



RIVERHEAD

Charter School

RIVERHEAD CHARTER SCHOOL, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS*

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



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RIVERHEAD CHARTER SCHOOL, INC.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
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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, 2024 and 2023, 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, 2024 and 2023, 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 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 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.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024 on our consideration of Riverhead Charter School, Inc.'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 Riverhead Charter School, Inc.'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 Riverhead Charter School, Inc.'s internal control over financial reporting and compliance.

Corin E. Associates LLP

Bohemia, New York
August 15, 2024

RIVERHEAD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

2024

2023

ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,773,298	\$ 10,592,376
Accounts receivable.....	2,603,054	2,460,379
Grants receivable.....	412,210	581,391
Prepaid expenses.....	33,392	78,239
	TOTAL CURRENT ASSETS	16,821,954
Restricted cash	3,839,185	4,730,771
Security deposit.....	77,275	39,900
Property and equipment, net	17,871,908	18,456,135
Operating lease right of use asset.....	1,859,909	2,090,864
	TOTAL ASSETS	\$ 40,470,231
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of bonds payable, net of unamortized bond issuance costs	\$ 349,075	\$ 319,075
Interest payable.....	540,035	550,046
Current portion of operating lease liability.....	240,477	230,380
Accounts payable and accrued expenses	2,339,132	1,976,725
Grant advances.....	9,277	-
	TOTAL CURRENT LIABILITIES	3,477,996
Bonds payable, net of current portion and unamortized bond issuance costs.....	17,628,629	17,992,704
Operating lease liability, net of current portion.....	1,629,413	1,869,890
	TOTAL LIABILITIES	22,736,038
Net Assets:		
Without donor restrictions.....	17,734,193	15,990,597
With donor restrictions	-	100,638
	TOTAL NET ASSETS	17,734,193
	TOTAL LIABILITIES AND NET ASSETS	\$ 40,470,231

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

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Tuition and program service income.....	\$ 18,239,584	\$ -	\$ 18,239,584
Government grants	475,411	-	475,411
Investment income	412,233	-	412,233
Other income.....	85,891	-	85,891
Net assets released from restriction	100,638	(100,638)	-
TOTAL SUPPORT AND REVENUE	19,313,757	(100,638)	19,213,119
EXPENSES:			
Program services.....	15,608,769	-	15,608,769
Management and general.....	1,961,392	-	1,961,392
TOTAL EXPENSES	17,570,161	-	17,570,161
CHANGE IN NET ASSETS	1,743,596	(100,638)	1,642,958
Net assets, beginning of year.....	15,990,597	100,638	16,091,235
Net assets, end of year.....	\$ 17,734,193	\$ -	\$ 17,734,193

RIVERHEAD CHARTER SCHOOL, INC.

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

	Without Donor Restricted	With Donor Restricted	Total
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)	-
TOTAL SUPPORT AND REVENUE	16,804,738	(75,271)	16,729,467
EXPENSES:			
Program services.....	14,000,648	-	14,000,648
Management and general.....	1,658,542	-	1,658,542
TOTAL EXPENSES	15,659,190	-	15,659,190
OTHER CHANGES IN NET ASSETS:			
Loss on non-refundable deposit.....	(146,839)	-	(146,839)
CHANGE IN NET ASSETS	998,709	(75,271)	923,438
Net assets, beginning of year.....	14,991,888	175,909	15,167,797
Net assets, end of year.....	\$ 15,990,597	\$ 100,638	\$ 16,091,235

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services				Management and General	Total
	No. of Positions	Regular Education	Special Education	Total		
Personnel services costs						
Administrative staff personnel.....	28	\$ 1,330,790	\$ 145,192	\$ 1,475,982	\$ 1,041,409	\$ 2,517,391
Instructional personnel.....	110	5,589,268	168,769	5,758,037		5,758,037
Non-instructional personnel.....	5	204,093	6,163	210,256		210,256
Total salaries and staff.....	143	7,124,151	320,124	7,444,275	1,041,409	8,485,684
Fringe benefits and payroll taxes		2,158,430	96,989	2,255,419	315,520	2,570,939
Interest expense, net of subsidized interest		1,110,847	33,542	1,144,389	80,481	1,224,870
Student meals.....		952,049	28,747	980,796	-	980,796
Depreciation and amortization.....		777,666	23,482	801,148	56,342	857,490
Contracted services.....		599,142	18,091	617,233	227,246	844,479
Repairs and maintenance.....		543,073	16,398	559,471	39,345	598,816
Supplies.....		469,804	14,186	483,990	67,707	551,697
Occupancy.....		466,471	14,085	480,556	33,796	514,352
Travel and transportation.....		353,152	10,664	363,816	50,896	414,712
Miscellaneous.....		203,971	6,159	210,130	29,396	239,526
Insurance.....		110,889	3,348	114,237	8,034	122,271
Telephone and communications.....		85,960	2,596	88,556	6,228	94,784
Advertising.....		23,339	705	24,044	1,691	25,735
Conferences.....		13,902	420	14,322	2,003	16,325
Equipment.....		13,466	407	13,873	976	14,849
Core curriculum.....		9,913	299	10,212	-	10,212
Recruitment.....		2,235	67	2,302	322	2,624
		<u>\$ 15,018,460</u>	<u>\$ 590,309</u>	<u>\$ 15,608,769</u>	<u>\$ 1,961,392</u>	<u>\$ 17,570,161</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
Interest expense, net of subsidized interest		1,060,132	32,384	1,092,516	76,833	1,169,349
Student meals.....		796,506	24,331	820,837	-	820,837
Depreciation and amortization.....		692,027	21,139	713,166	50,154	763,320
Contracted services.....		470,467	14,371	484,838	68,774	553,612
Repairs and maintenance.....		468,163	14,301	482,464	33,930	516,394
Supplies.....		540,834	16,521	557,355	79,060	636,415
Occupancy.....		387,481	11,836	399,317	28,082	427,399
Travel and transportation.....		199,895	6,106	206,001	29,221	235,222
Miscellaneous.....		137,753	4,208	141,961	20,137	162,098
Insurance.....		139,604	4,264	143,868	10,118	153,986
Telephone and communications.....		69,770	2,131	71,901	5,056	76,957
Advertising.....		9,544	292	9,836	692	10,528
Conferences.....		9,141	279	9,420	1,337	10,757
Equipment.....		10,414	318	10,732	755	11,487
Core curriculum.....		12,949	396	13,345	-	13,345
Recruitment.....		4,937	151	5,088	722	5,810
		<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.

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

2024

2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$ 1,642,958	\$ 923,438
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation and amortization.....	857,490	763,320
Amortization of bond issuance costs.....	15,925	15,924
Noncash operating lease expense.....	575	9,406

Changes in operating assets and liabilities:

Accounts receivable.....	(142,675)	(354,311)
Grants receivable.....	169,181	(227,023)
Prepaid expenses.....	44,847	42,874
Interest payable.....	(10,011)	(9,519)
Accounts payable and accrued expenses.....	362,407	416,023
Grant advances.....	9,277	(64,747)

NET CASH PROVIDED BY OPERATING ACTIVITIES	2,949,974	1,515,385
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets.....	(273,263)	(2,124,288)
Security deposit (payment)/refund.....	(37,375)	220,000

NET CASH USED IN INVESTING ACTIVITIES	(310,638)	(1,904,288)
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NET CASH USED IN FINANCING ACTIVITIES:

Repayment of bonds payable.....	(350,000)	(335,000)
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NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,289,336	(723,903)
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Cash, cash equivalents, and restricted cash, beginning of year.....	15,323,147	16,047,050
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Cash, cash equivalents, and restricted cash, end of year.....	\$ 17,612,483	\$ 15,323,147
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SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$ 1,535,836	\$ 1,337,927
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PRESENTATION OF CASH ON THE STATEMENTS OF FINANCIAL POSITION:

Cash and cash equivalents.....	\$ 13,773,298	\$ 10,592,376
Restricted cash	3,839,185	4,730,771

Cash and cash equivalents, end of year	\$ 17,612,483	\$ 15,323,147
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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 New York State Education Department ("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 2024 and 2023. 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: Effective for the year ended June 30, 2024, the School adopted Accounting Standards Codification ("ASC") 326, *Measurement of Credit Losses on Financial Instruments*, for all assets held at amortized cost basis. Under this accounting standard, the pronouncement requires the School to record an estimate of all expected future credit losses. The allowance for credit losses will be a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. The adoption of the standard did not have an impact on the financial statements for the years ended June 30, 2024 and 2023.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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: As of June 30, 2024 and 2023, accounts payable and accrued expenses on the statements of financial position include accrued salaries of \$994,984 and \$907,676, contributions due to retirement plans of \$978,219 and \$880,004, accrued payroll taxes and other payroll liabilities of \$85,990 and \$81,417, and other amounts of \$279,939 and \$107,628, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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
Contracted services	Level of effort

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, 2024 AND 2023**

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, 2024 and August 15, 2024 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 ("FDIC") 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>2024</u>	<u>2023</u>
Debt service reserve fund	\$ 2,020,979	\$ 2,020,878
Excess bond funds	1,123,945	2,016,976
Custody account	493,398	492,058
Charter dissolution account	100,863	100,859
Repair and replacement fund	100,000	100,000
Total restricted cash	<u>\$ 3,839,185</u>	<u>\$ 4,730,771</u>

During fiscal 2024, approximately 90% 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 (64%), William Floyd School District (12%), Longwood Central School District (9%), South Country Central School District (2%), and other school districts (3%). The remaining 10% was primarily comprised of revenue related to the School's Student Meal Program (5%), state and federal grants (2%), and other income (3%).

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%).

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 2 - CONCENTRATIONS AND COMMITMENTS (continued)

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.

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, NET

Property and equipment, net consisted of the following at June 30:

	2024	2023
Land	\$ 794,457	\$ 794,457
Building	19,302,821	19,302,821
Building improvements.....	4,383,967	4,383,967
Equipment.....	1,230,627	957,364
Total cost.....	25,711,872	25,438,609
Less accumulated depreciation and amortization.....	(7,839,964)	(6,982,474)
Net property and equipment.....	\$ 17,871,908	\$ 18,456,135

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, 2024 and 2023, lease expense relating to the lease was recorded in the amount of \$298,574 and \$229,406 within the occupancy line on the statements of functional expenses, respectively. During the years ended June 30, 2024 and 2023, there were lease payments relating to the lease in the amount of \$298,000 and \$220,000, respectively. The components of lease expense in accordance with ASC 842 are as follows for the years ended June 30,:

	2024	2023
Amortization of ROU Asset.....	\$ 230,954	\$ 183,303
Lease Liability Accretion	67,620	46,103
Total Lease Expense	\$ 298,574	\$ 229,406

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 4 - OPERATING LEASE (continued)

The approximate future minimum annual lease obligations for the lease is as follows for the years ending June 30,:

2025	\$	300,000
2026		300,000
2027		300,000
2028		300,000
2029		300,000
Thereafter		600,000
Total		2,100,000
Less: Present value discount		(230,110)
Present Value	\$	1,869,890

Short-term lease liabilities	\$	240,477
Long-term lease liabilities		1,629,413
Total lease liabilities	\$	1,869,890

Months remaining		84
Percentage of total		100%
Discount rate at commencement		3.43%
Weighted average remaining lease term		84
Weighted average discount rate		3.43%

NOTE 5 - ACCOUNTS RECEIVABLE, NET

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

	2024	2023
Tuition receivable from school districts	\$ 2,180,219	\$ 2,116,721
NYSED	197,032	190,835
Subsidized interest receivable	225,803	152,823
Total accounts receivable, net	\$ 2,603,054	\$ 2,460,379

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 June 30, 2024, the allowance for doubtful accounts was \$108,350, relating to accounts receivable from NYSED. As of June 30 2023, there was no allowance for doubtful accounts.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023. There was no interest earned on the account during the years ended June 30, 2024 and 2023. See Note 2 for more information.

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 3.00% 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:

	<u>Series A</u> <u>Tax-Exempt</u>	<u>Series B</u> <u>Taxable</u>	<u>Total</u>
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.....	<u>16,254,108</u>	<u>5,545,492</u>	<u>21,799,600</u>
Paid directly by the School.....	<u>(149,108)</u>	<u>(545,492)</u>	<u>(694,600)</u>
Funded through bond issuance.....	<u>\$ 16,105,000</u>	<u>\$ 5,000,000</u>	<u>\$ 21,105,000</u>

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, 2024 and 2023, there were \$1,123,945 and \$2,016,976 of excess bond funds available, respectively.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 7 - BONDS PAYABLE (continued)

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.

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>
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
2029.....	425,000	(15,924)	409,076
Thereafter	<u>16,370,000</u>	<u>(287,676)</u>	<u>16,082,324</u>
Total before debt issuance costs.....	18,345,000	<u>\$ (367,296)</u>	<u>\$ 17,977,704</u>
Less: unamortized debt issuance costs.....	(367,296)		
Total	<u>\$ 17,977,704</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, 2024 and 2023 on the Series 2013 Bonds totaled \$1,314,011 and \$1,337,927, respectively. As of June 30, 2024 and 2023, the School reported interest earned on Federal Subsidy interest income of \$156,761 and \$168,578, respectively. Federal Subsidy interest was offset against interest expense on the statements of functional expenses for both the years ended June 30, 2024 and 2023.

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 June 30, 2024 and 2023, no funds had been drawn against this fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The School's net assets with donor restrictions are used to fund the School's National School Lunch Program. There were no remaining net assets with donor restrictions as of June 30, 2024. There were \$100,638 of net assets with donor restrictions remaining as of June 30, 2023.

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 13.1% and 11.6% as of June 30, 2024 and 2023, respectively. For the years ended June 30, 2024 and 2023, required contributions for ERS were \$114,472 and \$80,705, 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 9.76% and 10.29% of the annual covered payroll as of June 30, 2024 and 2023, respectively. For the years ended June 30, 2024 and 2023, the required contributions for TRS totaled \$610,469 and \$605,241, respectively. Accrued employer contributions due to TRS of \$935,547 and \$849,477 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2024 and 2023, respectively. Accrued employer contributions due to ERS of \$42,672 and \$30,527 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2024 and 2023, respectively.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 10 - AVAILABILITY AND LIQUIDITY

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 13,773,298	\$ 10,592,376
Accounts receivable, net.....	2,603,054	2,460,379
Grants receivable.....	412,210	581,391
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 16,788,562</u>	<u>\$ 13,634,146</u>

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$4,100,000 net of non-cash expenses).

**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, 2024, 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 15, 2024.

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 15, 2024