SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
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Communication with Those Charged with Governance

To the Board of Trustees of
The Renaissance Charter School

We have audited the financial statements of The Renaissance Charter School ("the School"), for the year ended June 30, 2017, and have issued our report thereon dated October 26, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards
As stated in our engagement letter dated August 15, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope of Audit
We performed our audit according to the plan previously communicated to you in our engagement letter.

Significant Accounting Policies
Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School are described in Note 2 to the financial statements.

We do want to emphasize to you that the School has been incurring consistent deficits each year and that as of the June 30, 2017 balance sheet date, liabilities now exceed assets by close to $1,400,000. Management has outlined a plan that they hope will turn the deficits around. When organizations have a deficit net asset position, the auditor is required to assess whether the entity is viable in its current form or whether an explanatory paragraph needs to be added to the auditors' report to alert the reader that the organization may not be able to continue as a going concern. We caution you that continued future deficits could result in such an opinion modification.

In addition, there is one unrecorded transaction that we want to inform you of. Not-for-profit organizations are required to record in-kind contributions for rent received without charge. As you are aware, the School operates out of a public school building leased by New York City. Management has not recorded an adjustment for in-kind rent. It is fairly common practice for charter schools not to record in-kind rent because the value is impractical to determine. While this conflicts with generally accepted accounting principles, we feel the impact on the financial

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statements is not material because the same amount of revenue and expense is recorded; therefore there is no impact on the change in net assets or the balance sheet.

We did not note any other transactions entered into during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates used in preparing the financial statements were as follows:

- allocation of expenses into program, management and fundraising categories and to determine where grant funds were used
- useful lives of fixed assets and depreciation methods
- collectability of receivables from government agencies
- balance of retroactive raises due to teachers and administrative staff per terms of their union's collective bargaining agreement

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent and clear.

Significant Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. There were no adjustments of this kind.

Other than the adjustment passed on relating to in-kind space referred to earlier, there were no other known adjustments that have not been recorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the auditors. There were no specific matters of this nature discussed prior to our retention.

Difficulties Encountered in Performing the Audit
There were no significant difficulties encountered in performing the audit

Management Representations
We have requested certain representations from management that are included in the management representation letter.

Industry Updates
We would like to update you on several newly issued standards and provide an overview of other matters that impact the nonprofit sector. To summarize:

FASB Issues Draft ASU on Grants and Contracts

On August 3, 2017, the FASB issued an exposure draft of a proposed accounting standards update entitled, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The proposed standard has two primary goals; first to standardize the practice of how government grants and other payments from resource providers are treated on the financial statements of not-for-profit organizations; and second to clarify distinctions between donor imposed restrictions (which require recognition when received) and donor imposed conditions (which require recognition of revenue when the condition has been substantially met).

When a not-for-profit organization receives a grant, contribution, or contract from a resource provider, the first step is to determine whether or not it meets the definition of a contribution, which is essentially a non-reciprocal transfer. If the transaction is a contribution, the accounting treatment would follow this proposed statement, which is consistent with current contribution recognition treatment. However, if the criteria of a contribution is not met, then the accounting treatment would follow Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See following section of this update for more details on the Revenue Recognition Standard. Essentially, when the resource provider receives commensurate value for their exchange, it is analogous to a contract, which is why the accounting treatment would be consistent with a commercial contract with customers,

If a transaction is considered a contribution, the second decision is whether the contribution is conditional or unconditional. Conditional contributions are not recognized as revenue until the conditions have been met. This draft ASU outlines that when a barrier exists that must be overcome and there is a right of return for the unused asset, that this creates a condition. Several examples are given to illustrate this point.

The examples provided seem to indicate that most government grants would be considered conditional contributions. The guidance makes it clear that if the general public receives the benefit, then commensurate value has not been received, thus making a grant from the government a contribution. If the government grant is subject to performing certain services that are subject to reimbursement by submitting a claim, that seems to be a barrier to consider the government contribution as conditional. Under this interpretation, income from government grants would therefore be recognized similar to how exchange transactions are recognized under current rules.

If this proposal passes, the implementation time frame will be consistent with ASU 2014-09 (see below).

FASB Issues New Accounting Standard

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) that attempts to improve existing standards for financial statement presentation by not-for-profit organizations.

The new ASU impacts substantially all not-for-profits as well as donors, grantor, creditors, and others that use their financial statements. That includes charities, foundations, private colleges and universities, nongovernmental health care providers, cultural institutions, religious organizations, and trade associations, among others. The major changes to financial reporting of not-for-profit organizations can be summarized as follows:

- The streamlining of net assets classes to two: net assets that contain donor restrictions and net assets that do not contain donor restrictions. This will have a major impact on organizations with endowments as the financial statements will no longer have a permanently restricted class of net assets. There will also be a change to how underwater endowments will be reported, including enhanced disclosures.

- The new regulations retain current requirements to provide information about the nature and amounts of different types of donor-imposed restrictions, highlighting how those restrictions affect the use of resources, including liquidity.

- Removing the "placed in service" option for releasing donor restrictions on capital projects.

- Requiring enhanced disclosures about how an organization defines their measure of operations if used on their statement of activities. (See below for additional matters on this topic that will be in the second work stream.)

- The new standards include some specific requirements directed at improving a financial statement user's ability to assess a not-for-profit's available financial resources and its management of liquidity and liquidity risk. Specifically, qualitative information that communicates how a not-for-profit manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date will be required. In addition, quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date will be required. Factors to be considered will include external limits imposed by donors, grantors, laws and contracts with others as well as internal limits imposed by governing board decisions.

- All not-for-profits are now required to provide expenses by nature and function. This could be on the face of the statement of activities, as a separate statement or in the notes.

- Allowing the direct method of reporting on the statement of cash flows but not making it a mandatory requirement. The reconciliation of change in net assets to change in cash flows for the period will be eliminated if the direct method of reporting is elected to encourage entities to consider changing to the direct method.

We have begun to discuss these changes with many of our clients as the standard was in "draft" form. We will continue those discussions now that the standard has been finalized.

Due to pushback by major stakeholders, FASB has decided to create a second project to include some of the more controversial matters of the original exposure draft. Some of those matters could be summarized as follows:

- How to use, and whether to require nonprofits to use operating measures in the statement of activities. The conversation will include how to define an operating measure and finding ways to make financial statements more comparable between different entities.

- Cash flow statements – revisiting whether the direct method will be required.

We will keep you notified of the progress of this proposal.

Amendments to Nonprofit Revitalization Act

In June 2016, the New York State Assembly and Senate passed a new bill to improve and make clarifying amendments to the Nonprofit Revitalization Act of 2013 ("NPRA"). On November 28, 2016, the bill was signed by the Governor and became effective on May 27, 2017. This bill aims to make the NPRA operating more smoothly and efficiently by resolving various issues nonprofits have come across in implementing the NPRA over the past few years.

Some of the more significant provisions in this bill are as follows:

- *Related Party Transactions* – Certain transactions would be excluded from being considered a "related party transaction". If the organization's financial interest in the transaction is *de minimus*, or the transaction provides a charitable benefit that is also available to other similar organizations on similar terms, the transaction would not customarily be reviewed by the board in the ordinary course of business. Under the amendments in the bills, the board will be allowed to create an authorized committee of the board to approve a related party transaction.

- *Whistleblower and Conflicts of Interest Policies* – The bill clarifies that the board shall be responsible for adopting and overseeing the implementation and compliance of the conflicts of interest and whistleblower policies. Conflict of interest and whistleblower complaints shall be disclosed to the board or an authorized committee of the board consisting of a majority of independent directors. This is a change from the current requirement that the committee consist of only independent directors.

- *Committees of the Board* – The board clarifies the procedures for forming committees of the board. In addition, the bill places additional limits on what an executive committee can authorize on behalf of the full board.

  The bill eliminates the requirement that non-directors who advise committees of the corporation have the obligations and liabilities of a director.

- *Employee Serving as Board Chair* – Under the bill, an employee may serve as chair of the board upon 2/3 vote of the entire board. The entire board must vote and contemporaneously document in writing the basis for the board approval. Once appointed, the employee cannot be considered an independent director.

We recommend that you review your bylaws and governance policies with legal counsel to ensure they are in compliance with the amendments.

FASB Issues New Standard on Leases

On February 25, 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. Under this standard, all leases, including operating leases, with terms of more than twelve months will be required to be reflected as assets and liabilities on the statement of financial position. The asset will be for the rights to use the property, equipment or space and the liability will be for the total obligations created by that lease.

For most not-for-profit entities, this ASU will be effective for periods beginning after December 15, 2019, which for practical purposes will be years ending December 31, 2020 and fiscal year entities that end in 2021. During the time before implementation is required, it is important for you to determine how this change will impact your organization. Important financial ratios and measures will change, and that is especially relevant to organizations that have loans with debt covenants.

FASB Issues Final Standard on Revenue Recognition

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09*, Revenue from Contracts with Customers.* This eliminates the majority of industry specific regulations and focuses more on a principles-based model. This standard applies to exchange transactions that many nonprofits currently have such as tuition, membership dues, licenses and royalties. While the standard clearly excludes contributions, further discussions are planned to address whether this impacts government grants/contracts.

The five-step revenue model highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. For nonprofit organizations that do not have public debt, this standard is applicable for calendar 2019 entities or those with a fiscal year that ends during 2020.

IRS Updates

Tax Exempt and Government Entities Work Plan – FY 2018
On September 28, 2017, the IRS's Tax Exempt and Government Entities ("TE/GE") Division issued its fiscal year 2018 work plan.

As noted in the work plan, the Exempt Organizations ("EO") division of the IRS expects to receive an increased number of determination applications in FY 2018 and as a result EO plans to implement revisions to Form 1023-EZ, including a required activity description and additional questions on gross receipts, asset thresholds and foundation classification. This may result in the average processing time for the 1023-EZ to increase.

Also discussed in the work plan is EO's desire to continue to produce "Knowledge Management" products. This would result in the production of issue snapshots and audit tools on topics including gaming, unrelated business income, organizational test requirements and employment tax.

On the compliance side, the work plan mentions the IRS's intention to focus on examining supporting organizations that file form 990-N, entities that operated as for-profit entities prior to obtaining 501(c)(3) status and organizations with indicators of private benefit or inurement.

Finally, the IRS stated it will continue to use a data-driven approach to determine which organizations it selects for examinations. The work plan outlines that the IRS aims to improve its 990, 990-EZ and 990-PF compliance models.

<u>New Information Document Request Process</u>
Effective April 1, 2017, the IRS issued new internal guidance to its Tax Exempt and Government Entities Division ("TE/GE") regarding the issuing of information document requests ("IDR's"). The IRS issues IDR's to gather information during an examination. Under the new process:

1. Entities will be more involved in the IDR process
2. Examiners will discuss the issue being examined and the information needed with the entity prior to issuing an IDR
3. Examiners will ensure that the IDR clearly states the issue and relevant information they are requesting
4. If the entity does not timely provide the information requested in the IDR by the agreed upon date, the examiner will issue a delinquency notice
5. If the entity fails to respond to the delinquency notice or provides and incomplete response, the examiner will issue a pre-summons notice to advise the entity that the IRS will issue a summons unless the missing items are fully provided.
6. A summons will be issued if the entity fails to provide a complete response to the pre-summons letter by the response due date

This new process is intended to provide more open communication between the IRS and the entity, provide more consistent treatment of entities, provide consistent timeless for IRS agents to review IDR responses and promote timely issue resolution.

<u>IRS Makes Electronically Filed Form 990 Data Available</u>
On June 16, 2016, the IRS announced that publicly available data from electronically filed 990's will now be available for the first time in a machine-readable format through Amazon Web Services. Previously, such data was only available in image files or PDF format. Through this new format, big-data analysis will become much more feasible for watchdog groups, various government agencies, researchers and media.

Cost Principles from Uniform Guidance ("UG") on Federal Awards are In Effect

Final regulations of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("UG"), were posted in the Federal Register on December 26, 2013. Many changes were made to cost principles and **they are effective for new federal awards issued in 2015**. It is possible that nonprofit organizations have older, multi-year grants that follow the old cost principles, while having newer grants that follow the UG's newer rules and within the same fiscal year. That makes understanding the new rules that much more important and knowing which cost principles need to be followed for each specific grant.

The following describes some of the key areas of change:

Procurement

By far the most substantial changes to the cost principles in UG relate to procurement. That is because the guidance on procurement is more consistent with the older regulations that applied to states and local governments rather than nonprofit organizations. Recognizing that nonprofit organizations were going to have challenges to implement these new changes, **which include having written procedures**, a delayed effective date of one year was built into the initial regulations but an additional one year grace period was later added. Therefore, the procurement rules are not effective until calendar 2017 or fiscal years that end in 2018. **Do not wait until the last minute to begin implementing.**

Major changes have been made to how nonprofits procure goods and services. There are several new methods that must be followed:

- Micro purchases, which apply to goods and services less than $3,000, does not require competitive quotes but does require attempts at equitable distribution to avoid all purchases from the same vendor.
- **Small purchases, which apply to goods and services directly charged to federal awards that are more than $3,000 but below the Simplified Acquisition Threshold ($150,000), require multiple rate quotes from qualified sources.**
- Sealed bids when services are above the $150,000 level and which are most applicable for construction.
- Competitive proposals to be used when sealed bids are not practical.

There are 5 standards that an organization must comply with regardless of which procurement method is used:

- Written procedures,
- Expenses must be necessary and reasonable,
- Subject to open competition,
- Code of conduct and conflict of interest policies must be adhered to, and

- Contain proper documentation including the detail of the purchase transaction, support of the procurement method used and the basis of the award and price.

Indirect Costs

A *de minimus* 10% rate is allowed for those organizations that do not have (and **never** have had) a negotiated rate with the federal government or cognizant agency. Sub-recipients cannot be denied the use of this *de minimus* rate.

Time and Effort Reporting

A number of changes provides for more flexibility for entities in how they document time and effort. The key is having a strong system of internal control to capture how employees perform tasks related to grants on an **after-the-fact basis**. Budgets are still not permitted, although guidance has loosened to allow interim costs to be charged based on budgets if they are representative of best estimates and can be adjusted to reflect actual results periodically. Current systems that meet the old requirements of OMB Circular A-122 (timesheets) will still be permitted.

Single Audit Threshold for Audit Increased to $750,000

Entities that expend less than $750,000 in federal awards would not be required to undergo a single audit. This would represent an increase from the current $500,000 threshold for single audits which was established in 2003. Any entity that falls below the $750,000 threshold must make records available for review or audit by appropriate officials of the Federal agency, pass-through entity, and the Government Accountability Office.

For more information on this, please view an archived version of a webinar that we did on this topic at www.schallandashenfarb.com.

Board Governance-BBB Standards for Charity Accountability

The New York Better Business Bureau ("BBB") Charity Accountability Program reviews local charities with the goal of issuing a report indicating whether a charity meets the BBB's *Standards for Charity Accountability.* The review involves a review of 20 standards that covers key practices including government and oversight, finances, measuring effectiveness and fundraising/informational materials. For donors, these reports provide a quick way to check if charities meet the high standards of the BBB. Going through this accreditation process is a step non-profit organizations may want to consider to make themselves more attractive to potential donors.

Following a recent study, the BBB indicated there were certain specific standards that many organizations failed to meet. While these standards are not requirements for having a clean auditor's opinion, organizations may want to examine their compliance with these areas as a means of self-examination to ensure they are meeting best practices within the industry. The three main areas are as follows:

- Measuring Effectiveness – Organizations should have a board policy of assessing the organization's performance and effectiveness and of determining future actions required to achieve its mission no less than every two years. The policy should be board approved and should provide that the organization has clearly identifiable and measurable goals and objectives.

- Annual Report – Organizations should have an annual report available to all, on request, that includes a mission statement, a summary of past year's program results, a roster of officers and members of the board and financial information for the year. The financial information should include total income for the prior year, expenses broken into program, administrative and fundraising categories and ending net assets.

- Website Disclosures – Organizations that solicit donations online should have available on their website all information from the annual report, their mailing address and electronic access to their most recent 990.

Independence Issues

Schall & Ashenfarb, CPA's, LLC is not aware of any relationships that our firm, or any employees thereof, has with The Renaissance Charter School or any of its board trustees that, in our professional judgment may impair our independence.

This information is intended solely for the use of the Board of Trustees and management of The Renaissance Charter School.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2017

EXHIBIT 1

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

August 15, 2017

Stacey Gauthier
Principal
And Those Charged with Governance
The Renaissance Charter School
35-59 81st Street
Jackson Heights, NY 10035

Dear Stacey:

We are pleased to confirm our understanding of the services we are to provide for The Renaissance Charter School for the year ended June 30, 2017.

We will audit the financial statements of The Renaissance Charter School, which comprise the statement of financial position as of June 30, 2017, the related statements of activities, (if applicable), and cash flows for the year then ended, and the related notes to the financial statements. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements:

1. Schedule of expenditures of federal awards
2. Schedule of findings and questioned costs

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of

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federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion. We will issue written reports upon completion of our Single Audit. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinions are other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors' is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of The Renaissance Charter School's compliance with provisions of applicable laws, regulations contracts, and agreements, including grant agreements.

However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. The purpose of these procedures will be to express an opinion on The Renaissance Charter School's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting your Organization. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend your board of directors' meetings.

We will prepare the Organization's federal and state information returns (Form 990 and CHAR 500) for the year ended June 30, 2017 based on information provided by you. We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the Organization in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

We will send you an authorization form so that we can file your federal taxes electronically. If we do not receive the form back, or you prefer not to file electronically, we will send you hard copies to file. At this time, New York State does not permit electronic filing; therefore, we will send you an electronic copy for you to print out to file with New York State. We will also send you electronic copies for your records unless we receive a specific request for hard copies.

In order to prepare complete and accurate returns, we will require you to provide certain information about board governance policies, which may also include, but not be limited to, providing salary amounts for employees greater than $100,000, contractors for professional services in excess of the same amount, names, addresses and dollar amounts of large contributors in excess of certain calculated amounts and other matters that are not generally covered during the audit. If the information is not provided to us timely, you will not hold us responsible for any penalties incurred for incomplete information.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Management responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us, and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documents, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Management responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review.

Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we reported on the schedule of expenditures of federal awards. Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) management is responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the tax services, financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter the tax services provided and our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have evaluated the adequacy of our services and have reviewed and approved the results of the services, the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Audit Administration and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. Certain financial institutions may charge us for this and the cost will be passed on to you. We will send a template in Word format for use with confirmation requests.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. **It is management's responsibility** to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Schall & Ashenfarb and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to your cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of our personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any addition period requested by you. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

David Ashenfarb is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign it. Please contact us to discuss a date that we can begin the audit and outline a plan for delivery of draft and final documents to you. Our audit engagement ends on delivery of financial reports; however, we are still available for routine conversations without charge until either party has officially terminated the relationship. Any follow-up services that might be required will be considered a new engagement.

E-mail Communication

In connection with this engagement, we may communicate with you or others via e-mail. As e-mails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot ensure that e-mails from us will be property delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage arising from the use of e-mail, including any punitive, consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure of confidential information.

Posting of Audit Report and Financial Statements on Your Web Site

You agree that, if you plan to post an electronic version of the financial statements and audit report on your Web site, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your Web site and the signed version of the financial statements and audit reports provided to management by us. You also agree to indemnify us from any and all claims that may arise from any differences between the electronic and signed copies.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Fee

Our fee will be $26,000. At the completion of the audit, we will provide electronic versions of the audited financial statements, management letter (if applicable) and communications with those charged with governance. Upon request, we will also provide up to 10 copies of the final report without charge. Any additional copies will cost $5 per report. If applicable, we will charge you other out of pocket costs such as postage for confirmations, fees incurred for certain electronic bank confirmations and setting up conference calls through our phone center, etc. Invoices that are unpaid 30 days past the invoice date are deemed delinquent and we reserve the right to charge interest at 1% per month (not to exceed the maximum amount permitted by law.) In the event any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation attorney's fees.

A payment is required upon the signing of this letter in the amount of $6,500. If we terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to your Organization in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional standards require us to maintain certain respective roles and relationships with you with respect to the non-attest services described above. Prior to performing such services in conjunction with our audit, management must acknowledge its acceptance of certain responsibilities.

We will not perform management functions or make management decisions on behalf of your Organization. However, we will provide advice and recommendations to assist management of the Organization in performing its functions and fulfilling its responsibilities. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The Organization must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge our acceptance of these responsibilities.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2014 peer review report accompanies this letter.

We have attached a brief questionnaire that will help us plan the timing of the engagement to ensure you receive documents in your desired time frame. Please take a moment to fill that out.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us along with the questionnaire referred to above.

Very truly yours,

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

EXHIBIT 1

RESPONSE:

This letter correctly sets forth the understanding of The Renaissance Charter School for the year ended June 30, 2017.

Denise Hur

Authorized Signature

Director of Operations & Finance

Title

8/31/17

Date

EXHIBIT 2

The Renaissance Charter School

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

October 26, 2017

Schall & Ashenfarb, CPA's, LLC
307 Fifth Avenue, 15th Floor
New York, NY 10016

This representation letter is provided in connection with your audit of the financial statements of the Renaissance Charter School, which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 26, 2017, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 17, 2017, including our responsibility for the preparation and fair presentation of the financial statements, in accordance with US GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. This specifically includes the methodology for the statement of functional expenses.

6. Related party relationships and transactions, if applicable, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP

7. There are no events subsequent to the date of the financial statements which requires adjustment to or disclosure in the financial statements to be in accordance with the requirements of U.S. GAAP.

8. There were no uncorrected misstatements that are material, both individually and in the aggregate, to the financial statements as a whole.

9. There were no known actual or possible litigation, claims, and assessments required to be accounted for and disclosed in accordance with U.S. GAAP.

10. Material concentrations, if applicable, have been appropriately disclosed in accordance with U.S. GAAP.

11. There were no guarantees, either written or oral, under which the organization is contingently liable, that are required to be recorded or disclosed in accordance with U.S. GAAP.

Non Attest Services

In regard to the non-attest services provided by you, we have:

1. Assumed all management responsibilities.

2. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

3. Evaluated the adequacy and results of the services performed.

4. Accepted responsibility for the results of the services.

As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Information Provided

1. We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b) Additional information that you have requested from us for the purpose of the audit.
    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

    a) Management,
    b) Employees who have significant roles in internal control, or
    c) Others where the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatening litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP.

8. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

9. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

EXHIBIT 2

11. The Renaissance Charter School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you and appropriately reported. All required filings with tax authorities are up-to-date.

Stacey Gauthier
Principal

Denise Hur
Director of Operations and Finance

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

The Renaissance Charter School

Audited Financial Statements In Accordance With Government Auditing Standards

June 30, 2017

307 Fifth Avenue, 15th Floor
New York, New York 10016
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www.schallandashenfarb.com

THE RENAISSANCE CHARTER SCHOOL

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SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

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, 2017, 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.

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the School's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 TBD 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

Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2017

THE RENAISSANCE CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2017
(With comparative totals at June 30, 2016)

	6/30/17	6/30/16
Assets		
Current assets:		
Cash and cash equivalents	$1,291,717	$1,417,494
Government grants receivable	544,802	638,371
Other receivable	26,339	17,650
Prepaid expenses and other assets	6,000	79,421
Total current assets	1,868,858	2,152,936
Noncurrent assets:		
Restricted cash (Note 3)	75,009	75,009
Fixed assets, net (Note 5)	201,957	236,285
Total assets	$2,145,824	$2,464,230
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	$183,539	$85,878
Accrued payroll and benefits	2,040,642	1,807,862
Grant advance - New York City (Note 4)	14,695	35,117
Total current liabilities	2,238,876	1,928,857
Noncurrent liabilities:		
Other liabilities - long term portion	1,300,000	1,300,000
Total liabilities	3,538,876	3,228,857
Net assets:		
Unrestricted	(1,393,052)	(770,275)
Temporarily restricted (Note 6)	0	5,648
Total net assets	(1,393,052)	(764,627)
Total liabilities and net assets	$2,145,824	$2,464,230

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, 2017
(With comparative totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total 6/30/17	Total 6/30/16
Public support and revenue:				
Public school district:				
Revenue - resident student enrollment	$7,688,648		$7,688,648	$7,489,067
Revenue - students with special education services	1,265,762		1,265,762	1,100,655
Total public school district revenue	8,954,410	0	8,954,410	8,589,722
Federal grants	618,051		618,051	608,611
State and city grants	856,811		856,811	375,509
Food program grants	350,827		350,827	357,076
Contributions	35,502		35,502	30,091
Other operating income	45,869		45,869	58,551
Released from restriction (Note 6)	5,648	(5,648)	0	0
Total public support and revenue	10,867,118	(5,648)	10,861,470	10,019,560
Expenses:				
Program services:				
Regular education	7,996,884		7,996,884	7,104,473
Special education	1,529,917		1,529,917	1,731,433
Pre-kindergarten	213,106		213,106	204,881
Food program	592,643		592,643	583,884
Total program services	10,332,550	0	10,332,550	9,624,671
Supporting services:				
Management and general	993,561		993,561	691,560
Fundraising	163,784		163,784	90,126
Total supporting services	1,157,345	0	1,157,345	781,686
Total expenses	11,489,895	0	11,489,895	10,406,357
Change in net assets	(622,777)	(5,648)	(628,425)	(386,797)
Net assets - beginning	(770,275)	5,648	(764,627)	(377,830)
Net assets - ending	($1,393,052)	$0	($1,393,052)	($764,627)

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, 2017
(With comparative totals for the year ended June 30, 2016)

	Program Services					Supporting Services				
	Regular Education	Special Education	Pre-Kindergarten	Food Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/17	Total Expenses 6/30/16
Salaries	$4,780,631	$914,602	$133,034	$163,149	$5,991,416	$480,048	$107,748	$587,796	$6,579,212	$6,233,025
Employee benefits and payroll taxes	1,229,906	235,298	34,225	41,973	1,541,402	123,501	27,721	151,222	1,692,624	1,612,103
Pension contributions	1,005,271	192,322	27,974	34,307	1,259,874	100,945	22,657	123,602	1,383,476	910,147
Total personnel costs	7,015,808	1,342,222	195,233	239,429	8,792,692	704,494	158,126	862,620	9,655,312	8,755,275
Professional fees	115,718	22,139		83,310	221,167	189,743		189,743	410,910	418,800
Repairs and maintenance	25,555	4,889	711	11,332	42,487	2,566	576	3,142	45,629	23,923
Curriculum and classroom expenses	614,275	117,519	10,885		742,679			0	742,679	603,264
Professional development	46,856	8,964	1,304	1,599	58,723	4,705	1,056	5,761	64,484	116,941
Equipment and furnishings	17,137	3,279	477	11,122	32,015	15,854	386	16,240	48,255	38,109
Office expenses	31,299	5,988	872	1,068	39,227	15,295	705	16,000	55,227	49,897
Food services				240,339	240,339			0	240,339	228,960
Technology	32,915	6,297	916	1,123	41,251	3,305	742	4,047	45,298	41,827
Marketing and recruitment					0	1,731		1,731	1,731	1,298
Insurance	52,224	9,992	1,453	1,782	65,451	5,244	1,177	6,421	71,872	69,751
Bad debt expense					0	46,096		46,096	46,096	0
Depreciation	45,097	8,628	1,255	1,539	56,519	4,528	1,016	5,544	62,063	58,312
Total other than personnel costs	981,076	187,695	17,873	353,214	1,539,858	289,067	5,658	294,725	1,834,583	1,651,082
Total expenses	$7,996,884	$1,529,917	$213,106	$592,643	$10,332,550	$993,561	$163,784	$1,157,345	$11,489,895	$10,406,357

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, 2017
(With comparative totals for the year ended June 30, 2016)

	6/30/17	6/30/16
Cash flows from operating activities:		
Change in net assets	($628,425)	($386,797)
Adjustments to reconcile changes in net assets		
to net cash used for operating activities:		
Depreciation	62,063	58,312
Changes in assets and liabilities:		
Grant receivable - New York City	0	12
Government grants receivable	93,569	(153,050)
Other receivable	(8,689)	(10,694)
Prepaid expenses and other assets	73,421	11,998
Accounts payable	97,661	(179,459)
Accrued payroll and benefits	232,780	223,262
Grant advance - New York City	(20,422)	35,117
Other liabilities	0	(190,000)
Total adjustments	530,383	(204,502)
Net cash used for operating activities	(98,042)	(591,299)
Cash flows from investing activities:		
Purchase of furniture and equipment	(27,735)	(100,484)
Net cash used for investing activities	(27,735)	(100,484)
Net decrease in cash and cash equivalents	(125,777)	(691,783)
Cash and cash equivalents - beginning	1,417,494	2,109,277
Cash and cash equivalents - ending	$1,291,717	$1,417,494
Supplemental disclosure:		
Interest and taxes paid	$0	$0

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

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.

In June 2017, Renaissance Charter School II, a charter school developed to replicate the learning experience of the School, was approved by the New York State Education Department ("NYSED") to operate in New York State. The anticipated opening is scheduled for the Fall of 2019. Renaissance Charter School II is related to the School by virtue of common board members and negotiations are currently underway to formally establish the relationship between the two entities. There were no transactions between the two Schools during the fiscal year ended June 30, 2017.

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, 2017 or 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 Risk
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 from the default of any financial institution.

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, 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.

All government grants are recognized as revenue in the period earned, which is typically when the expense allowed under the grant is incurred. 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. 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. Such information should be read in conjunction with the School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

k. 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.

l. 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, 2014 and later are subject to examination by applicable taxing authorities.

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, 2017, 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.

n. 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.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

The School has not yet evaluated the impact these standards will have on future 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 - Grant Advances Payable

Grant advances payable on the contract with the NYDOE can be summarized as follows:

	6/30/17	6/30/16
Beginning grant (advance)/receivable	($35,117)	$12
Funding based on allowable FTE's	8,954,410	8,589,722
Advances received	(8,933,988)	(8,624,851)
Ending advance	($14,695)	($35,117)

Note 5 - Fixed Assets

Fixed assets can be summarized as follows:

	6/30/17	6/30/16
Furniture and equipment	$549,025	$521,290
Building improvements	387,817	387,817
	936,842	909,107
Less: accumulated depreciation	(734,885)	(672,822)
Total fixed assets - net	$201,957	$236,285

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows:

	June 30, 2017			
	Balance 7/1/16	Contributions	Released from Restrictions	Balance 6/30/17
Programs:				
Live Healthy	$5,420	$0	($5,420)	$0
Grow to Learn	228	0	(228)	0
Total	$5,648	$0	($5,648)	$0

	June 30, 2016			
	Balance 7/1/15	Contributions	Released from Restrictions	Balance 6/30/16
Programs:				
Live Healthy	$0	$7,675	($2,255)	$5,420
Grow to Learn	0	1,400	(1,172)	228
Total	$0	$9,075	($3,427)	$5,648

Note 7 - Significant Concentrations

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 82% and 86% of the School's total public support and revenue was from NYCDOE for the years ended June 30, 2017 and 2016, respectively.

Note 8- Donated Space

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

Note 9 - 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. The School contributed a total of $1,383,476 and $910,147 to both plans during the year ended June 30, 2017 and 2016, respectively. The School's participation in these plans for the annual period ended June 30, 2017 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, 2017 consisted of the following:

EIN	Plan End Date	PPA Zone Status	Collective Bargaining Agreement Expiration Date	Contribution
90-0584726	6/30/16	N/A	10/31/18	$1,279,694

Board of Education Retirement System Pension Plan as of June 30, 2017 consisted of the following:

EIN	Plan End Date	PPA Zone Status	Collective Bargaining Agreement Expiration Date	Contribution
13-3370714	6/30/16	N/A	Various	$103,782

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

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, 2017, 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, 2017.

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

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

Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2017

THE RENAISSANCE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Current Year:

None.

Prior Year:

2016-001 – Prior Period Adjustment – This matter was resolved.

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

Observations and Recommendations

To Management of
The Renaissance Charter School ("the School")

As a result of our audit for the years ending June 30, 2017, we want to provide recommendations to strengthen controls and provide follow-up comments to the issues raised in the prior year:

I - Current Year Comments

Formalizing Review of Bank Reconciliations
Although the bank reconciliations are reviewed by the Principal and outside financial consultant, on a monthly basis, we noted that there are no sign offs on the document verifying that the review has occurred. We recommend that the Principal or outside financial consultant initial the document to indicate that the review was performed.

II – Follow-up on Prior Year Comments

Significant Adjustment – Prior Period Adjustment
During our prior year audit, we proposed a prior period adjustment to record the estimated liability for retroactive raises that existed as of June 30, 2015. We recommended 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.

Follow-up to June 30, 2017: *All such entries were made prior to us receiving the closed books therefore this matter has been resolved.*

Operating Reserve Policy
In the past, we informed the School that 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 recommendations.

Follow-up to June 30, 2017: *We continue our recommendation.*

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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.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2017