



RENAISSANCE ARTS ACADEMY

CONSOLIDATED AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Renaissance Arts Academy (Charter No. 0579)

AND CONSOLIDATED WITH

RAA Innovation Support Corp.
RAA 2558 San Fernando Road LLC

RENAISSANCE ARTS ACADEMY
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JUNE 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Renaissance Arts Academy
Los Angeles, California

Report on the Consolidated Financial Statements**Opinion**

We have audited the accompanying consolidated financial statements of Renaissance Arts Academy which comprise the statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Arts Academy as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Renaissance Arts Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Arts Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Renaissance Arts Academy's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of Renaissance Arts Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Renaissance Arts Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Renaissance Arts Academy's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
November 29, 2023

RENAISSANCE ARTS ACADEMY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 5,404,460
Investments	6,458,920
Accounts receivable	1,374,529
Prepaid expenses	<u>52,707</u>
Total current assets	<u>13,290,616</u>

Noncurrent assets	
Property and equipment	19,949,714
Less accumulated depreciation	<u>(2,770,667)</u>
Capital assets, net	<u>17,179,047</u>
Total Assets	<u>\$ 30,469,663</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 1,124,598
Deferred revenue	1,595,154
Loan payable	<u>15,515,932</u>
Total liabilities	<u>18,235,684</u>

Net assets	
Without donor restrictions	<u>12,233,979</u>
Total net assets	<u>12,233,979</u>
Total Liabilities and Net Assets	<u>\$ 30,469,663</u>

The notes to the consolidated financial statements are an integral part of this statement.

**RENAISSANCE ARTS ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,738,257
Federal revenues	1,062,671
Other state revenues	2,141,714
Total federal and state support and revenues	<u>6,942,642</u>
Local support and revenues	
Payments in lieu of property taxes	1,404,865
Grants and donations	222,681
Investment income, net	(11,766)
Other local revenues	724,544
Total local support and revenues	<u>2,340,324</u>
Total Support and Revenues	<u>9,282,966</u>
 EXPENSES	
Program services	6,053,542
Supporting services	
Management and general	1,652,823
Fundraising	497
Total Expenses	<u>7,706,862</u>
 CHANGE IN NET ASSETS	1,576,104
 Net Assets - Beginning	<u>10,657,875</u>
 Net Assets - Ending	<u>\$ 12,233,979</u>

The notes to the consolidated financial statements are an integral part of this statement.

RENAISSANCE ARTS ACADEMY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Eliminations	
EXPENSES					
Personnel expenses					
Certificated salaries	\$ 3,358,953	\$ -	\$ -	\$ -	\$ 3,358,953
Non-certificated salaries	304,501	47,751	-	-	352,252
Pension plan contributions	294,544	4,031	-	-	298,575
Payroll taxes	297,516	29,653	-	-	327,169
Other employee benefits	401,932	5,575	-	-	407,507
Total personnel expenses	4,657,446	87,010	-	-	4,744,456
Non-personnel expenses					
Books and supplies	562,551	52,221	-	-	614,772
Insurance	-	127,019	-	-	127,019
Facilities	1,304,072	158,978	-	(1,092,277)	370,773
Professional services	194,883	218,329	497	-	413,709
Interest expense	-	703,156	-	-	703,156
Depreciation	138,245	404,700	-	-	542,945
Fees to authorizing agency	150,923	-	-	-	150,923
Other operating expenses	1,239	37,870	-	-	39,109
Total non-personnel expenses	2,351,913	1,702,273	497	(1,092,277)	2,962,406
Eliminations	(955,817)	(136,460)	-	1,092,277	-
Total Expenses	\$ 6,053,542	\$ 1,652,823	\$ 497	\$ -	\$ 7,706,862

The notes to the consolidated financial statements are an integral part of this statement.

RENAISSANCE ARTS ACADEMY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,576,104
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	542,945
Unrealized loss on investments	32,753
(Increase) decrease in operating assets	
Accounts receivable	(239,382)
Prepaid expenses	14,615
Increase (decrease) in operating liabilities	
Accounts payable	637,542
Deferred revenue	982,512
Net cash provided by (used in) operating activities	<u>3,547,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,000,000)
Reinvestment of interest income	16,120
Purchase of capital assets	(316,417)
Net cash provided by (used in) investing activities	<u>(5,300,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loan payable	(201,251)
Net cash provided by (used in) financing activities	<u>(201,251)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,954,459)
Cash and cash equivalents - Beginning	<u>7,358,919</u>
Cash and cash equivalents - Ending	<u>\$ 5,404,460</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 703,156</u>

The notes to the consolidated financial statements are an integral part of this statement.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Renaissance Arts Academy (the “Organization” or “RenArts”) was formed as a nonprofit public benefit corporation on June 25, 2002 for the purpose of operating a school with an emphasis on the arts. Renaissance Arts Academy, a TK-12 charter public school, cultivates autonomous scholarship in an ensemble setting by providing an integrated classical curriculum with a performing arts emphasis focused on collaborative music, dance and design disciplines. RenArts welcomes students from all backgrounds, developing 21st Century Renaissance citizens through deep academic inquiry, flexible small-group instruction, and professionally-guided arts training. All programs are tuition- free. Admission is by lottery.

The public charter school is numbered by the State Board of Education as California Charter No. 0579. Renaissance Arts Academy is authorized to operate as a charter school through the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). In 2017, the LAUSD Board of Education approved a charter petition renewal for a five-year term ending June 30, 2023. Due to legislative changes post-COVID, the petition end date has been extended to June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

Charter school operations also include a Conservatory program whereby the students of the public charter school receive ten hours of in-school and ten hours of after school, tuition-free performing arts instruction every week. The Conservatory is division of RenArts.

In February 2020, articles of incorporation were filed to establish RAA Innovation Support Corp., a nonprofit public benefit corporation controlled by and organized exclusively for the benefit of Renaissance Arts Academy. Also in February 2020, articles of organization were filed to establish a limited liability corporation under RAA 2558 San Fernando Road LLC. RAA Innovation Support Corp. is the sole statutory member of the LLC and, as such, the LLC is deemed a disregarded entity. These two affiliated organizations, RAA Innovation Support Corp. and RAA 2558 San Fernando Road LLC, were created to facilitate leasing of certain school facilities and support development of the charter school. For financial reporting purposes, financial statements of the two affiliated organizations are consolidated with Renaissance Arts Academy.

B. Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Renaissance Arts Academy, RAA Innovation Support Corp. and RAA 2558 San Fernando Road, LLC, which comprise the Organization as a whole. Intercompany accounts and transactions have been eliminated in consolidation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Renaissance Arts Academy reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, the Organization also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is only used to the extent that internal accounting for the charter school and other program operations is necessary and is not used for external financial statement presentation.

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Renaissance Arts Academy. Revenues are recognized by the Organization when earned.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

I. Cash and Investments

Renaissance Arts Academy considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Renaissance Arts Academy has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

Renaissance Arts Academy is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Organization is not required to register with the California Attorney General as a charity.

The Organization's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

O. Change in Accounting Principle

ASC 842 Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Organization has determined the impact and noted no significant change to the consolidated financial statements as a result of this accounting principle; however, the impact is reflected in the consolidating financial statements. Refer to Note 14 for additional information regarding the operating lease and the related right-of-use asset and operating lease liability held by Renaissance Arts Academy that is eliminated in consolidation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2023, consists of the following:

Cash in banks, non-interest bearing	\$ 4,171,325
Cash in banks, interest bearing	1,077,184
Cash with fiscal agent	155,651
Cash on hand or awaiting deposit	300
Total Cash and Cash Equivalents	<u>\$ 5,404,460</u>

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2023, \$5,034,970 of the Renaissance Arts Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Renaissance Arts Academy does not have a policy for custodial credit risk for deposits; however, management believes that the Organization is not exposed to any significant credit risk related to cash.

NOTE 3 – INVESTMENTS

The following table provides a description and sets forth, by level within the fair value hierarchy explained in Note 1N, the Organization’s investments as of June 30, 2023. Investments as of June 30, 2023 are presented on the statement of financial position at the market value noted below.

	Market Value	Fair Value Classification			At Cost
		Level 1	Level 2	Level 3	
Fixed income securities	\$ 6,458,920	\$ 6,458,920	\$ -	\$ -	\$ 6,500,000
Total Investments	\$ 6,458,920	\$ 6,458,920	\$ -	\$ -	\$ 6,500,000

Additionally, investment return for the year ended June 30, 2023, was as follows:

Interest and dividends	\$ 20,987
Unrealized gain/(loss)	(32,753)
Net Investment Income	\$ (11,766)

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$ 967,751
Federal sources	234,553
Other state sources	128,931
In lieu property tax payments	38,363
Other local sources	4,931
Total Accounts Receivable	\$ 1,374,529

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following as it relates property held by the LLC under RAA Innovation Support Corp.:

RAA Innovation Support Corp.	July 1, 2022	Additions	Disposals	June 30, 2023
Property and equipment				
Buildings	\$ 16,121,413	\$ -	\$ -	\$ 16,121,413
Total property and equipment	16,121,413	-	-	16,121,413
Less accumulated depreciation	(906,829)	(403,035)		(1,309,864)
Capital Assets, net	\$ 15,214,584	\$ (403,035)	\$ -	\$ 14,811,549

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS (continued)

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following for Renaissance Arts Academy:

Renaissance Arts Academy	July 1, 2022	Additions	Disposals	June 30, 2023
Property and equipment				
Buildings	\$ 710,296	\$ -	\$ -	\$ 710,296
Improvements	2,388,222	280,717	-	2,668,939
Furniture and equipment	385,284	-	-	385,284
Construction in progress	28,082	35,700	-	63,782
Total property and equipment	3,511,884	316,417	-	3,828,301
Less accumulated depreciation	(1,320,893)	(139,910)	-	(1,460,803)
Capital Assets, net	\$ 2,190,991	\$ 176,507	\$ -	\$ 2,367,498

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2023, consists of the following:

Due to grantor government	\$ 798,230
Salaries and benefits	161,738
Vendor payables	122,910
Credit card liability	37,405
Due to authorizing agency	4,315
Total Accounts Payable	\$ 1,124,598

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2023, consists of \$1,595,154 in state funding received for programs treated as conditional contributions. Revenue will be recognized in a future period after the conditions have been substantially met.

NOTE 8 – LOAN PAYABLE

In March 2020, the Organization entered into a loan payable to Equitable Facilities Fund, Inc. (“EFF”) for a total of \$16,121,413. The loan is secured by a deed of trust for the property located at 2558 North San Fernando Road in Los Angeles, California, as well as a pledge of gross revenues from the Organization. The loan holds a maturity date of May 1, 2056 and bears an interest rate of 4.50%. During the fiscal year ended June 30, 2023, the Organization made payments of \$904,407, which included \$201,251 of principal and \$703,156 of interest expense. As of June 30, 2023, the outstanding balance on the loan was \$15,515,932. Repayment obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 210,497	\$ 693,910	\$ 904,407
2025	220,167	684,240	904,407
2026	230,281	674,126	904,407
2027	240,860	663,547	904,407
2028	251,926	652,481	904,407
Thereafter	14,362,201	10,885,839	25,248,040
Total	\$ 15,515,932	\$ 14,254,143	\$ 29,770,075

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 9 – NET ASSETS

As of June 30, 2023, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2023, the Organization’s net assets without donor restrictions consists of the following:

Net investment in capital assets	\$ 1,663,115
Undesignated	10,570,864
Total Net Assets without Donor Restrictions	<u>\$ 12,233,979</u>

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 5,404,460
Investments, at cost	6,500,000
Accounts receivable	1,374,529
Prepaid expenses	52,707
Total Financial Assets, excluding noncurrent	<u>\$ 13,331,696</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	<u>(1,595,154)</u>
Financial Assets available to meet cash needs	
 for expenditures within one year	<u>\$ 11,736,542</u>

NOTE 11 – EMPLOYEE RETIREMENT PLANS

In 2007, the Organization adopted a non-qualified 403(b) retirement plan (the Plan). The Plan covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their eligible compensation to the Plan. In 2013, the Organization also adopted a 401(a) retirement plan, which covers certain employees and is used as an incentive program for the Organization’s employees. The Organization’s contributions to each plan for the last three fiscal years were as follows:

	<u>403(b)</u>	<u>401(a)</u>
2022-23	\$ 51,211	\$ 247,364
2021-22	\$ 44,638	\$ 161,118
2020-21	\$ 43,282	\$ 142,155

NOTE 12 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Renaissance Arts Academy in an effort to advance the Organization’s programs and objectives. These services have not been recorded in the Organization’s financial statements because they do not meet the criteria required by generally accepted accounting principles. The Organization did not receive any donated items during the year ended June 30, 2023.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Renaissance Arts Academy is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the charter school is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Organization makes payments to the authorizing agency, LAUSD, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$51,431 and total expenses for special education amounted to \$99,492 for the fiscal year ending June 30, 2023.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date was extended to June 30, 2025. Refer to Note 15 for information on further extension by one-year.

Governmental Funds

Renaissance Arts Academy has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Joint Powers Agency (JPA)

During the year ended June 30, 2023, Renaissance Arts Academy participated in a joint venture with CharterSafe. CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Organization and the JPA is such that the JPA is not financially inter-related to the Organization for financial reporting purposes.

Litigation

The Organization was involved in litigation with Limai Education Inc. and the Limai Guarantors for the other parties' default under a sublease agreement for property located at 1800 Colorado Boulevard in Los Angeles, California. In June 2022, the Organization successfully negotiated buyout of its lease of this property and shortly thereafter was awarded a litigation settlement. The Organization was awarded the full amount of rent due from Limai on the sublease, plus legal fees. In June 2023, the Organization received the settlement payment of \$700,000 which has been recorded as revenue under other local sources on the consolidated statement of activities.

The Organization is susceptible to various other potential legal matters arising from the normal course of business. In the opinion of management and legal counsel, the disposition of any potential or threatening litigation is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2023.

NOTE 14 – INTERAGENCY TRANSACTIONS

Intercompany transactions and balances are eliminated in the consolidating financial statements to better reflect the true activities of the Organization as a whole.

RENAISSANCE ARTS ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 14 – INTERAGENCY TRANSACTIONS (continued)

All financial activity within RAA Innovation Support Corp. consisted of activity from the sole-member LLC, RAA 2558 San Fernando Road LLC. As of and for the fiscal year ended June 30, 2023, the following interagency transactions and balances existed:

- The LLC collected \$1,035,468 in rental income from the charter school. The rental income and related rent expense are eliminated for consolidation.
- The charter school collected \$136,460 from the LLC as reimbursement for repair and maintenance costs related to the leased facility. The local revenue and related expenses are eliminated for consolidation.
- For implementation of ASC 842 (see section O of Note 1), the charter school recorded a right-of-use asset and related operating lease liability associated with the multi-year lease agreement held with the LLC. The balances associated with ASC 842 are eliminated for consolidation. See additional information below related to the operating lease.

Operating Lease

In March 2020, the charter school entered into a lease agreement with the LLC for the charter school’s use and occupancy of property owned by the LLC. The property is secured by the debt disclosed at Note 8. The lease term ends on June 30, 2056.

At June 30, 2023, the right-of-use asset was \$19,676,620 and the operating lease liability was \$19,596,969 for Renaissance Arts Academy as seen on the consolidating statement of financial position (see supplementary information). The lease standard has been accounted for using an incremental borrowing rate of 4.50%. The associated right-of-use asset is amortized over the straight-line basis over the term of the lease. The following table shows the operating lease liability as the actual future lease payments less the net present value adjustment.

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payments</u>
2024	\$ 876,166
2025	955,817
2026	955,817
2027	955,817
2028	955,817
Thereafter	<u>26,762,870</u>
Total lease payments	<u>31,462,304</u>
NPV adjustment	<u>(11,865,335)</u>
Total Operating Lease Liability	<u>\$ 19,596,969</u>

NOTE 15 – SUBSEQUENT EVENTS

Renaissance Arts Academy has evaluated subsequent events for the period from June 30, 2023 through November 29, 2023, the date the consolidated financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2026.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**RENAISSANCE ARTS ACADEMY
LEA ORGANIZATION STRUCTURE
JUNE 30, 2023**

This schedule provides information about the local education agency (LEA or charter school), including the charter school's authorizing agency, grades served, members of the governing body, and members of the administration.

Renaissance Arts Academy, located in Los Angeles County, was formed as a nonprofit public benefit corporation on June 25, 2002. The charter school operated by the nonprofit, Renaissance Arts Academy, is numbered by the State Board of Education as Charter No. 0579. The charter school is authorized to operate as a charter school through the Los Angeles Unified School District. Classes began initially began in Fall 2003. The current charter petition end date is June 30, 2026. During 2022-23, Renaissance Arts Academy served over 450 students in grades TK to 12.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Justine Gonzalez	Chair	June 30, 2023
Anne Lee, Esq.	Secretary	June 30, 2023
Roy Cervantes	Trustee	June 30, 2023
Frank Gonzalez	Trustee	June 30, 2023
Kathleen Murphy	Trustee	June 30, 2023
Sharron Polk	Trustee	June 30, 2023

ADMINISTRATION

P.K. Candaux
Executive Director & Co-Founder

Sidnie Gallegos Myrick
Academic Director & Co-Founder

**RENAISSANCE ARTS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 146,536
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	19,293
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,492
<i>Education Stabilization Fund Discretionary Grants:</i>			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	172,714
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	164,151
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	191,240
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	54,067
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	12,409
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	32,245
Subtotal Education Stabilization Fund Discretionary Grants			<u>626,826</u>
<i>Passed through Los Angeles Unified School District:</i>			
Special Education IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	100,238
Total U. S. Department of Education			<u>904,385</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Needy	10.553	13526	38,832
National School Lunch Program	10.555	13391	64,026
Meal Supplements	10.555	13755	5,428
Subtotal Child Nutrition Cluster			<u>108,286</u>
Total U. S. Department of Agriculture			<u>108,286</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
<i>Direct funded</i>			
Promotion of the Arts Grants to Organizations and Individuals	45.024	*	50,000
Total National Endowment for the Humanities			<u>50,000</u>
Total Federal Expenditures			<u>\$ 1,062,671</u>

* - Pass-Through Entity Identifying Number not available or not applicable

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

RENAISSANCE ARTS ACADEMY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Renaissance Arts Academy (Charter No. 0579)			RAA Innovation Support Corp.	Eliminations	Consolidated Total
	General Operations	Conservatory	Total	RAA 2558 San Fernando Road LLC		
ASSETS						
Current assets						
Cash and cash equivalents	\$ 5,266,356	\$ (17,547)	\$ 5,248,809	\$ 155,651	\$ -	\$ 5,404,460
Investments	6,458,920	-	6,458,920	-	-	6,458,920
Accounts receivable	1,374,529	-	1,374,529	79,651	(79,651)	1,374,529
Prepaid expenses	52,707	-	52,707	-	-	52,707
Interagency receivable	49,663	-	49,663	-	(49,663)	-
Total current assets	13,202,175	(17,547)	13,184,628	235,302	(129,314)	13,290,616
Noncurrent assets						
Right-of-use asset	19,676,620	-	19,676,620	-	(19,676,620)	-
Capital assets, net	2,349,809	17,689	2,367,498	14,811,549	-	17,179,047
Total noncurrent assets	22,026,429	17,689	22,044,118	14,811,549	(19,676,620)	17,179,047
Total Assets	\$ 35,228,604	\$ 142	\$ 35,228,746	\$ 15,046,851	\$ (19,805,934)	\$ 30,469,663
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 1,124,456	\$ 142	\$ 1,124,598	\$ -	\$ -	\$ 1,124,598
Operating lease liability	19,596,969	-	19,596,969	-	(19,596,969)	-
Deferred revenue	1,595,154	-	1,595,154	-	-	1,595,154
Interagency payable	-	-	-	129,314	(129,314)	-
Loan payable	-	-	-	15,515,932	-	15,515,932
Total liabilities	22,316,579	142	22,316,721	15,645,246	(19,726,283)	18,235,684
Net assets						
Without donor restrictions	12,912,025	-	12,912,025	(598,395)	(79,651)	12,233,979
Total net assets	12,912,025	-	12,912,025	(598,395)	(79,651)	12,233,979
Total Liabilities and Net Assets	\$ 35,228,604	\$ 142	\$ 35,228,746	\$ 15,046,851	\$ (19,805,934)	\$ 30,469,663

**RENAISSANCE ARTS ACADEMY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Renaissance Arts Academy (Charter No. 0579)				RAA Innovation Support Corp.	Eliminations	Consolidated Total
	General Operations	Conservatory	Eliminations	Total	RAA 2558 San Fernando Road LLC		
WITHOUT DONOR RESTRICTIONS SUPPORT AND REVENUES							
Federal and state support and revenues							
Local control funding formula, state aid	\$ 3,738,257	\$ -	\$ -	\$ 3,738,257	\$ -	\$ -	\$ 3,738,257
Federal revenues	1,012,671	50,000	-	1,062,671	-	-	1,062,671
Other state revenues	2,141,714	-	-	2,141,714	-	-	2,141,714
Total federal and state support and revenues	6,892,642	50,000	-	6,942,642	-	-	6,942,642
Local support and revenues							
Payments in lieu of property taxes	1,404,865	-	-	1,404,865	-	-	1,404,865
Grants and donations	97,892	124,789	-	222,681	-	-	222,681
Rental income	-	-	-	-	1,035,468	(1,035,468)	-
Investment income, net	(11,862)	96	-	(11,766)	-	-	(11,766)
Other local revenues	861,004	268,248	(268,248)	861,004	-	(136,460)	724,544
Total local support and revenues	2,351,899	393,133	(268,248)	2,476,784	1,035,468	(1,171,928)	2,340,324
Total Support and Revenues	9,244,541	443,133	(268,248)	9,419,426	1,035,468	(1,171,928)	9,282,966
EXPENSES							
Program services	6,568,448	440,911	-	7,009,359	-	(955,817)	6,053,542
Supporting services							
Management and general	813,444	1,436	(268,248)	546,632	1,242,651	(136,460)	1,652,823
Fundraising	497	-	-	497	-	-	497
Total Expenses	7,382,389	442,347	(268,248)	7,556,488	1,242,651	(1,092,277)	7,706,862
CHANGE IN NET ASSETS	1,862,152	786	-	1,862,938	(207,183)	(79,651)	1,576,104
Net Assets - Beginning	11,049,873	(786)	-	11,049,087	(391,212)	-	10,657,875
Net Assets - Ending	\$ 12,912,025	\$ -	\$ -	\$ 12,912,025	\$ (598,395)	\$ (79,651)	\$ 12,233,979

**RENAISSANCE ARTS ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

	Second Period Report	Annual Report
Grade Span	Classroom-Based	
Regular		
Kindergarten* through third	92.95	93.48
Fourth through sixth	98.60	99.25
Seventh through eighth	75.54	75.78
Ninth through twelfth	135.30	135.25
Total Average Daily Attendance - Classroom-Based	402.39	403.76
Grade Span	Nonclassroom-Based	
Regular		
Kindergarten* through third	6.16	5.45
Fourth through sixth	5.98	5.34
Seventh through eighth	2.94	2.60
Ninth through twelfth	8.59	8.00
Total Average Daily Attendance - Nonclassroom-Based	23.67	21.39
Total Average Daily Attendance	426.06	425.15

*Includes Transitional Kindergarten (TK)

**RENAISSANCE ARTS ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

This schedule presents information on the amount of instructional time offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section 47612.5*.

Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Kindergarten*	36,000	55,170	178	Complied
Grade 1	50,400	55,170	178	Complied
Grade 2	50,400	61,370	178	Complied
Grade 3	50,400	61,370	178	Complied
Grade 4	54,000	61,370	178	Complied
Grade 5	54,000	61,370	178	Complied
Grade 6	54,000	61,370	178	Complied
Grade 7	54,000	67,770	178	Complied
Grade 8	54,000	67,770	178	Complied
Grade 9	64,800	67,770	178	Complied
Grade 10	64,800	67,770	178	Complied
Grade 11	64,800	67,770	178	Complied
Grade 12	64,800	67,770	178	Complied

*Includes Transitional Kindergarten (TK)

**RENAISSANCE ARTS ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023**

This schedule provides the information necessary to reconcile net position reported for the Charter Schools Enterprise Fund in the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements. Refer to the consolidating financial statements for audited net assets for Charter No. 0576.

June 30, 2023, net position in the Charter Schools Enterprise Fund per the Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 12,911,239</u>
Adjustments:	
Increase (decrease) in total net assets:	
Prior period adjustment - error correction	<u>786</u>
June 30, 2023, net assets per audited financial statements	<u>\$ 12,912,025</u>

OTHER INDEPENDENT AUDITORS' REPORTS

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

To the Board of Trustees of
Renaissance Arts Academy
Los Angeles, California

We have audited, 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, the consolidated financial statements of Renaissance Arts Academy (the "Organization") as of and for the year ended June 30, 2023, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
November 29, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Board of Trustees of
Renaissance Arts Academy
Los Angeles, California

Report on Compliance for Each Major Federal Program**Opinion on Each Major Federal Program**

We have audited Renaissance Arts Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Renaissance Arts Academy's major federal programs for the year ended June 30, 2023. Renaissance Arts Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Renaissance Arts Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Renaissance Arts Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Renaissance Arts Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Renaissance Arts Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Renaissance Arts Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists.

Auditor's Responsibilities for the Audit of Compliance (continued)

The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Renaissance Arts Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Renaissance Arts Academy's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Renaissance Arts Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Arts Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
November 29, 2023

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

To the Board of Trustees of
Renaissance Arts Academy
Los Angeles, California

Report on State Compliance**Opinion on State Compliance**

We have audited Renaissance Arts Academy's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Renaissance Arts Academy's state program requirements for the fiscal year ended June 30, 2023.

In our opinion, Renaissance Arts Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Renaissance Arts Academy and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Renaissance Arts Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Renaissance Arts Academy's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Renaissance Arts Academy's compliance based on our audit.

Auditor’s Responsibilities for the Audit for State Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Renaissance Arts Academy's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Renaissance Arts Academy's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Renaissance Arts Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Renaissance Arts Academy's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Renaissance Arts Academy’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

“Not applicable” is used in the table above to indicate that the charter school either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
November 29, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**RENAISSANCE ARTS ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

Consolidated Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
84.425, 84.425U Education Stabilization Fund Discretionary Grants	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**RENAISSANCE ARTS ACADEMY
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

All audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2023.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.