prior period adjustment to correct this misstatement. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 26, 2016

**THE RENAISSANCE CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AT JUNE 30, 2016**

**Assets**

Current assets:	
Cash and cash equivalents	\$1,417,494
Government grants receivable	638,371
Pledges receivable	17,650
Prepaid expenses and other assets	79,421
Total current assets	<u>2,152,936</u>
Noncurrent assets:	
Restricted cash (Note 3)	75,009
Fixed assets, net (Note 5)	236,285
Total assets	<u><u>\$2,464,230</u></u>

**Liabilities and Net Assets**

Liabilities:	
Current liabilities:	
Accounts payable	\$85,878
Accrued payroll and benefits	1,807,862
Grant advance - New York City (Note 4)	35,117
Total current liabilities	<u>1,928,857</u>
Noncurrent liabilities:	
Other liabilities - long term portion (Note 6)	1,300,000
Total liabilities	<u>3,228,857</u>
Net Assets:	
Unrestricted	(770,275)
Temporarily restricted (Note 7)	5,648
Total net assets	<u>(764,627)</u>
Total liabilities and net assets	<u><u>\$2,464,230</u></u>

*The attached notes and auditors' report  
are an integral part of these financial statements.*

**THE RENAISSANCE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR-ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public school district:			
Revenue - resident student enrollment	\$7,489,067		\$7,489,067
Revenue - students with special education services	1,100,655		1,100,655
Total public school district revenue	<u>8,589,722</u>	<u>0</u>	<u>8,589,722</u>
Federal grants	608,611		608,611
State and city grants	375,509		375,509
Food program grants	357,076		357,076
Contributions	21,016	9,075	30,091
Other operating income	58,551		58,551
Released from restriction (Note 7)	3,427	(3,427)	0
Total public support and revenue	<u>10,013,912</u>	<u>5,648</u>	<u>10,019,560</u>
Expenses:			
Program services:			
Regular education	7,104,473		7,104,473
Special education	1,731,433		1,731,433
Pre-kindergarten	204,881		204,881
Food program	583,884		583,884
Total program services	<u>9,624,671</u>	<u>0</u>	<u>9,624,671</u>
Supporting services:			
Management and general	691,560		691,560
Fundraising	90,126		90,126
Total supporting services	<u>781,686</u>	<u>0</u>	<u>781,686</u>
Total expenses	<u>10,406,357</u>	<u>0</u>	<u>10,406,357</u>
Change in net assets	(392,445)	5,648	(386,797)
Net assets - beginning	1,112,170	0	1,112,170
Prior period adjustment (Note 6)	<u>(1,490,000)</u>	<u>0</u>	<u>(1,490,000)</u>
Net assets - ending	<u>(\$770,275)</u>	<u>\$5,648</u>	<u>(\$764,627)</u>

*The attached notes and auditors' report  
are an integral part of these financial statements.*

**THE RENAISSANCE CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR-ENDED JUNE 30, 2016**

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Regular Education	Special Education	Pre- Kindergarten	Food Program		Management and General	Fundraising	Total Supporting Services	
Salaries	\$4,399,143	\$1,109,880	\$130,520	\$185,175	\$5,824,718	\$346,710	\$61,597	\$408,307	\$6,233,025
Employee benefits and payroll taxes	1,137,790	287,058	33,758	47,893	1,506,499	89,673	15,931	105,604	1,612,103
Pension contributions	642,363	162,065	19,059	27,039	850,526	50,627	8,994	59,621	910,147
<b>Total personnel costs</b>	<b>6,179,296</b>	<b>1,559,003</b>	<b>183,337</b>	<b>260,107</b>	<b>8,181,743</b>	<b>487,010</b>	<b>86,522</b>	<b>573,532</b>	<b>8,755,275</b>
Professional fees	160,126	25,775		62,966	248,867	169,933		169,933	418,800
Repairs and maintenance	11,496	2,900	341	8,119	22,856	906	161	1,067	23,923
Curriculum and classroom expenses	507,644	81,714	13,906		603,264			0	603,264
Professional development	82,535	20,823	2,449	3,474	109,281	6,504	1,156	7,660	116,941
Equipment and furnishings	12,225	3,084	363	13,896	29,568	8,370	171	8,541	38,109
Office expenses	31,246	7,883	927	1,315	41,371	8,088	438	8,526	49,897
Food services				228,960	228,960			0	228,960
Technology	29,521	7,448	876	1,243	39,088	2,326	413	2,739	41,827
Marketing and recruitment					0	1,298		1,298	1,298
Insurance	49,229	12,420	1,461	2,072	65,182	3,880	689	4,569	69,751
Depreciation	41,155	10,383	1,221	1,732	54,491	3,245	576	3,821	58,312
<b>Total other than personnel costs</b>	<b>925,177</b>	<b>172,430</b>	<b>21,544</b>	<b>323,777</b>	<b>1,442,928</b>	<b>204,550</b>	<b>3,604</b>	<b>208,154</b>	<b>1,651,082</b>
<b>Total expenses</b>	<b>\$7,104,473</b>	<b>\$1,731,433</b>	<b>\$204,881</b>	<b>\$583,884</b>	<b>\$9,624,671</b>	<b>\$691,560</b>	<b>\$90,126</b>	<b>\$781,686</b>	<b>\$10,406,357</b>

*The attached notes and auditors' report  
are an integral part of these financial statements.*

**THE RENAISSANCE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR-ENDED JUNE 30, 2016**

Cash Flows from Operating Activities:	
Change in net assets	(\$386,797)
Adjustments to reconcile changes in net assets to net cash used for operating activities:	
Depreciation	58,312
Changes in assets and liabilities:	
Restricted cash	0
Grant receivable - New York City	12
Government grants receivable	(153,050)
Pledges receivable	(10,694)
Prepaid expenses and other assets	11,998
Accounts payable	(179,459)
Accrued payroll and benefits	223,262
Grant advance - New York City	35,117
Other liabilities	(190,000)
Total adjustments	<u>(204,502)</u>
Net cash used for operating activities	<u>(591,299)</u>
 Cash Flows from Investing Activities:	
Purchase of furniture and equipment	<u>(100,484)</u>
Net cash used for investing activities	<u>(100,484)</u>
 Net decrease in cash and cash equivalents	(691,783)
 Cash and cash equivalents - beginning	<u>2,109,277</u>
 Cash and cash equivalents - ending	<u><u>\$1,417,494</u></u>
 Supplemental disclosures:	
Interest and taxes paid	<u><u>\$0</u></u>

*The attached notes and auditors' report  
are an integral part of these financial statements.*



**THE RENAISSANCE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Note 1 - Organization and Nature of Activities**

The Renaissance Charter School (the "School") is a PK-12 public charter school located in Jackson Heights, Queens, New York. Our mission is to foster educated, responsible young leaders who through their own personal growth will spark a renaissance in New York. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE"), and subject to certain administrative requirements. The School was originally granted its charter in May 2000 and its most recent charter renewal expires on June 30, 2019. During the year-ended June 30, 2015, the School entered its first full day pre-kindergarten class.

The School 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.

**Note 2 - Significant Accounting Policies**

a. Basis of Presentation

The accompanying 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 School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. The School did not have any permanently restricted net assets at June 30, 2016.

b. Cash and Cash Equivalents

The School considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

c. Concentration of Credit

Financial instruments which potentially subject the School to concentration of credit risk consist of cash, money market accounts, and a certificate of deposit, 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 there

was a significant uninsured balance; however, the School has not experienced any losses due to bank failure.

d. Capitalization Policy

Property and equipment that exceed pre-determined amounts and have a useful life of greater than one year are capitalized at cost or at fair value at the date of gift. 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 year life*

Building improvements – *10 year life*

e. Revenue – Public School District and Government Grants

The School receives grants from the United States Department of Education, the New York State Education Department (“NYSED”) and NYCDOE to carry out its operations. Program revenues are recognized based on rates established by the School’s funding sources and the amount realizable on the accrual basis in the period during which services are provided.

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because they are similar in nature to contracts for service. The difference between cash received and revenue earned is reflected as grants receivable or refundable advances.

f. Contributions

Contributions are recorded as revenue upon the earlier of the receipt of cash or when a pledge is considered unconditional in nature. Contributions are available for general use in support of the School’s mission, unless specifically restricted by the donor, in which case they are recorded in one of the restricted classes of net assets, depending on the nature of the restriction.

Contributions 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 discount rate. Conditional contributions are recognized as income when the conditions have been substantially met. All receivables at year-end are due to be collected within one year.

g. Donated Services

Donated services are recognized in circumstances where those services 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.

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

h. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

- i. Use of Estimates  
The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.
- k. Accounting for Uncertainty in Income Taxes  
The School does not believe its financial statements include any material, uncertain tax positions. Tax returns for periods ending June 30, 2013 and later are subject to examination by applicable taxing authorities.
- l. New Accounting Pronouncement  
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The School has not yet evaluated the impact this will have on future statements.
- m. Subsequent Events  
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 26, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.

**Note 3 - Restricted Cash**

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York. 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 4 - Grants Receivable/Advances Payable**

Grants receivable and advances payable on the contract with New York City Department of Education can be summarized as follows:

	<u>6/30/16</u>
Beginning grant receivable	\$12
Funding based on allowable FTE's	8,589,722
Advances received	<u>(8,624,851)</u>
Ending grant (advance)/receivable	<u>(\$35,117)</u>

**Note 5 - Fixed Assets**

Fixed assets at June 30, 2016 are summarized as follows:

Furniture and equipment	\$521,290
Building improvements	<u>387,817</u>
	909,107
Less: accumulated depreciation	<u>(672,822)</u>
Total fixed assets - net	<u>\$236,285</u>

**Note 6 - Prior Period Adjustment - Other Liabilities**

The School's teachers, guidance counselors, social workers, and paraprofessionals are members of the United Federation of Teachers union, and the administrative staff are members of the Council of School Supervisors & Administrators union. After several years of operating under expired collective bargaining agreements, the School and unions agreed on new contracts during the year. As part of these contracts, the School has to pay retroactive raises for the union members.

Management estimated the amount of retroactive raises to be paid to the union members based on each union's contract. A prior period adjustment of \$1,490,000 was made to reflect the estimated balances due for retroactive raises as of June 30, 2015.

The first installments of these estimated balances were paid during the year-ended June 30, 2016, and the remaining balance will be paid in four installments over the next five years. Estimated future payments on the liability are as follows:

Year-ending:	June 30, 2017	\$0
	June 30, 2018	188,000
	June 30, 2019	370,667
	June 30, 2020	370,667
	June 30, 2021	<u>370,666</u>
Total		<u>\$1,300,000</u>

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are summarized as follows:

	Balance <u>7/1/15</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/16</u>
Programs:				
Live Healthy	\$0	\$7,675	(\$2,255)	\$5,420
Grow to Learn	<u>0</u>	<u>1,400</u>	<u>(1,172)</u>	<u>228</u>
Total	<u>\$0</u>	<u>\$9,075</u>	<u>(\$3,427)</u>	<u>\$5,648</u>

**Note 8 - Significant Concentrations**

The School is dependent upon grants from NYSED and NYCDOE to carry out its operations. Approximately 86% of the School's total public support and revenue was received from NYCDOE for the year-ending June 30, 2016. If NYCDOE were to discontinue funding, this would have a severe economic impact on the School's ability to operate.

**Note 9- Donated Space**

The School is co-located with PS 255Q, a district 75 program, in a New York City Department of Education facility, and utilizes approximately 62,000 square feet at no charge. The School was unable to determine a value for this service.

**Note 10 - Multi-Employer Benefit Plan**

The School participates in two multi-employer plans that provide defined benefits to certain contract labor covered by collective bargaining agreements. During the year-ended June 30, 2016, the School contributed a total of \$910,147 to both plans. The School's participation in these plans for the annual period ended June 30, 2016 is outlined below. The "EIN" column provides the Employer Identification Number ("EIN") of the plan. The Pension Protection Act ("PPA") zone status is not applicable because they are government plans.

Teachers' Retirement System of the City of New York Pension Plan as of June 30, 2016 consisted of the following:

<u>EIN</u>	<u>Plan End Date</u>	<u>PPA Zone Status</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution</u>
90-0584726	6/30/16	N/A	10/31/2018	<u>\$895,454</u>

Board of Education Retirement System Pension Plan as of June 30, 2016 consisted of the following:

<u>EIN</u>	<u>Plan End Date</u>	<u>PPA Zone Status</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution</u>
13-3370714	6/30/16	N/A	Various	<u>\$14,693</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
The Renaissance Charter School

**Report on the Financial Statements**

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 (the "School"), which comprise the statement of financial position as of June 30, 2016, 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 26, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

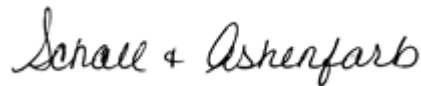
As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Management's Response to Finding**

The School's response to the finding is reported in the schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 26, 2016

**THE RENAISSANCE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

Current Year:

**2016-001 - Prior Period Adjustment**

Criteria: The School is responsible for preparing financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: A prior period audit adjustment was made to the books so they would be fairly stated in accordance with GAAP.

Questioned Costs: None

Effect: This adjustment was needed in the books and records to prepare financial statements that were fairly stated in accordance with GAAP.

Cause: As part of the most recent collective bargaining agreements, the School agreed to pay retroactive raises for union members. A prior period adjustment was needed to record the estimated liability for retroactive raises that existed as of June 30, 2015.

Recommendation: The accounting consultant and Director of Operations and Finance should analyze the balance of retroactive pay due to union members at the end of each year and make any adjustments to the liability account.

Management Response: See management response attached.

Prior Year:

None



# The Renaissance

35-59 81st Street, Jackson Heights, NY 11372  
www.renaissancecharter.org • 718-803-0060 • 718-803-3785 (fax) Charter School

October 26, 2016

To Whom It May Concern,

The following is a report on The Renaissance Charter School's response to the Schedule of Findings from our independent audit firm. The auditor made a recommendation to management in the following area:

1. Adjustment for Retroactive Pay – The auditors recommended that the accounting consultant and Director of Operations and Finance analyze the balance of retroactive pay due to union members at the end of each year and make any adjustments to the liability account. We agreed to and posted the prior period adjustment needed for the year ended June 30, 2016. Moving forward, the accounting consultant and Director of Operations and Finance will perform the recommended analysis and post any necessary adjustments at the end of each year.

Sincerely,



Stacey Gauthier  
Principal

## **Management Letter**

To the Board of Trustees of  
The Renaissance Charter School

In planning and performing our audit of the financial statements of The Renaissance Charter School ("the School"), as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as outlined below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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 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. Section I outlines deficiencies in the School's internal control that we consider to be a significant deficiency.

### **I - Significant Deficiency**

#### **Significant Adjustment – Prior Period Adjustment**

The entity is responsible for the books and records all the way through the preparation of the financial statements. The professional guidance in this area clearly states that if outside auditors propose significant adjustments to the financial statements for them to be fairly stated in accordance with generally accepted accounting principles (GAAP), and those adjustments were not detected by the entity's internal control system, then the auditors should communicate this to those charged to governance.

During our audit, we proposed a prior period adjustment to record the estimated liability for retroactive raises that existed as of June 30, 2015. We recommend that the accounting consultant and Director of Finance analyze the balance of retroactive pay due to union members at the end of each year and make any adjustments to the liability account as needed.

## **II – Follow-up of Prior Year Comments**

### Payroll Processing

It's important to establish internal control processes surrounding payroll to help management identify errors and irregularities throughout the year. The Director of Operations and Finance is responsible for calling in the payroll to the outsourced payroll company and recording it in the accounting system. Last year we recommended that a person with no other payroll responsibilities review the payroll registers to ensure that amounts paid are proper. This review can be performed by the Principal and can be documented by initialing the final payroll register.

***Follow-up to June 30, 2016:*** *The Principal started reviewing the payroll registers during the fiscal year under audit therefore this matter has been resolved.*

### Compensation of Management

The form 990 contains a question about whether there is a formal process in place to determine compensation of the CEO, executive director, top management official and key employees. The question asks whether there is a review and approval by independent persons, based on comparability data, and if that process was contemporaneously documented. The process needs to be described in an attached schedule.

The School is in a unique situation in that its employees are paid according to their union contracts and bonuses are determined according to meeting certain milestones. In order to provide transparency, last year we recommended that the School document the process for reviewing and approving executive compensation in its board meeting minutes. This documentation should also indicate that salaries and bonuses are in agreement with the union contracts.

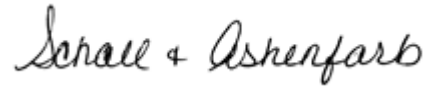
***Follow-up to June 30, 2016:*** *This issue was resolved.*

### Operating Reserve Policy

Last year, the New York State Education Department ("NYSDOE") indicated that Schools should have a viable operating reserve with a board approved policy about the purpose and use of operating reserves. The purpose of the policy is to define and set goals for reserve funds, clearly describe authorization for use of reserves and outline requirements for reporting and monitoring. We recommended that the School consider adopting such a policy for operating reserves to comply with NYSDOE requirements.

***Follow-up to June 30, 2016:*** *We continue our recommendation.*

This communication is intended solely for the information and use of management, the board of trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schall & Ashenfarb". The signature is enclosed in a thin black rectangular border.

Schall & Ashenfarb  
Certified Public Accountants, LLC

October 26, 2016