RIVERHEAD
Charter School

RIVERHEAD CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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RIVERHEAD CHARTER SCHOOL, INC.

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CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2026 and 2025, 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, 2026 and 2025, 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 audits 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 Audits 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 audits. 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 Audits 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 audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2026 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 the School's internal control over financial reporting and compliance.

Cerini & Associates LLP

Bohemia, New York
October 30, 2026

STATEMENTS OF FINANCIAL POSITION

JUNE 30,	*2026*	*2025*
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 17,954,403	$ 14,481,872
Accounts receivable	3,385,405	5,294,824
Grants receivable	135,887	161,718
Prepaid expenses	20,880	2,234
TOTAL CURRENT ASSETS	21,496,575	19,940,648
Restricted cash	2,412,909	3,304,966
Security deposit	112,529	512,275
Property and equipment, net	20,736,739	16,986,056
Operating lease right of use asset	1,567,314	1,620,857
TOTAL ASSETS	$ 46,326,066	$ 42,364,802
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of bonds payable, net of unamortized bond issuance costs	$ 393,377	$ 349,075
Interest payable	349,599	514,248
Current portion of operating lease liability	303,249	240,477
Accounts payable and accrued expenses	2,578,819	2,648,823
Grant advances	393	393
TOTAL CURRENT LIABILITIES	3,625,437	3,753,016
Bonds payable, net of current portion and unamortized bond issuance costs	15,835,909	16,774,553
Operating lease liability, net of current portion	1,271,193	1,388,935
TOTAL LIABILITIES	20,732,539	21,916,504
Net Assets:		
Without donor restrictions	25,593,527	20,448,298
TOTAL NET ASSETS	25,593,527	20,448,298
TOTAL LIABILITIES AND NET ASSETS	$ 46,326,066	$ 42,364,802

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
REVENUE AND SUPPORT:			
Tuition and program service income	$ 24,154,245	$ -	$ 24,154,245
Government grants	169,790	-	169,790
Investment income	447,564	-	447,564
Other income	73,516	-	73,516
Net assets released from restriction	-	-	-
TOTAL REVENUE AND SUPPORT	24,845,115	-	24,845,115
EXPENSES:			
Program services	17,465,356	-	17,465,356
Management and general	1,883,158	-	1,883,158
TOTAL EXPENSES	19,348,514	-	19,348,514
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	5,496,601	-	5,496,601
OTHER CHANGES IN NET ASSETS:			
Loss on refund of bond	(351,372)	-	(351,372)
CHANGE IN NET ASSETS	5,145,229	-	5,145,229
Net assets, beginning of year	20,448,298	-	20,448,298
Net assets, end of year	$ 25,593,527	$ -	$ 25,593,527

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
REVENUE AND SUPPORT:			
Tuition and Program service income	$ 20,986,738	$ -	$ 20,986,738
Government grants	227,905	-	227,905
Investment income	460,262	-	460,262
Other income	138,035	-	138,035
Net assets released from restriction	-	-	-
TOTAL SUPPORT AND REVENUE	21,812,940	-	21,812,940
EXPENSES:			
Program services	16,757,132	-	16,757,132
Management and general	2,341,703	-	2,341,703
TOTAL EXPENSES	19,098,835	-	19,098,835
CHANGE IN NET ASSETS	2,714,105	-	2,714,105
Net assets, beginning of year	17,734,193	-	17,734,193
Net assets, end of year	$ 20,448,298	$ -	$ 20,448,298

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026

		Program Services				
	No. of Positions	Regular Education	Special Education	Total	Management and General	Total
Personnel services costs:						
Administrative staff personnel	35	$ 1,813,399	$ 230,207	$ 2,043,606	$ 1,001,669	$ 3,045,275
Instructional personnel	103	6,261,255	196,518	6,457,773	-	6,457,773
Non-instructional personnel	4	217,117	6,814	223,931	-	223,931
Total salaries and staff	142	8,291,771	433,539	8,725,310	1,001,669	9,726,979
Fringe benefits and payroll taxes		2,687,996	140,543	2,828,539	324,717	3,153,256
Student meals		1,121,510	35,200	1,156,710	-	1,156,710
Interest expense, net of subsidized interest		806,074	25,300	831,374	53,066	884,440
Depreciation and amortization		748,658	23,498	772,156	49,287	821,443
Repairs and maintenance		615,752	19,326	635,078	40,537	675,615
Occupancy		543,457	17,057	560,514	35,777	596,291
Travel and transportation		492,328	15,452	507,780	56,420	564,200
Supplies		481,703	15,119	496,822	55,202	552,024
Contracted services		292,752	9,188	301,940	196,917	498,857
Miscellaneous		222,845	6,994	229,839	25,538	255,377
Insurance		179,078	5,621	184,699	11,789	196,488
Telephone and communications		85,229	2,675	87,904	5,611	93,515
Advertising		59,639	1,872	61,511	3,926	65,437
Conferences		54,339	1,705	56,044	6,227	62,271
Core curriculum		23,258	730	23,988	-	23,988
Bad debt expense		-	-	-	16,146	16,146
Equipment		4,981	156	5,137	328	5,465
Recruitment		11	-	11	1	12
		$ 16,711,381	$ 753,975	$ 17,465,356	$ 1,883,158	$ 19,348,514

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Services				
	No. of Positions	Regular Education	Special Education	Total	Management and General	Total
Personnel services costs						
Administrative staff personnel	28	$ 1,585,482	$ 179,488	$ 1,764,970	$ 1,226,505	$ 2,991,475
Instructional personnel	112	5,996,484	185,458	6,181,942	-	6,181,942
Non-instructional personnel	4	222,635	6,886	229,521	-	229,521
Total salaries and staff	144	7,804,601	371,832	8,176,433	1,226,505	9,402,938
Fringe benefits and payroll taxes		2,479,463	118,070	2,597,533	354,209	2,951,742
Student meals		1,078,548	32,555	1,111,103	-	1,111,103
Interest expense, net of subsidized interest		1,078,121	32,573	1,110,694	78,104	1,188,798
Depreciation and amortization		809,517	24,458	833,975	58,645	892,620
Repairs and maintenance		587,847	17,761	605,608	42,586	648,194
Occupancy		463,323	13,998	477,321	33,565	510,886
Travel and transportation		367,278	11,084	378,362	52,918	431,280
Supplies		367,403	11,088	378,491	52,936	431,427
Contracted services		475,381	14,338	489,719	180,303	670,022
Miscellaneous		237,183	7,166	244,349	17,183	261,532
Insurance		142,003	4,290	146,293	10,288	156,581
Telephone and communications		82,405	2,490	84,895	5,970	90,865
Advertising		57,478	1,735	59,213	8,281	67,494
Conferences		36,270	1,086	37,356	5,225	42,581
Core curriculum		13,391	404	13,795	-	13,795
Bad debt expense		-	-	-	214,062	214,062
Equipment		10,536	318	10,854	764	11,618
Recruitment		1,105	33	1,138	159	1,297
		$ 16,091,853	$ 665,279	$ 16,757,132	$ 2,341,703	$ 19,098,835

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 5,145,229	$ 2,714,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	821,443	892,620
Amortization of bond issuance costs	36,623	15,924
Amortization on operating lease right of use assets	291,432	239,052
Bad debt	16,146	214,062
Loss on refund of bonds	351,372	-
Changes in operating assets and liabilities:		
Accounts receivable	1,893,273	(2,905,832)
Grants receivable	25,831	250,492
Prepaid expenses	(18,646)	31,158
Interest payable	(164,649)	(25,787)
Accounts payable and accrued expenses	(70,004)	309,691
Grant advances	-	(8,884)
Operating lease liability	(292,859)	(240,478)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,035,191	1,486,123
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(4,572,126)	(6,768)
Security deposit refund/payment	399,746	(435,000)
NET CASH USED IN INVESTING ACTIVITIES	(4,172,380)	(441,768)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Refunds of bonds payable	(17,475,000)	-
Payment of debt issuance costs	(842,337)	-
Proceeds from issuance of bond	17,035,000	-
Principal payments made on bond	-	(870,000)
NET CASH USED IN FINANCING ACTIVITIES	(1,282,337)	(870,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,580,474	174,355
Cash, cash equivalents, and restricted cash, beginning of year	17,786,838	17,612,483
Cash, cash equivalents, and restricted cash, end of year	$ 20,367,312	$ 17,786,838
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 470,793	$ 658,626
Recognition of operating lease right-of-use asset	$ 237,888	$ -
Recognition of operating lease right-of-use liability	$ 237,888	$ -
PRESENTATION OF CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 17,954,403	$ 14,481,872
Restricted cash	2,412,909	3,304,966
Cash, cash equivalents, and restricted cash, end of year	$ 20,367,312	$ 17,786,838

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

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. The School has been approved to provide education to children in kindergarten through twelfth grade to a maximum enrollment of 1,066. The School provides these services through three buildings, one housing their kindergarten through fifth grade classes, one covering their sixth through eighth grade classes, and one covering their high school, ninth through twelfth grade. In addition, the School has an administrative building for its fiscal and other back-office functions. 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 2026 and 2025. The School files a Form 990 and is exempt from filing a New York State return. The Form 990 is subject to review and examination by federal taxing authorities.

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.

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 within the same fiscal 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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, 2026 and 2025, accounts payable and accrued expenses on the statements of financial position were comprised of the following:

	2026	2025
Accrued salaries	$ 1,137,104	$ 1,270,709
Contributions due to retirement plans	1,166,979	1,075,873
Accrued payroll taxes and other payroll liabilities	92,656	82,434
Accounts payable	182,080	219,807
Total accounts payable and accrued expenses	$ 2,578,819	$ 2,648,823

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. The School had no net assets with donor restrictions as of June 30, 2026 and 2025, as all donor restrictions were satisfied during the respective fiscal years.

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 and student full time equivalents
Payroll taxes and fringes	Based upon salaries
Occupancy related costs/interest	Square footage used
Depreciation and amortization	Useful life of asset/liability
Repair and maintenance	Square footage used
Contracted services	Level of effort
Student meals	Student full time equivalents

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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
Leasehold improvements	Shorter of the estimated useful life of the asset or the remaining lease term

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.

In connection with the Series 2025 refunding bonds, the School redeemed the outstanding Series 2013A and Series 2013B bonds. As part of the refunding, the remaining unamortized debt issuance costs associated with the refunded bonds were written off and included in the loss on extinguishment of debt recognized during the year. New debt issuance costs incurred in connection with the Series 2025 bonds were capitalized and are being amortized over the life of the refunding bonds using the effective interest method. See Note 7.

NOTE 2 - CONCENTRATIONS AND COMMITMENTS

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash deposits. The School maintains cash in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). The School has not incurred any losses in such accounts to date. From time to time, the School maintains cash on deposit with financial institutions in excess of FDIC limits.

Restricted cash consisted of the following as of June 30,:

	2026	2025
Debt service reserve fund	$ 1,282,439	$ 2,021,080
Excess bond funds	929,450	728,067
Custody account	-	354,933
Charter dissolution account	101,000	100,876
Repair and replacement fund	100,020	100,010
Total restricted cash	$ 2,412,909	$ 3,304,966

NOTE 2 - CONCENTRATIONS AND COMMITMENTS *(continued)*

For the year ended June 30, 2026, approximately 92% 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 (67%), William Floyd School District (11%), Longwood Central School District (8%), South Country Central School District (2%), and other school districts (4%). The remaining 8% was primarily comprised of revenue related to the School's Student Meal Program (5%), state and federal grants (1%), and other income (2%).

For the year ended June 30, 2026, approximately 92% of the School's total receivables were comprised of tuition income from several Eastern Suffolk County school districts, the largest of which were: Riverhead Central School District (89%), Longwood Central School District (2%), and Center Moriches Union Free School District (1%). The remaining 8% was primarily comprised of receivables related to the School's Student Meal Program (4%) and state and federal grants (4%).

For the year ended June 30, 2025, 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 (65%), William Floyd School District (12%), Longwood Central School District (9%), South Country Central School District (2%), and other school districts (2%). The remaining 9% was primarily comprised of revenue related to the School's Student Meal Program (5%), state and federal grants (2%), and other income (2%).

For the year ended June 30, 2025, approximately 90% of the School's total receivables were comprised of tuition income from Riverhead Central School District. The remaining 10% was primarily comprised of receivables related to the School's Student Meal Program (7%) and state and federal grants (3%).

The School has entered into a collective bargaining agreement ("CBA") with its teachers through the Teachers' Association. The current agreement expired on June 30, 2026 and provided for raises of 3% each year. As of the report date, a new CBA has been drafted, but not yet ratified by the union.

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 called 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:

	2026	2025
Land	$ 5,159,339	$ 794,457
Building	19,302,821	19,302,821
Building improvements	4,383,967	4,383,967
Equipment	1,373,289	1,237,395
Leasehold Improvements	71,350	-
Total cost	30,290,766	25,718,640
Less accumulated depreciation and amortization	(9,554,027)	(8,732,584)
Property and equipment, net	$ 20,736,739	$ 16,986,056

During the years ended June 30, 2026 and 2025, the School incurred depreciation expenses of $821,443 and $892,620, respectively.

During the year ended June 30, 2026, the School acquired land with a carrying value of $4,364,882 for the planned construction of a permanent high school campus. The School currently operates its high school program from leased facilities and acquired the property as part of its long-term expansion strategy. As of June 30, 2026, the property had not yet been placed into service and no construction costs had been incurred. The balance is reported as non-depreciable land within property and equipment on the accompanying statements of financial position.

NOTE 4 – OPERATING LEASE

The components of lease expense in accordance with Accounting Standards Codification ("ASC") 842 are as follows for the years ended June 30,:

	2026	2025
Amortization of ROU Asset	$ 291,432	$ 239,052
Lease Liability Accretion	59,342	59,522
Total Lease Expense (included in occupancy costs in the Statements of Functional Expenses)	$ 350,774	$ 298,574

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

	Lease [A]	Lease [B]	Total
2027	$ 300,000	$ 52,200	$ 352,200
2028	300,000	52,200	352,200
2029	300,000	52,200	352,200
2030	300,000	52,200	352,200
2031	300,000	-	300,000
Total	1,500,000	208,800	1,708,800
Less: Present value discount	(119,445)	(14,913)	(134,357)
Present Value	$ 1,380,555	$ 193,887	$ 1,574,442

NOTE 4 – OPERATING LEASE *(continued)*

Short-term lease liabilities	$ 257,528	$ 45,721	$ 303,249
Long-term lease liabilities	1,123,027	148,166	1,271,193
Total lease liabilities	$ 1,380,555	$ 193,887	$ 1,574,442
Months remaining	60	48	
Percentage of total	88%	12%	
Discount rate at commencement	3.43%	3.84%	
Weighted average remaining lease term (months)	53	6	

[A] 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. For both years ended June 30, 2026 and 2025, expense relating to the lease was recorded in the amount of $298,574 within the occupancy line on the statements of functional expenses. For both the years ended June 30, 2026 and 2025, there were payments relating to the lease in the amount of $300,000.

[B] During July 2025, the School entered into a 60-month lease for additional classroom space in Riverhead, New York. The lease terms call for monthly payments of $4,350 from July 2025 through June 2030, the end of the lease. For the year ended June 30, 2026, expense relating to the lease was recorded in the amount of $52,200 within the occupancy line on the statement of functional expenses. For the year ended June 30, 2026, there were payments relating to the lease in the amount of $52,200.

NOTE 5 - ACCOUNTS RECEIVABLE, NET

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

	2026	2025
Tuition receivable from school districts	$ 3,271,086	$ 4,882,630
NYSED	114,319	341,285
Subsidized interest receivable	-	70,909
Total accounts receivable, net	$ 3,385,405	$ 5,294,824

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, 2026 and 2025, there was no allowance for doubtful accounts. However, bad debt expense for written off receivables for the years ended June 30, 2026 and 2025, was $16,146 and $214,062, respectively.

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, 2026 and 2025.

NOTE 7 – BONDS PAYABLE

On July 9, 2025, the Riverhead IDA Economic Job Development Corporation issued $17,035,000 Tax-Exempt Educational Revenue Refunding Bonds ("Series 2025") on behalf of the School. The proceeds were used to refund and redeem the outstanding Series 2013A and Series 2013B bonds, fund the debt service reserve fund, and pay costs associated with the issuance. The bonds bear interest at rates ranging from 4.00% to 5.375% and mature through 2049.

The bonds are secured by payments due under the loan agreement, the Series 2025 obligation issued under the master indenture, a mortgage lien on the Educational Revenue bonds through the Riverhead IDA Economic Job Development Corporation to fund the $21,105,000 construction of a 50,000 square foot two-story building located on the School's six-acre campus and amounts held in the debt service reserve fund.

The bond payable balance is made up of the following as of June 30, 2026:

Series 2025 bond proceeds	$	17,035,000
Net unamortized bond issue costs		(805,714)
Total bonds payable	$	16,229,286

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

	Principal	Unamortized Bond Issuance Costs	Net Carrying Value
2027	$ 430,000	$ (36,623)	$ 393,377
2028	450,000	(36,623)	413,377
2029	465,000	(36,623)	428,377
2030	485,000	(36,623)	448,377
2031	510,000	(36,623)	473,377
Thereafter	14,695,000	(622,599)	14,072,401
Totals	17,035,000	$ (805,714)	$ 16,229,286

NOTE 7 – BONDS PAYABLE *(continued)*

In connection with the issuance of the Series 2025 Bonds, the School defeased and redeemed the outstanding Series 2013A and Series 2013B bonds. The transaction resulted in the removal of the refunded debt from the School's statement of financial position.

The refunding resulted in a loss on extinguishment of debt of approximately $351,372, which is included in the accompanying statement of activities for the year ended June 30, 2026.

NOTE 8 – MULTIEMPLOYER 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 16.5% and 15.1% as of June 30, 2026 and 2025, respectively. For the years ended June 30, 2026 and 2025, required contributions for ERS were $181,566 and $140,833, 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 9.59% and 10.11% of the annual covered payroll as of June 30, 2026 and 2025, respectively. For the years ended June 30, 2026 and 2025, the required contributions for TRS totaled $809,663 and $738,003, respectively. Accrued employer contributions due to TRS of $1,111,980 and $1,037,215 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2026 and 2025, respectively. Accrued employer contributions due to ERS of $49,307 and $38,658 are included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2026 and 2025, respectively.

NOTE 8 – MULTIEMPLOYER RETIREMENT PLANS *(continued)*

The risks of participating in multiemployer plans differ from single employer plans. The potential risks include, but are not limited to, the use of the School's contributions to provide benefits to employees of other participating employers, the School becoming obligated for other participating employers' unfunded obligations, and, upon the School's withdrawal from a plan, the School being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The plans in which the School participated for the year ended June 30, 2026 are summarized in the table below. The zone status included in the table is based on the certified information received from the plan. Among other factors, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

A summary of the plan information for the year ended June 30, 2026 is as follows:

Pension Fund	EIN Number	Pension Protection Act Zone Status	Collective Bargaining Agreement Expires	Required School Contributions	FIP/RP Status: Pending/ Implemented	Surcharge Imposed
NYS Teachers' Retirement System (TRS)	14-6103815	Green 06/30/22	06/30/26	$ 809,663	N/A	No
NYS Common Retirement Fund (ERS)	14-6000735	Green 06/30/24	06/30/26	$ 181,566	N/A	No

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The School receives certain funding subject to donor or grantor restrictions, primarily related to the National School Lunch Program. Such restrictions were satisfied during the fiscal years ended June 30, 2026 and 2025. Accordingly, there were no net assets with donor restrictions remaining as of June 30, 2026 and 2025.

NOTE 10 – AVAILABILITY AND LIQUIDITY

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

	2026	2025
Cash and cash equivalents	$ 17,954,403	$ 14,481,872
Accounts receivable, net	3,385,405	5,294,824
Grants receivable	135,887	161,718
Financial assets available to meet general expenditures over the next twelve months	$ 21,475,695	$ 19,938,414

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $4,600,000 net of non-cash expenses).

NOTE 11 – SUBSEQUENT EVENTS

The School has evaluated events and transactions that occurred between July 1, 2026 and October 30, 2026, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No such transactions or events were noted.

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*

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2026, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2026.

Report on 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") as a basis for designing 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.

Report on 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 the 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.

Cerini & Associates LLP

Bohemia, New York
October 30, 2026