



RIVERHEAD

Charter School

RIVERHEAD CHARTER SCHOOL, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022



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RIVERHEAD CHARTER SCHOOL, INC.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
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Independent Auditors' Report

To the Board of Directors of
Riverhead Charter School, Inc.
3685 Middle Country Road
Calverton, New York 11933

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Riverhead Charter School, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and Government Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, on June 30, 2023, the School adopted new accounting guidance, Accounting Standards Codification ("ASC"), Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Corin E. Associates LLP

Bohemia, New York
August 14, 2023

RIVERHEAD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,592,376	\$ 11,145,909
Prepaid expenses.....	78,239	121,113
Accounts receivable.....	2,460,379	2,106,068
Grants receivable.....	581,391	354,368
	TOTAL CURRENT ASSETS	13,712,385
Property and equipment, net	18,456,135	17,095,167
Security deposit.....	39,900	259,900
Restricted cash	4,730,771	4,901,141
Operating lease right of use asset.....	2,090,864	1,491,048
	TOTAL ASSETS	\$ 39,030,055
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of bonds payable, net of unamortized bond issuance costs	\$ 319,075	\$ 309,076
Interest payable.....	550,046	559,565
Grant advances.....	-	64,747
Accounts payable and accrued expenses	1,976,725	1,560,702
Current portion of operating lease liability.....	230,380	156,261
	TOTAL CURRENT LIABILITIES	3,076,226
Bonds payable, net of current portion and unamortized bond issuance costs.....	17,992,704	18,321,779
Operating lease liability, net of current portion.....	1,869,890	1,334,787
	TOTAL LIABILITIES	22,938,820
Net Assets:		
Without donor restrictions.....	15,990,597	14,991,888
With donor restrictions	100,638	175,909
	TOTAL NET ASSETS	16,091,235
	TOTAL LIABILITIES AND NET ASSETS	\$ 39,030,055

The accompanying notes are an integral part of these financial statements.

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Tuition and program service income.....	\$ 15,819,730	\$ -	\$ 15,819,730
Government grants	739,973	-	739,973
Investment income	49,109	-	49,109
Other income.....	120,655	-	120,655
Net assets released from restriction	75,271	(75,271)	-
	<u>16,804,738</u>	<u>(75,271)</u>	<u>16,729,467</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES:			
Program services.....	14,000,648	-	14,000,648
Management and general.....	1,658,542	-	1,658,542
	<u>15,659,190</u>	<u>-</u>	<u>15,659,190</u>
TOTAL EXPENSES			
OTHER CHANGES IN NET ASSETS:			
Loss on non-refundable deposit.....	(146,839)	-	(146,839)
	<u>998,709</u>	<u>(75,271)</u>	<u>923,438</u>
CHANGE IN NET ASSETS			
Net assets, beginning of year.....	<u>14,991,888</u>	<u>175,909</u>	<u>15,167,797</u>
Net assets, end of year.....	<u>\$ 15,990,597</u>	<u>\$ 100,638</u>	<u>\$ 16,091,235</u>

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restricted</u>	<u>With Donor Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Tuition and Program service income	\$ 13,759,515	\$ 112,435	\$ 13,871,950
Government grants	455,674	-	455,674
Investment income	8,516	-	8,516
Other income.....	49,655	-	49,655
Net assets released from restriction	-	-	-
TOTAL SUPPORT AND REVENUE	14,273,360	112,435	14,385,795
EXPENSES:			
Program services.....	12,173,212	-	12,173,212
Management and general.....	1,247,624	-	1,247,624
TOTAL EXPENSES	13,420,836	-	13,420,836
CHANGE IN NET ASSETS	852,524	112,435	964,959
Net assets, beginning of year.....	14,139,364	63,474	14,202,838
Net assets, end of year.....	<u>\$ 14,991,888</u>	<u>\$ 175,909</u>	<u>\$ 15,167,797</u>

The accompanying notes are an integral part of these financial statements.

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services			Total	Management and General	Total
	No. of Positions	Regular Education	Special Education			
Personnel services costs						
Administrative staff personnel.....	27	\$ 1,185,159	\$ 109,690	\$ 1,294,849	933,146	\$ 2,227,995
Instructional personnel.....	126	5,126,941	156,612	5,283,553	-	5,283,553
Non-instructional personnel.....	4	145,540	6,140	151,680	21,516	173,196
Total salaries and staff.....	157	6,457,640	272,442	6,730,082	954,662	7,684,744
Fringe benefits and payroll taxes		2,022,590	85,331	2,107,921	299,009	2,406,930
Advertising.....		9,544	292	9,836	692	10,528
Occupancy.....		387,481	11,836	399,317	28,082	427,399
Contracted services.....		470,467	14,371	484,838	68,774	553,612
Travel and transportation.....		199,895	6,106	206,001	29,221	235,222
Supplies.....		540,834	16,521	557,355	79,060	636,415
Core curriculum.....		12,949	396	13,345	-	13,345
Telephone and communications.....		69,770	2,131	71,901	5,056	76,957
Repairs and maintenance.....		468,163	14,301	482,464	33,930	516,394
Equipment.....		10,414	318	10,732	755	11,487
Student meals.....		796,506	24,331	820,837	-	820,837
Depreciation and amortization.....		692,027	21,139	713,166	50,154	763,320
Interest expense, net of subsidized interest		1,060,132	32,384	1,092,516	76,833	1,169,349
Conferences.....		9,141	279	9,420	1,337	10,757
Recruitment.....		4,937	151	5,088	722	5,810
Insurance.....		139,604	4,264	143,868	10,118	153,986
Bad debt expense.....		-	-	-	-	-
Miscellaneous.....		137,753	4,208	141,961	20,137	162,098
		<u>\$ 13,489,847</u>	<u>\$ 510,801</u>	<u>\$ 14,000,648</u>	<u>\$ 1,658,542</u>	<u>\$ 15,659,190</u>

The accompanying notes are an integral part of these financial statements.

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services			Management and General	Total	
	No. of Positions	Regular Education	Special Education			Total
Personnel services costs						
Administrative staff personnel.....	24	\$ 1,076,411	\$ 38,314	\$ 1,114,725	\$ 654,056	\$ 1,768,781
Instructional personnel.....	82	4,695,209	167,124	4,862,333	-	4,862,333
Non-instructional personnel.....	2	90,034	3,205	93,239	10,203	103,442
Total salaries and staff.....	108	5,861,654	208,643	6,070,297	664,259	6,734,556
Fringe benefits and payroll taxes		2,039,551	72,597	2,112,148	231,128	2,343,276
Advertising.....		8,521	303	8,824	621	9,445
Occupancy.....		343,073	12,212	355,285	24,986	380,271
Contracted services.....		351,682	12,518	364,200	39,854	404,054
Travel and transportation.....		7,083	252	7,335	803	8,138
Supplies.....		268,227	9,547	277,774	30,396	308,170
Core curriculum.....		16,300	580	16,880	-	16,880
Telephone and communications.....		43,785	1,559	45,344	3,189	48,533
Repairs and maintenance.....		352,941	12,563	365,504	25,705	391,209
Equipment.....		7,462	266	7,728	543	8,271
Student meals.....		593,387	21,121	614,508	-	614,508
Depreciation and amortization.....		555,858	19,785	575,643	40,483	616,126
Interest expense, net of subsidized interest		1,064,767	37,900	1,102,667	77,547	1,180,214
Conferences.....		15,397	548	15,945	1,745	17,690
Recruitment.....		7,945	283	8,228	900	9,128
Insurance.....		91,931	3,272	95,203	6,695	101,898
Bad debt expense.....		-	-	-	84,577	84,577
Miscellaneous.....		125,241	4,458	129,699	14,193	143,892
		<u>\$ 11,754,805</u>	<u>\$ 418,407</u>	<u>\$ 12,173,212</u>	<u>\$ 1,247,624</u>	<u>\$ 13,420,836</u>

The accompanying notes are an integral part of these financial statements.

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 923,438	\$ 964,959
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation and amortization.....	763,320	616,126
Amortization of bond issuance costs.....	15,924	15,924
Noncash operating lease expense.....	9,406	-
Bad debt.....	-	84,577
<u>Changes in operating assets and liabilities:</u>		
Prepaid expenses.....	42,874	(65,097)
Accounts receivable.....	(354,311)	(1,424,913)
Grants receivable.....	(227,023)	(158,971)
Interest payable.....	(9,519)	(9,150)
Grant advances.....	(64,747)	64,747
Accounts payable and accrued expenses.....	416,023	237,909
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,515,385	326,111
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets.....	(2,124,288)	(1,470,175)
Security deposit refund/(payment).....	220,000	(20,000)
NET CASH USED IN INVESTING ACTIVITIES	(1,904,288)	(1,490,175)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bonds payable.....	(335,000)	(325,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(723,903)	(1,489,064)
Cash, cash equivalents, and restricted cash, beginning of year.....	16,047,050	17,536,114
Cash, cash equivalents, and restricted cash, end of year.....	<u>\$ 15,323,147</u>	<u>\$ 16,047,050</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 1,337,927</u>	<u>\$ 1,353,926</u>
PRESENTATION OF CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents.....	\$ 10,592,376	\$ 11,145,909
Restricted cash	4,730,771	4,901,141
Cash and cash equivalents, end of year	<u>\$ 15,323,147</u>	<u>\$ 16,047,050</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Riverhead Charter School, Inc. (hereinafter the "School") is presented to assist in understanding the School's financial statements. These financial statements and notes are representations of the School's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization: The School is a not-for-profit organization that was incorporated under Article 56 of the Education Law on February 1, 2001 pursuant to a five-year provisional charter granted by the Education Department of the State of New York ("NYSED"). The School's main objective is to offer students a true choice in public education, which promotes love of learning and local exploration. The School's goal is to provide a rigorous community of learning, which is inviting and stimulating to staff and parents, as well as students. The School intends to reverse the current spiral of student failure and meet or exceed State and federal standards, to nurture the individual gifts of every student, and to prepare them for a rewarding community life. Through fiscal 2013, the School was approved to provide education to children in kindergarten through sixth grade. Effective September 2013, the School received approval to expand its program to seventh grade, and effective September 2014, to eighth grade. On March 2, 2017, the School received approval to expand its maximum enrollment to 787 students and renovated its old school and administrative buildings to accommodate the extra classes. Effective September 2020, the School received approval to expand its program to ninth and tenth grades. Effective September 2022, the School received approval to expand its program to eleventh grade and moved the high school classes to a newly renovated high school building. Effective September 2023, the School received approval to expand its program to twelfth grade. The School's charter has been renewed by the Education Department of the State of New York through June 30, 2027.

Income Tax Status: The School is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported, as described in section 509(a). The School is also exempt from certain State and local taxes. The School evaluated for uncertain tax positions and has determined that there were no uncertain tax positions for 2023 and 2022. The School files a Form 990 and is exempt from filing a New York state return. The 990 is subject to review and examination by federal taxing authorities.

Recent Accounting Pronouncements: During the year ended June 30, 2023, the School adopted Accounting Standards Codification ("ASC"), Topic 842, *Leases*, for all material long-term operating leases. Under this new accounting pronouncement, the School recognized right-of-use assets and lease liabilities calculated based on the present value of the lease payments not yet paid, discounted using appropriate discount rates at the lease commencement dates. The right-of-use assets are initially equal to the lease liabilities plus any initial direct costs and prepaid lease payments, less any lease incentives received. Under this approach, amortization of right-of-use assets is charged to rent expense, which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis will be used. See Note 4 for related disclosures.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recorded as earned and expenses are recorded when incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Receivables: Tuition revenue is recognized ratably across the period in which the related educational instruction is provided.

The School recognizes revenue from government grants and state aid as revenue when eligible costs are incurred, or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned.

Performance obligations for all of the School's services are provided and consumed at a point in time, or over one year, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

Contributions and grants made to the School are recognized as revenue upon the receipt of cash or other assets or of unconditional pledges. Contributions are recorded as either with or without restriction depending on whether or not they are received with donor stipulations or time considerations as to their use. Furthermore, contributions received with restrictions are evaluated for donor intent as to whether such contributions must be maintained in perpetuity by the School or they can be expended at a future time or for a specific purpose stipulated by the donor. Contributions received whose restrictions expire within the same fiscal year are recorded as without restriction. Conditional contributions are recorded when the conditions have been met and, if received in advance, are recognized in the statements of financial position as funds received in advance. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is satisfied), net assets are reclassified from assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Deferred Revenue: The School recognizes, as deferred revenue, any amounts received in advance for the following year's tuition.

Cash Equivalents: For the purposes of the financial statements, cash equivalents represent money market funds with financial institutions.

Advertising: The School uses advertising to promote its program activities among the public it serves. The production costs of advertising are expensed as incurred.

Use of Estimates: The presentation 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounts Payable and Accrued Expenses: Accounts payable and accrued expenses on the statements of financial position include accrued salaries of \$907,676 and \$678,488 and contributions due to retirement plans of \$880,004 and \$739,579, for the years ended June 30, 2023 and 2022, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, specifically for not-for-profit organizations. The School is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations or other stipulations that may or will be met, either by action of the School and/or the passage of time. When a restriction expires, these net assets are reclassified annually to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donated Services: The School benefits from volunteer services in program and administrative duties from Board members and other volunteers. Even though these donated services are valuable to the School, and help to advance its mission, no amounts have been reflected in the financial statements for these contributed services inasmuch as such services do not meet the criteria for recognition in the financial statements under accounting principles generally accepted in the United States of America, nor do they create or enhance non-financial assets.

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based upon management estimates. The most significant expense allocations used in the preparation of these financial statements are as follows:

Salaries	Level of effort
Payroll taxes and fringes	Based upon salaries
Occupancy related costs/Interest.....	Square footage used

Leased Employees: The School has a contract with PrestigePEO (“Prestige”), a professional employer organization for leased employees. Prestige provides comprehensive human resource services to the School and is responsible for personnel, administrative, and benefits management functions, as well as payroll processing. Since Prestige is the employer of record for all employees assigned to the School, they are included in the Prestige quarterly Internal Revenue Service (“IRS”) Form 941, New York State Form NYS-45, and statutory New York State disability and workers compensation filings.

Property and Equipment: Property and equipment are stated at original cost. Those assets acquired by gift are carried at fair market value established at the date of acquisition.

Maintenance and repairs are charged to expense and betterments are capitalized. Depreciation expense is computed using the straight-line method over each asset’s estimated useful life as follows:

Building.....	25 - 39 years
Building improvements	10 - 25 years
Equipment	3.5 - 5 years

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Issuance Costs: Bond issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bond. Bond issuance costs are amortized on the straight-line basis over the term of the bond and are included in interest expense in the statements of functional expenses.

Subsequent Events: The School has evaluated events and transactions that occurred between July 1, 2023 and August 14, 2023 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2 - CONCENTRATIONS AND COMMITMENTS

The School maintains cash balances at banks which may, at times, exceed the \$250,000 Federal Deposit Insurance Corporation limit. Due to recent bank failures and other uncertainties affecting the banking sector, there may be greater financial and liquidity risk for uninsured deposits held at financial institutions. Although the FDIC has taken significant steps to protect uninsured deposits impacted by these bank failures, there are no assurances surrounding any potential future failures and their impacts on uninsured deposits in terms of both guarantees and the ability to access funds timely. This includes both operating cash and restricted cash.

Restricted cash consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Debt service reserve fund	\$ 2,020,878	\$ 2,020,776
Excess bond funds	2,016,976	2,704,552
Custody account	492,058	-
Charter dissolution account	100,859	75,813
Repair and Replacement fund	100,000	100,000
Total Restricted cash	<u>\$ 4,730,771</u>	<u>\$ 4,901,141</u>

During fiscal 2023, approximately 88% of the School's total support and revenue was comprised of tuition income from several Eastern Suffolk County school districts, the largest of which were: Riverhead Central School District (61%), William Floyd School District (12%), Longwood Central School District (8%), South Country Central School District (3%), and other school districts (4%). The remaining 12% was primarily comprised of revenue related to the School's Student Meal Program (6%), state and federal grants (5%), and other income (1%).

During fiscal 2022, approximately 91% of the School's total support and revenue was comprised of tuition income from several Eastern Suffolk County school districts, the largest of which were: Riverhead Central School District (61%), William Floyd School District (13%), Longwood Central School District (8%), South Country Central School District (3%), and other school districts (6%). The remaining 9% was primarily comprised of revenue related to the School's Student Meal Program (5%), state and federal grants (3%), and other income (1%).

The School has entered into a collective bargaining agreement with its teachers and teacher assistants through the Teachers' Association. The current agreement expires on June 30, 2026 and provides for raises of 3% each year.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 - CONCENTRATIONS AND COMMITMENTS (continued)

During December 2022, the School entered into an employment agreement (the "Agreement") with its Superintendent covering the period from July 1, 2022 through June 30, 2027. The Agreement calls for a 5% increase in the Superintendent's base salary for the year ended June 30, 2023, with annual increases of 3% for each year thereafter through the expiration of the Agreement. The Agreement is terminable by the School with 45 days written notice or with no notice for cause, as outlined in the Agreement. The Superintendent can terminate the Agreement at the end of a school year with at least six months written notice.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2023	2022
Land	\$ 794,457	\$ 794,457
Construction in Progress	-	1,389,460
Building	19,302,821	19,302,821
Building improvements.....	4,383,967	1,160,012
Equipment.....	957,364	667,570
Total cost.....	25,438,609	23,314,320
Less accumulated depreciation and amortization.....	(6,982,474)	(6,219,154)
Net property and equipment.....	\$ 18,456,135	\$ 17,095,166

NOTE 4 - OPERATING LEASE

During May 2021, the School entered into a 120-month lease for space in Riverhead, New York. Monthly payments were to be \$15,000 for the term of the lease. An amendment to the lease was agreed upon during February 2023 which expanded the space under lease. The amended terms call for monthly payments of \$23,000 from February 2023 through July 2023 and monthly payments of \$25,000 from August 2023 through June 2031, the end of the lease. During the years ended June 30, 2023 and 2022, lease expense relating to the lease was recorded in the amount of \$229,406 and \$180,000 within occupancy on the statements of functional expenses, respectively. During the years ended June 30, 2023 and 2022, there were lease payments relating to the lease in the amount of \$220,000 and \$180,000, respectively. As of June 30, 2023, the approximate future minimum annual lease obligations on the lease are as follows for the years ending June 30,:

2024	\$ 298,000
2025	300,000
2026	300,000
2027	300,000
2028	300,000
Thereafter	900,000
Total	2,398,000
Less: present value discount	(297,730)
Present value of future minimum lease obligations.....	\$ 2,100,270

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 4 - OPERATING LEASE (continued)

Short-term lease liabilities	\$	230,380
Long-term lease liabilities.....		1,869,890
Total lease liabilities	\$	2,100,270
 Months remaining		 96
Discount rate at commencement		3.43%

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable consisted of the following as of June 30,:

	2023	2022
Tuition receivable from school districts	\$ 2,116,721	\$ 1,710,426
NYSED	190,835	321,804
Subsidized interest receivable	152,823	73,838
Total accounts receivable.....	\$ 2,460,379	\$ 2,106,068

The School uses the allowance method to determine uncollectible accounts and grants receivable. The allowance for doubtful accounts is based primarily on the School’s collection efforts and management’s analysis of specific outstanding balances. The School does not impose interest or finance charges on overdue receivable balances. Collectability is assessed on an individual account basis, and uncollectible accounts are written off against the allowance after approval by the School Board. As of both June 30, 2023 and 2022, there was no allowance for doubtful accounts.

NOTE 6 - GRANTOR RESTRICTIONS

Financial awards from governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the School for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NYSED requires all charter schools to maintain \$100,000 in a separate account to cover the cost of a potential closure should the School’s charter not be renewed. This amount has to be maintained even when the Charter is renewed and has accordingly been included, along with accumulated interest, in restricted cash on the School’s statements of financial position as of June 30, 2023 and 2022. See Note 2 for more information.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 7 - BONDS PAYABLE

On August 22, 2013, the School issued education revenue bonds through the Riverhead IDA Economic Job Development Corporation in the amount of \$21,105,000 to fund the construction of a 50,000 square foot two-story building and related infrastructure to be used as a school building to replace modular buildings located on the School’s six-acre campus.

The bonds are comprised of \$16,105,000 of Series A tax-exempt bonds (“Series A Bonds”) with maturities ranging from August 1, 2015 through August 1, 2048, bearing interest between 3% and 7.04% and \$5,000,000 of Series B federally taxable qualified school construction bonds (“Series B Bonds”) that bear interest at 7.65% and mature on August 1, 2034. Interest on the bonds are payable semi-annually on February 1st and August 1st of each year, commencing February 1, 2014. In addition, the School is required to meet certain financial and reporting covenants, which includes a deadline for filing the School’s audited financial statements within 45 days of the end of its fiscal year.

Pursuant to the bond agreement, the proceeds of the loan were utilized as follows:

	Series A Tax-Exempt	Series B Taxable	Total
Financing building construction.....	\$ 9,200,000	\$ 4,900,000	\$ 14,100,000
Repayment of Edison Debt.....	3,195,164	-	3,195,164
Debt service reserve fund	1,502,925	500,000	2,002,925
Fund Capital interest through			
February 15, 2015.....	1,545,978	-	1,545,978
Original Issue Discount	182,411	-	182,411
Issuance costs	627,630	145,492	773,122
Total.....	16,254,108	5,545,492	21,799,600
Paid directly by the School.....	(149,108)	(545,492)	(694,600)
Funded through bond issuance.....	\$ 16,105,000	\$ 5,000,000	\$ 21,105,000

Any excess bond funds at the completion of the projects will be used for the early retirement of debt as determined by the Trustee. As of June 30, 2023 and 2022, there were \$506,995 and \$506,970 of excess bond funds available, respectively.

The bonds are secured by all of the assets of the School and provide for a lien on gross revenue, a mortgage on the property, and a guarantee by the School. The debt service reserve fund outlined above, must be maintained by the School with the Custodian until all obligations have been repaid. The Series B Bonds provide for direct interest subsidy payments from the US Treasury at the lesser of the tax credit rate at the time of issuance or the 7.65% issuance rate. The bond provided for interest only payments until 2016, at which time the principal began being repaid over the life of the bond based upon specific payment amounts as outlined in the bond agreement.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 7 - BONDS PAYABLE (continued)

The bond retirements pursuant to the bond agreement are as follows for the years ending June 30:

	<u>Gross</u>	<u>Amortization</u>	<u>Net</u>
2024.....	\$ 350,000	\$ (15,924)	\$ 334,076
2025.....	365,000	(15,924)	349,076
2026.....	380,000	(15,924)	364,076
2027.....	395,000	(15,924)	379,076
2028.....	410,000	(15,924)	394,076
Thereafter	16,795,000	(303,601)	16,491,399
Total before debt issuance costs.....	18,695,000	<u>\$ (383,221)</u>	<u>\$ 18,311,779</u>
Less: unamortized debt issuance costs.....	(383,221)		
Total	<u>\$ 18,311,779</u>		

The School can redeem the Series A Bonds at any time subsequent to August 1, 2023 without penalty. The maturities of the outstanding debt at that time are \$1,630,000 at August 1, 2033, \$7,295,000 at August 1, 2043, and \$6,330,000 at August 1, 2048. Early redemption of the Series B Bonds can occur subsequent to August 1, 2018 at a premium commencing at 103.5% at August 1, 2018, decreasing to no premium at August 1, 2023. The School must maintain certain financial ratios pursuant to the bond agreement.

Interest expense incurred for the year ended June 30, 2023 and 2022 on the Series 2013 Bonds totaled \$1,337,927 and \$1,360,701, respectively. As of June 30, 2023 and 2022, the School reported interest earned on Federal Subsidy interest income of \$168,578 and \$180,487, respectively. Federal Subsidy interest was offset against interest expense on the statements of functional expenses for both the years ended June 30, 2023 and 2022.

Additionally, the IDA requires the School to maintain a Repair and Replacement Fund of \$100,000 in a separate account for as long as the bonds are outstanding. The Repair and Replacement Fund will only be used to pay capital related expenses incurred for maintenance and betterment of the project. Withdrawals from the fund require approval of the Trustee and must meet certain criteria as outlined in the loan agreement. As of both June 30, 2023 and 2022, no funds had been drawn against this fund.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The School's net assets with donor restrictions are to fund the School's National School Lunch Program. Net assets with donor restrictions were \$100,638 and \$175,909 as of June 30, 2023 and 2022, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 9 - RETIREMENT PLANS

The School participates in the New York State Teachers' Retirement System ("TRS") and New York State and Local Employees' Retirement System ("ERS"), collectively (the "Systems"), which are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, as well as vesting of retirement, death and disability benefits. TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees.

No employee contribution is required for those employees whose service began prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% (ERS) or 3.5% (TRS) of compensation throughout their active membership in the Systems. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the School to the pension accumulation fund. The contribution rates for ERS vary depending on the participant's tier. The ERS average contribution rate was 11.6% and 16.2% as of June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, required contributions for ERS were \$80,705 and \$83,285, respectively. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 10.29% and 9.80% of the annual covered payroll as of June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, the required contributions for TRS totaled \$605,241 and \$492,784, respectively. Accrued employer contributions due to TRS of \$849,477 and \$716,990 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2023 and 2022, respectively. Accrued employer contributions due to ERS of \$30,527 and \$22,589 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2023 and 2022, respectively.

NOTE 10 - LITIGATION

From time to time the School is subject to certain claims or litigation in the normal course of its operations. The School is not aware of any claims for the years ended June 30, 2023 and 2022.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the School's financial assets as of June 30,:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,592,376	\$ 11,145,909
Accounts receivable	2,460,379	2,106,068
Grants receivable	581,391	354,368
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,634,146</u>	<u>\$ 13,606,345</u>

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$3,700,000 net of non-cash expenses).

NOTE 12 - FINANCIAL IMPACTS OF COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The School is anticipating that there will be no decline in its tuition revenue and as such, it is not anticipated that the impact of the COVID-19 pandemic will have a significant long-term impact on the School's financial position or operations.

As a result of the American Rescue Plan and Secondary School Emergency Relief ("ARP ESSER") Act of 2021, the School has budgeted \$727,591 for funds to help the School to safely reopen. The funding allows for expenses that reduce the pandemic's impact on students and schools; these expenses need to be incurred by September 30, 2023. During the years ended June 30, 2023 and 2022, the School utilized \$200,203 and \$269,785, of this funding, respectively, which is included in government grants on the Statement of Activities.

As a result of the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act of 2021 the School has budgeted \$323,736 for funds to prevent, prepare for, and respond to the coronavirus. The funding has to be used by September 30, 2023. During the year ended June 30, 2023, the School utilized \$300,694 of this funding, which is included in government grants on the Statement of Activities. During the year ended June, 30 2022, the School did not utilize any of the funding.

OTHER FINANCIAL INFORMATION

**Report On Internal Control Over Financial Reporting and On
Compliance and Other Matters Based on an Audit of
Financial Statements Performed In Accordance
With *Government Auditing Standards***



Independent Auditor's Report

To the Board of Directors
Riverhead Charter School, Inc.
3685 Middle Country Road
Calverton, New York 11933

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 Riverhead Charter School, Inc. (hereinafter the "School"), which comprise the statement of financial position as of June 30, 2023, 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 August 14, 2023.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 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 result of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Corin & Associates LLP

Bohemia, New York
August 14, 2023

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023*

Section I - Findings of Financial Statement Audit

There were no findings and questioned costs for the year ended June 30, 2023.

RIVERHEAD CHARTER SCHOOL, INC.

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023*

Section II - Prior Audit Findings of Financial Statement Audit

There were no findings and questioned costs for the year ended June 30, 2022.