South Shore Charter School

Financial Statements

June 30, 2026 and 2025

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Trustees
South Shore Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Shore Charter School (the "School") (a nonprofit organization), 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 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.

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 Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School’s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2026

South Shore Charter School

Statements of Financial Position

	June 30, 2026	June 30, 2025
ASSETS		
Current Assets		
Cash	$ 1,719,791	$ 618,483
Grants and contracts receivable	257,889	198,002
Prepaid expenses and other current assets	88,382	22,105
Total Current Assets	2,066,062	838,590
Property and equipment, net	394,851	382,216
Right of use asset - operating lease, net	649,489	953,555
Right of use asset - finance lease, net	13,445	609
Security deposits	50,000	50,000
Restricted cash	100,000	75,000
	$ 3,273,847	$ 2,299,970
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 257,338	$ 268,128
Accrued payroll and payroll taxes	769,173	224,500
Refundable advances	4,817	23
Operating lease liability, current portion	327,416	277,807
Finance lease liability, current portion	10,708	638
Loan payable, current portion	-	107,035
Total Current Liabilities	1,369,452	878,131
Operating lease liability, less current portion	349,380	674,821
Finance lease liability, less current portion	2,737	-
Loan payable, less current portion	-	50,233
Total Liabilities	1,721,569	1,603,185
Net assets		
Without donor restrictions	1,552,278	694,340
With donor restrictions	-	2,445
Total Net Assets	1,552,278	696,785
	$ 3,273,847	$ 2,299,970

See accompanying notes to financial statements.

South Shore Charter School

Statement of Activities

Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue	$ 7,587,582	$ -	$ 7,587,582
Federal grants	495,295	-	495,295
Federal E-Rate and IDEA	63,572	-	63,572
State grants	7,931	-	7,931
Total Operating Revenue	8,154,380	-	8,154,380
EXPENSES			
Program Services			
Regular education	5,709,333	-	5,709,333
Special education	167,784	-	167,784
Total Program Services	5,877,117	-	5,877,117
Supporting Services			
Management and general	1,616,873	-	1,616,873
Total Expenses	7,493,990	-	7,493,990
Surplus from Operations	660,390	-	660,390
SUPPORT AND OTHER REVENUE			
Contributions and grants	127,500	-	127,500
Interest and other income	67,603	-	67,603
Net assets released from restrictions	2,445	(2,445)	-
Total Support and Other Revenue	197,548	(2,445)	195,103
Change in Net Assets	857,938	(2,445)	855,493
NET ASSETS			
Beginning of the year	694,340	2,445	696,785
End of the year	$ 1,552,278	$ -	$ 1,552,278

See accompanying 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
Total Operating Revenue	5,608,262	-	5,608,262
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	5,244,621	-	5,244,621
Surplus from Operations	363,641	-	363,641
SUPPORT AND OTHER REVENUE			
Contributions and grants	277,500	-	277,500
Interest and other income	43,135	-	43,135
Net assets released from restrictions	37,555	(37,555)	-
Total Support and Other Revenue	358,190	(37,555)	320,635
Change in Net Assets	721,831	(37,555)	684,276
NET ASSETS			
Beginning of the year	(27,491)	40,000	12,509
End of the year	$ 694,340	$ 2,445	$ 696,785

See accompanying notes to financial statements.

South Shore Charter School

Statement of Functional Expenses

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	12	$ 797,802	$ -	$ 797,802	$ 582,315	$1,380,117
Instructional personnel	34	2,013,679	75,331	2,089,010	-	2,089,010
Non-instructional personnel	5	162,004	-	162,004	351,134	513,138
Total Personnel Services Costs	51	2,973,485	75,331	3,048,816	933,449	3,982,265
Employee benefits and payroll taxes		554,646	14,051	568,697	174,117	742,814
Retirement		257,337	6,519	263,856	80,785	344,641
Legal fees		57,539	1,458	58,997	18,063	77,060
Accounting and audit fees		-	-	-	174,195	174,195
Other purchased/professional/consulting services		468,745	11,887	480,632	209,104	689,736
Building and land rent		324,967	13,611	338,578	-	338,578
Repairs & Maintenance		90,183	3,777	93,960	-	93,960
Insurance		28,173	1,180	29,353	-	29,353
Utilities		53,267	2,231	55,498	-	55,498
Supplies and materials		131,017	5,488	136,505	3,271	139,776
Equipment/furnishings		35,408	1,485	36,893	-	36,893
Staff development		150,624	6,309	156,933	-	156,933
Marketing/recruitment		68,330	2,862	71,192	-	71,192
Technology		171,458	7,182	178,640	-	178,640
Student services		152,558	6,390	158,948	-	158,948
Office expense		20,640	865	21,505	23,889	45,394
Depreciation and amortization		155,374	6,508	161,882	-	161,882
Other		15,582	650	16,232	-	16,232
Total Expenses		$5,709,333	$ 167,784	$5,877,117	$ 1,616,873	$7,493,990

See accompanying notes to financial statements.

South Shore Charter School

Statement of Functional Expenses

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	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 and audit fees		-	-	-	27,981	27,981
Other purchased/professional/consulting services		317,647	11,171	328,818	282,464	611,282
Building and land rent		339,511	7,536	347,047	-	347,047
Repairs & Maintenance		108,194	2,401	110,595	-	110,595
Insurance		39,484	877	40,361	-	40,361
Utilities		42,686	947	43,633	-	43,633
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 accompanying notes to financial statements.

South Shore Charter School

Statements of Cash Flows

	Year ended June 30, 2026	Year ended June 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 855,493	$ 684,276
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	153,487	115,891
Amortization of right of use asset - operating lease	304,066	220,800
Amortization of right of use asset - finance lease	8,395	7,312
Changes in operating assets and liabilities		
Grants and contracts receivable	(59,887)	(360)
Prepaid expenses and other current assets	(66,277)	40,132
Security deposits	-	30,000
Accounts payable and accrued expenses	(10,790)	(119,598)
Accrued payroll and payroll taxes	544,673	74,845
Operating lease liability	(275,832)	(230,367)
Refundable advances	4,794	(21,506)
Net Cash from Operating Activities	1,458,122	801,425
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(166,122)	(182,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	(8,424)	(7,460)
Repayment of loan payable	(157,268)	(99,324)
Net Cash from Financing Activities	(165,692)	(106,784)
Net Change in Cash and Restricted Cash	1,126,308	511,983
CASH AND RESTRICTED CASH		
Beginning of year	693,483	181,500
End of year	$ 1,819,791	$ 693,483
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for loan interest	$ 8,620	$ 16,083

See accompanying notes to financial statements.

1. Nature of Organization

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 348 students in kindergarten through third grade in the 2025-2026 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 Accounting

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.

Reclassifications

Certain 2025 amounts have been reclassified to conform to the 2026 financial statement presentation. The reclassifications had no effect on previously reported change in net assets or net assets.

2. Summary of Significant Accounting Policies (Continued)

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 – represent 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.

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 statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2026	2025
Cash	$ 1,719,791	$ 618,483
Restricted cash	100,000	75,000
	$ 1,819,791	$ 693,483

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of $3,000 and an estimated 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 are recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and 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 years ended June 30, 2026 and 2025.

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 except for leases with a term of 12 months or less for which the School made the short-term lease election. 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.

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term within building and land rent in the accompanying statements 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'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.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for student recruitment. Marketing and recruitment expense for the years ended June 30, 2026, and 2025 was $71,192 and $62,265 respectively.

2. Summary of Significant Accounting Policies (Continued)

Measurement of Operations

The statements of activities report 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, net assets released from restrictions and grants and interest and other income considered to be of 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 bases 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. The School is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to June 30, 2023.

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 30, 2026.

3. Conditional Promise to Give

At June 30, 2025, the School had conditional promises to give totaling $127,500 under two private grants subject to performance conditions. During the year ended June 30, 2026, the remaining conditions were satisfied, and the School recognized $127,500 as contributions and grants revenue. No conditional promises to give remained under these grants at June 30, 2026.

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:

	2026	2025
Computers and equipment	$ 375,630	$ 241,868
Furniture and fixtures	200,147	176,087
Leasehold improvements	142,613	134,313
	718,390	552,268
Accumulated depreciation and amortization	(323,539)	(170,052)
	$ 394,851	$ 382,216

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:

	2026	2025
Cash	$ 1,719,791	$ 618,483
Grants and contracts receivable	257,889	198,002
	1,977,680	816,485
Less: net assets with donor restrictions	-	(2,445)
	$ 1,977,680	$ 814,040

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, 2026 and 2025, approximately $1,570,000 and $443,000 of cash and restricted cash was maintained with an institution in excess of the FDIC limit.

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 years ended June 30, 2026 and 2025. Retirement expense for the years ended June 30, 2026 and 2025, were $0 and $84,687. Effective September 1, 2025 the School discontinued employer matching contributions. The plan was not terminated and remains available for employee contributions.

Effective September 1, 2025, the School became a participating employer in two cost sharing multiemployer defined benefit pension plans covering eligible employees, the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Retirement System ("NYSLRS"). These Plans provide pension benefits based on employees' compensation, years of service, and membership tier. Employer contributions are actuarially determined in accordance with state and city statutes and laws. NYSTRS and NYSLRS are governmental pension plans and are not subject to the Pension Protection Act of 2006 multi-employer pension zone-status certification requirements. For the year ended June 30, 2026, the School's employer contribution rates were 9.59% of eligible compensation for NYSTRS and 16.5% of eligible compensation for NYSLRS. Retirement expense under these two plans for the years ended June 30, 2026 and 2025, were $344,641 and $0.

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 years ended June 30, 2026 and 2025, the School received approximately 91% and 87% of its total revenue and support from these school districts. Approximately 70% and 60% of contracts receivable were due from these school districts at June 30, 2026 and 2025. 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, 2026 and 2025, net assets with donor restrictions in the amount of $0 and $2,445 were restricted for coaching engagement and net assets with donor restrictions in the amounts of $2,445 and $37,555 were released from donor restrictions during the years ended June 30, 2026 and 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 October 1, 2025, the School leased a copy machine under a non-cancelable finance lease expiring on September 30, 2027.

Right of use assets consist of the following at June 30, 2026:

	Operating Lease	Finance Lease
Right of use assets	$ 1,308,795	$ 21,231
Less: accumulated amortization	(659,306)	(7,786)
	$ 649,489	$ 13,445

Weighted average remaining lease term	
Operating lease	2.00 years
Finance lease	1.25 years
Weighted average discount rate	
Operating lease	3.93%
Finance lease	3.55%

11. Lease Commitments (Continued)

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)
	$ 953,555	$ 609

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%

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

	Operating Lease	Finance Lease
2027	$ 347,021	$ 10,980
2028	355,697	2,745
Total minimum lease payment	702,718	13,725
Present Value Discount	(25,922)	(280)
Present Value of Lease Liabilities	676,796	13,445
Current Portion	(327,416)	(10,708)
Lease liabilities, less current portion	$ 349,380	$ 2,737

Rent expense under these leases for the years ended June 30, 2026 and 2025, was $338,578 and $347,047.

11. Lease Commitments (Continued)

Supplementary disclosure of cash flow consists of the following for the years ended June 30:

	2026	2025
Cash Paid for amounts included in the measurement of the lease liabilities	$ 337,987	$ 328,400
Operating cash flows from finance leases	449	200
Finance cash flows from finance leases	7,320	7,661
ROU assets recognized in exchange for finance lease obligation	21,231	-

12. Loan Payable

On May 23, 2022, the School entered into a $750,000 revolving line of credit agreement to finance 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 on November 23, 2026. The term loan bore interest at a fixed rate of 7.5% per annum commencing December 1, 2023, and required monthly principal and interest payments of $9,600. During the year ended June 30, 2026, the School fully repaid the term loan. The outstanding principal balance at June 30, 2026 and 2025 was $0 and $157,268, respectively.

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.

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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*

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, 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 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.

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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 30, 2026