



RIVERHEAD

Charter School

RIVERHEAD CHARTER SCHOOL, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020



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RIVERHEAD CHARTER SCHOOL, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
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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 Financial Statements

We have audited the accompanying financial statements of Riverhead Charter School, Inc. (a not-for-profit corporation, "the School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

Cerini & Associates LLP

Bohemia, New York
August 12, 2021

RIVERHEAD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,400,225	\$ 10,968,981
Accounts receivable.....	765,732	1,719,975
Grants receivable.....	195,397	131,842
Prepaid expenses.....	56,016	250
	TOTAL CURRENT ASSETS	12,821,048
Property and equipment, net	16,241,118	16,818,014
Security Deposit.....	239,900	-
Restricted cash	4,135,889	3,370,671
	TOTAL ASSETS	\$ 33,009,733
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of bonds payable, net of unamortized bond issuance costs	\$ 293,857	\$ 293,857
Current portion of capital lease payable.....	-	4,480
Interest payable.....	568,715	577,508
Accounts payable and accrued expenses	1,322,793	1,243,905
	TOTAL CURRENT LIABILITIES	2,119,750
Bonds payable, net of current portion and unamortized bond issuance costs.....	18,646,074	18,945,149
	TOTAL LIABILITIES	21,064,899
Net Assets:		
Without donor restrictions.....	14,139,364	11,896,280
With donor restrictions	63,474	48,554
	TOTAL NET ASSETS	11,944,834
	TOTAL LIABILITIES AND NET ASSETS	\$ 33,009,733

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

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Tuition and program service income.....	\$ 11,989,934	\$ 14,920	\$ 12,004,854
Government grants	278,170	-	278,170
Investment income	48,726	-	48,726
Other income.....	45,293	-	45,293
TOTAL SUPPORT AND REVENUE	12,362,123	14,920	12,377,043
EXPENSES:			
Program services.....	9,103,125	-	9,103,125
Management and general.....	1,015,914	-	1,015,914
TOTAL EXPENSES	10,119,039	-	10,119,039
CHANGE IN NET ASSETS	2,243,084	14,920	2,258,004
Net assets, beginning of year.....	11,896,280	48,554	11,944,834
Net assets, end of year.....	\$ 14,139,364	\$ 63,474	\$ 14,202,838

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

RIVERHEAD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restricted</u>	<u>With Donor Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Tuition and Program service income	\$ 10,962,524	\$ 25,314	\$ 10,987,838
Government grants	159,016	-	159,016
Investment income	85,641	-	85,641
Other income.....	78,552	-	78,552
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	11,285,733	25,314	11,311,047
EXPENSES:			
Program services.....	8,788,762	-	8,788,762
Management and general.....	819,668	-	819,668
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	9,608,430	-	9,608,430
CHANGE IN NET ASSETS	1,677,303	25,314	1,702,617
Net assets, beginning of year.....	<hr/>	<hr/>	<hr/>
	10,218,977	23,240	10,242,217
Net assets, end of year.....	<hr/>	<hr/>	<hr/>
	\$ 11,896,280	\$ 48,554	\$ 11,944,834

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, 2021

	Program Services			Total	Management and General	Total
	No. of Positions	Regular Education	Special Education			
Personnel services costs						
Administrative staff personnel.....	14	\$ 632,591	\$ 19,083	\$ 651,674	\$ 540,508	\$ 1,192,182
Instructional personnel.....	69	3,435,273	103,629	3,538,902	-	3,538,902
Non-instructional personnel.....	2	75,474	2,277	77,751	10,028	87,779
Total salaries and staff.....	85	4,143,338	124,989	4,268,327	550,536	4,818,863
Fringe benefits and payroll taxes		1,485,843	44,822	1,530,665	197,428	1,728,093
Advertising.....		2,366	71	2,437	171	2,608
Occupancy.....		147,345	4,445	151,790	10,675	162,465
Contracted services.....		293,323	8,848	302,171	38,974	341,145
Supplies.....		173,750	5,241	178,991	23,086	202,077
Core curriculum.....		8,010	242	8,252	-	8,252
Telephone and communications.....		41,787	1,261	43,048	3,027	46,075
Repairs and maintenance.....		264,093	7,967	272,060	19,133	291,193
Equipment.....		9,553	288	9,841	692	10,533
Student meals.....		198,956	6,002	204,958	-	204,958
Depreciation and amortization.....		546,288	16,479	562,767	39,577	602,344
Interest expense, net of subsidized interest		1,079,366	32,560	1,111,926	78,198	1,190,124
Conferences.....		7,792	235	8,027	1,035	9,062
Recruitment.....		3,274	99	3,373	435	3,808
Insurance.....		72,561	2,189	74,750	5,257	80,007
Bad debt expense.....		-	-	-	-	-
Miscellaneous.....		358,915	10,827	369,742	47,690	417,432
		<u>\$ 8,836,560</u>	<u>\$ 266,565</u>	<u>\$ 9,103,125</u>	<u>\$ 1,015,914</u>	<u>\$ 10,119,039</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, 2020**

	Program Services			Total	Management and General	Total
	No. of Positions	Regular Education	Special Education			
Personnel services costs						
Administrative staff personnel.....	14	\$ 663,297	\$ 21,372	\$ 684,669	\$ 458,191	\$ 1,142,860
Instructional personnel.....	62	3,548,902	114,350	3,663,252	-	3,663,252
Non-instructional personnel.....	1	40,639	1,309	41,948	4,421	46,369
Total salaries and staff.....	77	4,252,838	137,031	4,389,869	462,612	4,852,481
Fringe benefits and payroll taxes		1,294,079	41,697	1,335,776	140,766	1,476,542
Advertising.....		24	1	25	3	28
Occupancy.....		122,804	3,957	126,761	8,915	135,676
Contracted services.....		222,614	7,173	229,787	24,214	254,001
Travel and transportation.....		13,277	428	13,705	1,444	15,149
Supplies.....		237,402	7,649	245,051	25,824	270,875
Core curriculum.....		13,129	423	13,552	-	13,552
Telephone and communications.....		41,286	1,330	42,616	2,997	45,613
Repairs and maintenance.....		261,351	8,421	269,772	18,972	288,744
Equipment.....		11,220	362	11,582	815	12,397
Student meals.....		269,859	8,695	278,554	-	278,554
Depreciation and amortization.....		548,607	17,677	566,284	39,825	606,109
Interest expense, net of subsidized interest		1,086,053	34,994	1,121,047	78,839	1,199,886
Conferences.....		17,747	572	18,319	1,929	20,248
Recruitment.....		1,504	50	1,554	164	1,718
Insurance.....		77,223	2,488	79,711	5,606	85,317
Bad debt expense.....		-	-	-	2,022	2,022
Miscellaneous.....		43,399	1,398	44,797	4,721	49,518
		<u>\$ 8,514,416</u>	<u>\$ 274,346</u>	<u>\$ 8,788,762</u>	<u>\$ 819,668</u>	<u>\$ 9,608,430</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,**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 2,258,004	\$ 1,702,617
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation and amortization.....	602,344	606,109
Amortization of bond issuance costs.....	15,925	15,924
Bad debt.....	-	2,022
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable.....	954,243	132,712
Grants receivable.....	(63,555)	(1,351)
Prepaid expenses.....	(55,766)	2,680
Interest payable.....	(8,793)	(8,375)
Accounts payable and accrued expenses.....	78,888	123,618
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,781,290	2,575,956
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets.....	(25,448)	(14,453)
Security Deposit.....	(239,900)	-
Sale of investments.....	-	60,179
NET CASH (USED IN)/ PROVIDED BY INVESTING ACTIVITIES	(265,348)	45,726
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repayment of capital lease payable.....	(4,480)	(13,440)
Repayment of bonds payable.....	(315,000)	(305,000)
CASH USED IN FINANCING ACTIVITIES	(319,480)	(318,440)
NET CHANGE IN CASH	3,196,462	2,303,242
Cash, cash equivalents, and restricted cash, beginning of year.....	14,339,652	12,036,410
Cash, cash equivalents, and restricted cash, end of year.....	<u>\$ 17,536,114</u>	<u>\$ 14,339,652</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 1,414,263</u>	<u>\$ 1,415,756</u>
PRESENTATION OF CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents.....	\$ 13,400,225	\$ 10,968,981
Restricted cash	<u>4,135,889</u>	<u>3,370,671</u>
Cash and cash equivalents, end of year	<u>\$ 17,536,114</u>	<u>\$ 14,339,652</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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 has renovated its old school and administrative buildings to accommodate the extra classes. Effective September 2020, the School received approval to expanded its program to ninth and tenth grades. The School’s charter has been renewed by the Education Department of the State of New York through June 30, 2022.

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 2021 and 2020. 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, 2021, the School adopted the FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 amends ASC 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions subject to other guidance (i.e., ASC 606) and (2) determining whether a contribution(s) is conditional. The School has determined that there is no impact to the financial statements as a result of the adoption of this ASU.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of July 1, 2019, the School adopted the FASB Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective approach. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry specific guidance. The core principle under ASU 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 requires enhanced disclosures of revenue arrangements.

Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets without donor restrictions. The School has determined that there is no change to the timing of revenue recognition under ASU 2014-09.

In accordance with Accounting Standards Codification (ASC) 606-10-50-13, the School is required to include disclosure of the remaining performance obligations. Due to the nature of the School's contracts, these reporting requirements are not applicable. The majority of the School's contracts meet the exemption as defined in ACS 606-10-50-14 because the performance obligations are part of a contract that has an original expected duration of one year or less. Performance obligations are satisfied as rendered. Payments are due upon receipts of related billing.

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 at a point in time, not over time, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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.

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.

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 without donor restrictions and with donor restrictions.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Extensis Group, LLC. ("Extensis"), a professional employer organization 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.

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

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, 2021 and August 12, 2021 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassifications: Cash paid for interest on the statements of cash flows in the prior year financial statements have been reclassified to conform to the current year presentation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2 - INVESTMENTS

Investments are presented in the statements of financial position at fair value. A fair value hierarchy has been established based upon the observable inputs to the evaluation of an asset or liability as of the measurement date. The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value levels (Level 1, 2, and 3):

- Level 1 instruments are valued using observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the School has the ability to access at the measurement date. Level 1 assets include highly-liquid U.S. Treasury securities and exchange-traded equity securities.
- Level 2 instruments are valued using observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities and some preferred stocks are model-priced by vendors using observable inputs and are classified within Level 2. Also included in the Level 2 category are derivative instruments that are priced using models with observable market inputs, including interest rates, foreign currency, and certain credit swap contracts.
- Level 3 instruments are valued using valuations that are derived from techniques in which one or more of the significant inputs, are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly structured and/or lower quality, asset-backed securities (“ABS”) and commercial mortgage-backed securities (“CMBS”), including ABS backed by sub-prime loans, and private placement debt and equity securities. Because Level 3 fair values, by their nature, contain unobservable market inputs, as there is no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent the School’s best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

All of the investments held by the School, for the years ended June 30, 2021 and 2020, are in money markets which are considered Level 1 investments because they are valued based on quoted prices for similar instruments in active markets.

NOTE 3 - CONCENTRATIONS AND COMMITMENTS

From time to time, the School has cash on deposit with financial institutions in excess of Federal Deposit Insurance Corporation-insured limits. This includes both operating cash and restricted cash.

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

	2021	2020
Debt service reserve fund	\$ 2,020,675	\$ 2,020,572
Excess bond funds	1,939,439	1,174,362
Charter dissolution account	75,775	75,737
Repair and Replacement fund	100,000	100,000
Total Restricted cash	\$ 4,135,889	\$ 3,370,671

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 3 - CONCENTRATIONS AND COMMITMENTS (Continued)

During fiscal 2021, approximately 95% 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 (69%), William Floyd School District (12%), Longwood Central School District (11%), South Country Central School District (3%), and other school districts (5%). The remaining 5% was primarily comprised of revenue related to the School's Student Meal Program (2%), grants from the Education Department of the State of New York (2%), and other income (1%).

During fiscal 2020, approximately 94% 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 (12%), Longwood Central School District (12%), South Country Central School District (3%), and other school districts (6%). The remaining 6% was primarily comprised of revenue related to the School's Student Meal Program (3%), grants from the Education Department of the State of New York (1.5%), and other income (1.5%).

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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 794,457	\$ 794,457
Building	19,302,821	19,302,821
Building improvements.....	1,160,012	1,160,012
Equipment.....	586,855	561,407
Total cost.....	21,844,145	21,818,697
Less accumulated depreciation and amortization.....	(5,603,027)	(5,000,683)
Net property and equipment.....	\$ 16,241,118	\$ 16,818,014

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Tuition receivable from school districts	\$ 567,556	\$ 1,636,895
NYSED	119,255	-
Subsidized interest receivable	78,512	83,080
Other.....	409	-
Total accounts receivable.....	\$ 765,732	\$ 1,719,975

Furthermore, grants receivable of \$195,397 and \$131,842 at June 30, 2021 and 2020, respectively, were due from various school districts for reimbursable expenses incurred before year-end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE (Continued)

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, 2021 and 2020, no allowance has been recorded.

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 \$75,000 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 at June 30, 2021 and 2020. See Note 3.

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.

RIVERHEAD CHARTER SCHOOL, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 7 - BONDS PAYABLE (Continued)

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.....	<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, 2021 and 2020, there were \$506,944 and \$506,918 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 is 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:

2022.....	\$ 325,000
2023.....	335,000
2024.....	350,000
2025.....	365,000
2026.....	380,000
Thereafter	<u>17,600,000</u>
Total before debt issuance costs.....	\$ 19,355,000
Less: unamortized debt issuance costs.....	<u>(415,069)</u>
Total	<u>\$ 18,939,931</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 7 - BONDS PAYABLE (continued)

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, 2021 and 2020 on the Series 2013 Bonds totaled \$1,382,592 and \$1,403,613, respectively. As of June 30, 2021, the School reported interest earned on unspent bond proceeds and Federal Subsidy interest income of \$26 and \$192,468, respectively. As of June 30, 2020, the School reported interest earned on unspent bond proceeds and Federal Subsidy interest income of \$734 and \$203,727, respectively. Federal Subsidy interest was offset against interest expense on the statements of functional expenses for the years ended June 30, 2021 and 2020.

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, 2021 and 2020 no funds had been drawn against this fund.

NOTE 8 - WITH DONOR RESTRICTIONS

The School's net assets with donor restrictions as of June 30, 2021 and 2020 are to fund the School's National School Lunch Program in the amount of \$63,474 and \$48,554, respectively.

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) (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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 9 - RETIREMENT PLANS (Continued)

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 14.6% as of both June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, required contributions for ERS were \$67,075 and \$48,543, 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 9.53% and 8.86% of the annual covered payroll as of June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, the required contributions for TRS totaled \$415,929 and \$347,367, 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 as for the years ended June 30, 2021 and 2020.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the School's financial assets at:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 17,536,114	\$ 14,339,652
Accounts receivable	765,732	1,719,975
Grants receivable	195,397	131,842
	18,497,243	16,191,469
Less restricted cash	(4,135,889)	(3,370,671)
Financial assets available to meet general expenditures over the next twelve months	\$ 14,361,354	\$ 12,820,798

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,495,105 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.

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, 2021, 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 12, 2020.

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 12, 2021

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021*

Section I - Findings of Financial Statement Audit

There were no findings and questioned costs for the year ended June 30, 2021.

RIVERHEAD CHARTER SCHOOL, INC.

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021*

Section II - Prior Audit Findings of Financial Statement Audit

There were no findings and questioned costs for the year ended June 30, 2020.