

South Shore Charter School

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

**Board of Trustees
South Shore Charter School**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of South Shore Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2025 and for the period from February 11, 2022 (inception) through June 30, 2024, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of South Shore Charter School as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the year ended June 30, 2025 and for the period from February 11, 2022 (inception) through June 30, 2024, 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 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 South Shore Charter 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 South Shore Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 South Shore Charter 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 South Shore Charter 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 October 20, 2025, on our consideration of South Shore Charter 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 South Shore Charter 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 South Shore Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2025

South Shore Charter School

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 618,483	\$ 156,500
Grants and contracts receivable	198,002	197,642
Prepaid expenses and other current assets	22,105	62,237
Total Current Assets	838,590	416,379
Property and equipment, net	382,216	315,449
Right of use asset - operating lease, net	953,555	1,174,355
Right of use asset - finance lease, net	609	7,921
Security deposits	50,000	80,000
Restricted cash	75,000	25,000
	<u>\$ 2,299,970</u>	<u>\$ 2,019,104</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 268,128	\$ 387,726
Accrued payroll and payroll taxes	224,500	149,655
Operating lease liability, current portion	277,807	266,787
Finance lease liability, current portion	638	7,460
Loan payable, current portion	107,035	99,324
Refundable advances	23	21,529
Total Current Liabilities	878,131	932,481
Operating lease liability, less current portion	674,821	916,208
Finance lease liability, less current portion	-	638
Loan payable, less current portion	50,233	157,268
Total Liabilities	<u>1,603,185</u>	<u>2,006,595</u>
Net assets		
Without donor restrictions	694,340	(27,491)
With donor restrictions	2,445	40,000
Total Net Assets	<u>696,785</u>	<u>12,509</u>
	<u>\$ 2,299,970</u>	<u>\$ 2,019,104</u>

See notes to financial statements

South Shore Charter School

Statement of Activities Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue	\$ 5,155,438	\$ -	\$ 5,155,438
Federal grants	402,010	-	402,010
Federal E-Rate and IDEA	44,517	-	44,517
State grants	6,297	-	6,297
Net assets released from restrictions	37,555	(37,555)	-
Total Operating Revenue	<u>5,645,817</u>	<u>(37,555)</u>	<u>5,608,262</u>
EXPENSES			
Program Services			
Regular education	4,088,297	-	4,088,297
Special education	128,721	-	128,721
Total Program Services	4,217,018	-	4,217,018
Supporting Services			
Management and general	1,027,603	-	1,027,603
Total Expenses	<u>5,244,621</u>	<u>-</u>	<u>5,244,621</u>
Surplus (Deficit) from Operations	<u>401,196</u>	<u>(37,555)</u>	<u>363,641</u>
SUPPORT AND OTHER REVENUE			
Contributions and grants	277,500	-	277,500
Interest and other income	43,135	-	43,135
Total Support and Other Revenue	<u>320,635</u>	<u>-</u>	<u>320,635</u>
Change in Net Assets	721,831	(37,555)	684,276
NET ASSETS			
Beginning of year	<u>(27,491)</u>	<u>40,000</u>	<u>12,509</u>
End of year	<u>\$ 694,340</u>	<u>\$ 2,445</u>	<u>\$ 696,785</u>

See notes to financial statements

South Shore Charter School

Statement of Activities Period from February 11, 2022 (Inception) to June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue	\$ 2,684,579	\$ -	\$ 2,684,579
Federal grants	1,450,165	-	1,450,165
Federal E-Rate and IDEA	56,764	-	56,764
State grants	7,305	-	7,305
Total Operating Revenue	<u>4,198,813</u>	<u>-</u>	<u>4,198,813</u>
EXPENSES			
Program Services			
Regular education	3,803,872	-	3,803,872
Special education	156,648	-	156,648
Total Program Services	<u>3,960,520</u>	<u>-</u>	<u>3,960,520</u>
Supporting Services			
Management and general	999,478	-	999,478
Total Expenses	<u>4,959,998</u>	<u>-</u>	<u>4,959,998</u>
(Deficit) from Operations	<u>(761,185)</u>	<u>-</u>	<u>(761,185)</u>
SUPPORT AND OTHER REVENUE			
Contributions and grants	704,592	40,000	744,592
Interest and other income	29,102	-	29,102
Total Support and Other Revenue	<u>733,694</u>	<u>40,000</u>	<u>773,694</u>
Change in Net Assets	(27,491)	40,000	12,509
NET ASSETS			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ (27,491)</u>	<u>\$ 40,000</u>	<u>\$ 12,509</u>

See notes to financial statements

South Shore Charter School

Statement of Functional Expenses Year Ended June 30, 2025

		Program Services			Management and General	
	No. of Positions	Regular Education	Special Education	Total		Total
Personnel Services Costs						
Administrative staff personnel	8	\$ 411,258	\$ -	\$ 411,258	\$ 400,642	\$ 811,900
Instructional personnel	25	1,590,309	75,222	1,665,531	-	1,665,531
Non-instructional personnel	5	109,362	-	109,362	187,814	297,176
Total Personnel Services Costs	38	2,110,929	75,222	\$ 2,186,151	588,456	2,774,607
Employee benefits and payroll taxes		330,740	11,818	342,558	92,245	434,803
Retirement		64,418	2,302	66,720	17,967	84,687
Legal fees		10,504	375	10,879	2,930	13,809
Accounting/audit services		-	-	-	27,981	27,981
Other purchased/professional/consulting services		317,647	11,171	328,818	282,464	611,282
Building and land rent		490,391	10,884	501,275	-	501,275
Insurance		39,484	877	40,361	-	40,361
Supplies and materials		113,572	2,521	116,093	2,028	118,121
Equipment/furnishings		47,093	1,046	48,139	-	48,139
Staff development		101,846	2,261	104,107	-	104,107
Marketing/recruitment		60,913	1,352	62,265	-	62,265
Technology		140,169	3,110	143,279	-	143,279
Student services		93,604	2,076	95,680	-	95,680
Office expense		8,593	190	8,783	13,532	22,315
Depreciation and amortization		120,528	2,675	123,203	-	123,203
Interest		15,734	349	16,083	-	16,083
Other		22,132	492	22,624	-	22,624
Total Expenses		\$ 4,088,297	\$ 128,721	\$ 4,217,018	\$ 1,027,603	\$ 5,244,621

See notes to financial statements

South Shore Charter School

Statement of Functional Expenses
Period from February 11, 2022 (Inception) to June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	8	\$ 347,207	\$ -	\$ 347,207	\$ 401,470	\$ 748,677
Instructional personnel	19	1,068,088	74,799	1,142,887	-	1,142,887
Non-instructional personnel	2	-	-	-	125,792	125,792
Total Personnel Services Costs	29	1,415,295	74,799	\$ 1,490,094	527,262	2,017,356
Employee benefits and payroll taxes		233,039	12,465	245,504	87,790	333,294
Retirement		34,730	1,858	36,588	13,083	49,671
Legal fees		150,190	8,034	158,224	56,579	214,803
Accounting/audit services		-	-	-	26,000	26,000
Other purchased/professional/consulting services		756,298	34,524	790,822	266,969	1,057,791
Building and land rent		464,942	9,559	474,501	-	474,501
Insurance		30,521	628	31,149	-	31,149
Supplies and materials		165,877	3,411	169,288	1,588	170,876
Equipment/furnishings		15,809	336	16,145	-	16,145
Staff development		43,138	887	44,025	-	44,025
Marketing/recruitment		101,505	2,087	103,592	-	103,592
Technology		165,320	3,399	168,719	-	168,719
Student services		94,488	1,943	96,431	-	96,431
Office expense		4,602	95	4,697	20,207	24,904
Depreciation and amortization		59,725	1,138	60,863	-	60,863
Interest		21,269	434	21,703	-	21,703
Other		47,124	1,051	48,175	-	48,175
Total Expenses		\$ 3,803,872	\$ 156,648	\$ 3,960,520	\$ 999,478	\$ 4,959,998

See notes to financial statements

South Shore Charter School

Statements of Cash Flows

	Year ended June 30, 2025	Period from February 11, 2022 (inception) to June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 684,276	\$ 12,509
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	115,891	54,161
Amortization of right of use asset - operating lease	220,800	134,440
Amortization of right of use asset - finance lease	7,312	6,702
Changes in operating assets and liabilities		
Grants and contracts receivable	(360)	(197,642)
Prepaid expenses and other current assets	40,132	(62,237)
Security deposits	30,000	(80,000)
Accounts payable and accrued expenses	(119,598)	387,726
Accrued payroll and payroll taxes	74,845	149,655
Operating lease liability	(230,367)	(125,800)
Refundable advances	(21,506)	21,529
Net Cash from Operating Activities	<u>801,425</u>	<u>301,043</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	<u>(182,658)</u>	<u>(369,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	350,844
Principal payments on finance lease liability	(7,460)	(6,525)
Repayment of loan payable	<u>(99,324)</u>	<u>(94,252)</u>
Net cash from financing activities	<u>(106,784)</u>	<u>250,067</u>
Net Change in Cash and Restricted Cash	511,983	181,500
CASH AND RESTRICTED CASH		
Beginning of period	<u>181,500</u>	<u>-</u>
End of period	<u>\$ 693,483</u>	<u>\$ 181,500</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for loan interest	\$ 16,083	\$ 21,703

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

1. Organization and Tax Status

South Shore Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on February 11, 2022 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on February 11, 2022 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). The charter expires on June 30, 2027. The School's mission is to cultivate in our students the tenacity, integrity, and curiosity needed to become innovative and socially responsible leaders, ready to face and solve the ever-changing challenges facing our society. Classes commenced in Central Islip, Long Island, New York in September 2023 and the School provided education to approximately 256 students in kindergarten through second grade in the 2024-2025 academic year.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions – consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (*continued*)

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows at June 30:

	2025	2024
Cash	\$ 618,483	\$ 156,500
Restricted cash	75,000	25,000
	<u>\$ 693,483</u>	<u>\$ 181,500</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$3,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and other equipment	3 - 5 years
Furniture and fixtures	7 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the year ended June 30, 2025 and for the period from February 11, 2022 (inception) through June 30, 2024.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (*continued*)

Leases

The School accounts for leases under ASC 842, Leases. The School determines if an arrangement is a lease at inception. Leases are included in Right-of-Use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position. Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The School has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date.

At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the School's risk-free rate. Operating and finance lease cost is recognized on a straight-line basis over the lease term within building and land rent in the accompanying statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that the School will exercise that option, such amounts are included in the ROU assets and lease liabilities. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (*continued*)

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the year ended June 30, 2025, and for the period from February 11, 2022 (inception) through June 30, 2024 was \$62,265 and \$103,592.

Measurement of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental sources that include contributions and grants and interest and other income considered to be from a more non-recurring nature.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel services costs, employee benefits and payroll taxes, other purchased, professional and consulting services, and building and land rent expenses have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. All forms 990 filed by the School are subject to examination.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 20, 2025.

3. Conditional Promise to Give

During the period from February 11, 2022 (inception) to June 30, 2024, the School received two private grants totaling \$1,070,000. The grants contain donor conditions related to specific performance measurements. Since the grants represent a conditional promise to give, they are not recognized as contributions and grants revenue until donor conditions are met. Through June 30, 2025, revenue recognized under these grants totaled \$942,500. At June 30, 2025, the remaining balance of these conditional promises to give was \$127,500.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

4. Grants and Contracts Receivable

Grants and contracts receivable consist of federal and state entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

5. Property and Equipment

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

	2025	2024
Computers and other equipment	\$ 241,868	\$ 128,010
Furniture and fixtures	176,087	171,787
Leasehold improvements	134,313	69,813
	<u>552,268</u>	<u>369,610</u>
Accumulated depreciation and amortization	(170,052)	(54,161)
	<u>\$ 382,216</u>	<u>\$ 315,449</u>

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2025	2024
Cash	\$ 618,483	\$ 156,500
Grants and contracts receivable	198,002	197,642
	<u>816,485</u>	<u>354,142</u>
Less: net assets with donor restrictions	(2,445)	(40,000)
	<u>\$ 814,040</u>	<u>\$ 314,142</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in liquid instruments until it is required for operational use. The School will continue to rely on funding received from school districts on Long Island, New York to cover its future operating costs (see Note 9).

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. At June 30, 2025 and 2024, approximately \$443,000 and \$0 of cash and restricted cash was maintained with an institution in excess of FDIC limit.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

8. Employee Benefit Plan

The School maintains a defined contribution 401(K) plan covering all eligible employees. Under this plan, employer contributions are discretionary and are based on a percentage of employees' eligible compensation as determined by the School's Board of Trustees. The School matched 100% of the employees' elective contributions not to exceed 4% of the employees' eligible compensation for the year ended June 30, 2025, and for the period from February 11, 2022 (inception) through June 30, 2024. Retirement expense incurred by the School for the year ended June 30, 2025 and for the period from February 11, 2022 (inception) through June 30, 2024 amounted to \$84,687 and \$49,671.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from approximately twenty five school districts on Long Island, New York. For the year ended June 30, 2025 and for the period from February 11, 2022 (inception) through June 30, 2024 the School received approximately 87% and 54% of its total revenue and support from these school districts. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Net Assets With Donor Restrictions

At June 30, 2025 and 2024, net assets with donor restrictions in the amount of \$2,445 and \$40,000 were restricted for coaching engagement and net assets with donor restriction in the amounts of \$37,555 were released from donor restrictions during the year ended June 30, 2025.

11. Lease commitments

Facility Leases

On June 29, 2023, the School entered into an agreement with the Roman Catholic Church of Saint John of God to lease office and classroom space at 82 Carleton Ave, Central Islip expiring on June 30, 2028, and paid a security deposit in the amount of \$50,000.

Equipment Lease

On July 10, 2023, the School leased a copy machine under a non-cancelable finance lease expiring on July 31, 2025.

Right of use assets consist of the following at June 30, 2025:

	Operating Lease	Finance Lease
Right of use assets	\$ 1,308,795	\$ 14,623
Less: accumulated amortization	(355,240)	(14,014)
	<u>953,555</u>	<u>609</u>

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

11. Lease commitments (*continued*)

Weighted average remaining lease term	
Operating lease	3.00 years
Finance lease	0.08 years

Weighted average discount rate	
Operating lease	3.93%
Finance lease	4.92%

Right of use assets consist of the following at June 30, 2024:

	Operating Lease	Finance Lease
Right of use assets	\$ 1,308,795	\$ 14,623
Less: accumulated amortization	<u>(134,440)</u>	<u>(6,702)</u>
	<u>1,174,355</u>	<u>7,921</u>

Weighted average remaining lease term	
Operating lease	4.00 years
Finance lease	1.08 years

Weighted average discount rate	
Operating lease	3.93%
Finance lease	4.92%

The future minimum lease payments under the facility and equipment leases are as follows for the years ending June 30:

	Operating Lease	Finance Lease
2026	\$ 309,774	\$ 638
2027	345,867	-
2028	<u>354,807</u>	<u>-</u>
Total minimum lease payments	1,010,448	638
Present value discount	<u>(57,820)</u>	<u>-</u>
Present value of lease liabilities	952,628	638
Current portion	<u>(277,807)</u>	<u>(638)</u>
Lease liabilities, less current portion	<u>\$ 674,821</u>	<u>\$ -</u>

Rent expense under both leases for the year ended June 30, 2025, and for the period from February 11, 2022 (inception) through June 30, 2024, was \$377,678 and \$413,776 respectively.

South Shore Charter School

Notes to Financial Statements June 30, 2025 and 2024

11. Lease commitments (*continued*)

Supplementary disclosure of cash flow consists of the following at June 30:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities	\$ 328,400	\$ 155,918
ROU assets recognized upon in exchange for operating lease liabilities	\$ -	\$ 1,308,795
ROU assets recognized upon in exchange for finance lease liabilities	\$ -	\$ 14,623

12. Loan Payable

On May 23, 2022, the School entered into a \$750,000 revolving line of credit agreement for the purpose of financing start-up expenses. The revolving line of credit bore interest at a fixed rate of 6.5% per annum. On November 23, 2023, the School converted the outstanding revolving line of credit which totaled \$350,844 to a term loan maturing November 23, 2026. The term loan bears interest at a fixed rate of 7.5% per annum commencing on December 1, 2023. The School began making monthly principal and interest payments in the amount of \$9,600.

The future minimum payments under the term loan are as follows for the years ending June 30:

2026	\$ 107,035
2027	50,233
Total	157,268
Less current portion	(107,035)
	<u>\$ 50,233</u>

13. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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

Independent Auditors' Report

**Board of Trustees
South Shore Charter School**

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 South Shore Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 20, 2025.

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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2025