

Success Academy Charter Schools - NYC

**Audit of Financial Statements and
Supplementary Information and
Supplemental Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2016**

Success Academy Charter Schools - NYC

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Supplemental Schedule of Expenditures of Federal Awards
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Success Academy Charter Schools - NYC

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Independent Auditor's Report

To the Board of Trustees
Success Academy Charter Schools - NYC
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Success Academy Charter Schools - NYC ("SACS NYC"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 Success Academy Charter Schools - NYC as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited SACS NYC's 2015 financial statements and our report, dated October 28, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental detailed schedule of activities by schools is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of SACS-NYC'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 SACS-NYC's internal control over financial reporting and compliance.

BDO USA, LLP

October 28, 2016

Success Academy Charter Schools - NYC

Statement of Financial Position (with comparative totals for 2015)

<i>June 30,</i>	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 8,989,662	\$ 4,070,877
Restricted investments, at fair value (Notes 2 and 4)	351,816	350,002
Grants and contracts receivables (Note 2)	14,823,909	8,283,986
Prepaid expenses and other assets	5,464,767	4,090,345
Total Current Assets	29,630,154	16,795,210
Fixed Assets, Net (Notes 2 and 3)	27,796,762	24,818,614
Total Assets	\$57,426,916	\$41,613,824
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,078,759	\$ 2,244,130
Accrued payroll and payroll taxes	55,227	48,333
Due to affiliate (Note 5)	26,600,039	7,805,703
Total Current Liabilities	28,734,025	10,098,166
Loans Payable to Affiliated Organization (Note 5)	8,500,000	8,500,000
Total Liabilities	37,234,025	18,598,166
Commitments and Contingencies (Notes 5, 6, 9 and 10)		
Net Assets (Notes 2 and 11):		
Unrestricted	20,192,891	22,795,658
Temporarily restricted	-	220,000
Total Net Assets	20,192,891	23,015,658
Total Liabilities and Net Assets	\$57,426,916	\$41,613,824

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Activities (with comparative totals for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Revenue and Support:				
State and local per pupil operating revenue	\$161,641,541	\$ -	\$161,641,541	\$132,939,104
Government grants	17,511,330	-	17,511,330	8,945,525
Contributions and private grants	36,500	-	36,500	2,000,500
Donated services (Note 8)	833,564	-	833,564	548,477
Other income	783,570	-	783,570	7,516
Net assets released from restriction (Note 11)	220,000	(220,000)	-	-
Total Revenue and Support	181,026,505	(220,000)	180,806,505	144,441,122
Expenses:				
Program services:				
General education	149,519,355	-	149,519,355	117,611,180
Special education	20,389,000	-	20,389,000	16,037,881
Total Program Services	169,908,355	-	169,908,355	133,649,061
Supporting services:				
Management and general	13,720,917	-	13,720,917	10,701,909
Total Expenses	183,629,272	-	183,629,272	144,350,970
Change In Net Assets	(2,602,767)	(220,000)	(2,822,767)	90,152
Net Assets, Beginning of Year	22,795,658	220,000	23,015,658	22,925,506
Net Assets, End of Year	\$ 20,192,891	\$ -	\$ 20,192,891	\$ 23,015,658

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses (with comparative totals for 2015)

Year ended June 30,

	FTEs	Program Services			Supporting Services	Total	
		General Education	Special Education	Total Program Services	Management and General	2016	2015
Salaries and staff:							
Administrative staff personnel	303	\$ 17,438,602	\$ 2,377,991	\$ 19,816,593	\$ 1,723,182	\$ 21,539,775	\$ 16,594,305
Instructional personnel	1,138	56,412,054	7,692,553	64,104,607	5,574,314	69,678,921	52,548,631
Total Salaries and Staff		73,850,656	10,070,544	83,921,200	7,297,496	91,218,696	69,142,936
Payroll taxes and employee benefits		16,068,572	2,191,169	18,259,741	1,587,804	19,847,545	15,281,095
Professional development		2,499,765	340,877	2,840,642	-	2,840,642	1,883,086
Legal (Note 8)		-	-	-	833,564	833,564	548,477
Audit and accounting		-	-	-	128,568	128,568	113,053
Professional and consulting fees		375,078	51,147	426,225	37,063	463,288	1,043,389
Transportation		552,335	75,318	627,653	54,579	682,232	634,763
Scholar food service		4,777,573	651,487	5,429,060	-	5,429,060	2,820,804
Instructional supplies and textbooks		6,960,290	949,130	7,909,420	-	7,909,420	7,256,382
Management fee		17,797,470	2,426,928	20,224,398	1,758,643	21,983,041	18,323,033
Interest expense		68,816	9,384	78,200	6,800	85,000	85,000
Talent recruitment		657,621	89,676	747,297	-	747,297	817,992
Scholar recruitment		1,440,513	196,434	1,636,947	-	1,636,947	1,677,877
Scholar after school programming		349,178	47,615	396,793	-	396,793	558,630
Parent and community outreach and engagement		431,129	58,790	489,919	-	489,919	658,723
Uniforms and backpacks		499,856	68,162	568,018	-	568,018	643,627
Office expense		2,321,909	316,624	2,638,533	229,438	2,867,971	2,612,897
Field studies		1,751,561	238,849	1,990,410	-	1,990,410	1,565,719
School culture		779,025	106,231	885,256	-	885,256	1,022,748
Special events		81,162	11,068	92,230	8,020	100,250	22,529
Equipment lease		1,276,552	174,075	1,450,627	126,141	1,576,768	1,259,373
Student assessments		253,913	34,625	288,538	-	288,538	256,664
Telecommunications and internet		1,037,190	141,435	1,178,625	102,489	1,281,114	1,432,989
Postage and delivery		13,774	1,878	15,652	1,361	17,013	172,658
Insurance		1,146,279	156,311	1,302,590	113,269	1,415,859	1,402,382
Facilities expense		2,238,080	305,193	2,543,273	221,154	2,764,427	764,314
Information technology		965,581	131,670	1,097,251	95,413	1,192,664	1,451,808
Depreciation and amortization		10,908,055	1,487,462	12,395,517	1,077,871	13,473,388	10,154,458
Miscellaneous		417,422	56,918	474,340	41,244	515,584	743,564
Total Expenses		\$149,519,355	\$20,389,000	\$169,908,355	\$13,720,917	\$183,629,272	\$144,350,970

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Cash Flows (with comparative totals for 2015)

Year ended June 30,	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ (2,822,767)	\$ 90,152
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
	13,473,388	
Depreciation and amortization		10,154,458
Loss on disposal of property and equipment	-	276,132
(Increase) decrease in assets:		
Restricted investments	(1,814)	451,017
Grants and contracts receivables	(6,539,923)	(4,404,412)
Prepaid expenses and other assets	(1,374,422)	(493,423)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(165,370)	1,424,011
Accrued payroll and payroll taxes	6,894	(823,913)
Due to affiliate	18,794,335	3,603,628
Net Cash Provided By Operating Activities	21,370,321	10,277,650
Cash Flows From Investing Activities:		
Purchases of fixed assets	(16,451,536)	(19,021,028)
Proceeds from sale of investments	-	2,883,681
Net Cash Used In Investing Activities	(16,451,536)	(16,137,347)
Net Increase (Decrease) in Cash and Cash Equivalents	4,918,785	(5,859,697)
Cash and Cash Equivalents, Beginning of Year	4,070,877	9,930,574
Cash and Cash Equivalents, End of Year	\$ 8,989,662	\$ 4,070,877

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Notes to Financial Statements

1. Description of School

Success Academy Charter Schools - NYC (“SACS-NYC”) is a New York State, not-for-profit educational corporation that was incorporated on March 11, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. SACS-NYC schools are granted provisional charters 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. SACS-NYC is dedicated to providing a high quality education to primarily disadvantaged students to prevent the achievement gap from rising.

Success Academy Charter School - Harlem 1, Success Academy Charter School - Harlem 2, Success Academy Charter School - Harlem 3, Success Academy Charter School - Harlem 4, and Success Academy Charter School - Harlem 5 merged into a single legal entity under Success Academy Charter School - Harlem 3, which serves as the sole surviving education corporation. The plan of merger was approved by the Board of Trustees of the State University of New York and the New York State Education Department Board of Regents, and became effective for financial purposes on October 1, 2012. Success Academy Charter School - Harlem 3 changed its name to Success Academy Charter Schools - NYC, and each school is authorized by The Charter Schools Institute of the State University of New York.

Success Academy Charter School - Bronx 1, Success Academy Charter School - Bronx 2, Success Academy Charter School - Upper West, Success Academy Charter School - Bed Stuy, Success Academy Charter School - Bed Stuy 2, Success Academy Charter School - Cobble Hill and Success Academy Charter School - Williamsburg merged into SACS-NYC, which serves as the sole surviving education corporation. The plan of merger, dated September 20, 2013, was approved by the schools’ Board of Trustees and is effective July 1, 2014. Pursuant to the effective date, all schools ceased to exist as legal entities and all schools operations are under SACS-NYC. The merger was approved by the New York State Board of Regents and the Charter Schools Institute of the State University of New York on February 26, 2014.

Success Academy Charter Schools - NYC

Notes to Financial Statements

The financial statements of SACS-NYC include the following schools that all form a single legal entity:

1. Success Academy Charter School	Bed-Stuy 1 (Bed-Stuy 1)	Serving Grades K-4
2. Success Academy Charter School	Bed-Stuy 2 ("Bed-Stuy 2")	Serving Grades K-4
3. Success Academy Charter School	Bed-Stuy 3 ("Bed-Stuy 3")	Opening Fall 2016
4. Success Academy Charter School	Bensonhurst ("Bensonhurst")	Serving Grades K-2
5. Success Academy Charter School	Bergen Beach ("Bergen Beach")	Serving Grades K-4
6. Success Academy Charter School	Bronx 1 ("Bronx 1")	Serving Grades K-4
7. Success Academy Charter School	Bronx 2 ("Bronx 2")	Serving Grades K-4
8. Success Academy Charter School	Bronx 3 Lower ("Bronx 3L")	Serving Grades K-2
9. Success Academy Charter School	Bronx 3 Upper ("Bronx 3U")	Serving Grade 3
10. Success Academy Charter School	Bronx 4 ("Bronx 4")	Serving Grades K-2
11. Success Academy Charter School	Bushwick ("Bushwick")	Opening Fall 2016
12. Success Academy Charter School	Crown Heights ("Crown Heights")	Serving Grades K-3
13. Success Academy Charter School	Cobble Hill ("Cobble Hill")	Serving Grades PreK-4
14. Success Academy Charter School	Far Rockaway ("Far Rockaway")	Opening Fall 2016
15. Success Academy Charter School	Flatbush ("Flatbush")	Opening Fall 2016
16. Success Academy Charter School	Fort Greene ("Fort Greene")	Serving Grades K-3
17. Success Academy Charter School	Harlem 1 ("Harlem 1")	Serving Grades PreK-4
18. Success Academy Charter School	Harlem 2 Lower ("Harlem 2L")	Serving Grades K-2
19. Success Academy Charter School	Harlem 2 Upper ("Harlem 2U")	Serving Grades 3-4
20. Success Academy Charter School	Harlem 3 Lower ("Harlem 3L")	Serving Grades K-2
21. Success Academy Charter School	Harlem 3 Upper ("Harlem 3U")	Serving Grade 3
22. Success Academy Charter School	Harlem 4 ("Harlem 4")	Serving Grades K-4
23. Success Academy Charter School	Harlem 5 ("Harlem 5")	Serving Grades K-3
24. Success Academy Charter School	Hell's Kitchen ("Hell's Kitchen")	Serving Grades K-3
25. Success Academy Charter School	Prospect Heights ("Prospect Heights")	Serving Grades K-3
26. Success Academy Charter School	Rosedale ("Rosedale")	Serving Grades K-2
27. Success Academy Charter School	Springfield Gardens ("Springfield Gardens")	Serving Grades K-2
28. Success Academy Charter School	South Jamaica ("South Jamaica")	Opening Fall 2016
29. Success Academy Charter School	Union Square ("Union Square")	Serving Grades K-3
30. Success Academy Charter School	Upper West ("Upper West")	Serving Grades K-4
31. Success Academy Charter School	Washington Heights ("Washington Heights")	Serving Grades K-2
32. Success Academy Charter School	Williamsburg ("Williamsburg")	Serving Grades PreK-4
33. Success Academy Middle School	Bed-Stuy ("MS Bed-Stuy")	Serving Grade 5
34. Success Academy Middle School	Bronx 1 ("MS Bronx 1")	Serving Grades 5-6
35. Success Academy Middle School	Bronx 2 ("MS Bronx 2")	Serving Grades 5-6
36. Success Academy Middle School	Cobble Hill ("MS Cobble Hill")	Opening Fall 2016
37. Success Academy Middle School	Harlem Central ("MS Harlem Central")	Serving Grades 5-7
38. Success Academy Middle School	Harlem East ("MS Harlem East")	Serving Grades 5-7
39. Success Academy Middle School	Harlem N. Central ("MS Harlem N. Central")	Serving Grades 4-6
40. Success Academy Middle School	Harlem N. West ("MS Harlem N. West")	Serving Grades 5-7
41. Success Academy Middle School	Harlem West ("MS Harlem West")	Serving Grades 5-7
42. Success Academy Middle School	Midtown West ("MS Midtown West")	Serving Grade 5
43. Success Academy Middle School	Williamsburg ("MS Williamsburg")	Opening Fall 2016
44. Success Academy High School of Liberal Arts	("HS Liberal Arts")	Serving Grades 8-10

SACS-NYC provided education to approximately 10,562 students in grades kindergarten through high school during the 2015-2016 academic year.

Success Academy Charter Schools - NYC

Notes to Financial Statements

2. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The financial statements of SACS-NYC have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

(b) *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

As of June 30, 2016, SACS-NYC had no permanently restricted net assets.

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by SACS-NYC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SACS-NYC.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by SACS-NYC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SACS-NYC pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

SACS-NYC considers highly liquid investments with original maturities of 90 days or less to be cash equivalents.

(d) *Restricted Investments*

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

(e) *Receivables*

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Pledges receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the gifts. All of SACS-NYC's grant, contract, and other receivables are expected to be collected within one year.

(f) *Provision for Doubtful Accounts*

SACS-NYC maintains an allowance for doubtful accounts for the receivables that are specifically identified by management as to their uncertainty in regards to collectability. At June 30, 2016, management estimated the allowance for doubtful accounts to be \$-0- for government and tuition receivable.

Success Academy Charter Schools - NYC

Notes to Financial Statements

(g) Fixed Assets

Fixed assets are recorded at cost. Additions and improvements or betterments in excess of \$2,500 with an estimated useful life of three or more years are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Fixed assets acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract. The estimated useful lives of the assets are as follows:

Equipment	3 years
Furniture and fixtures	3 years
Software	3 years
Renovations and improvements	5 years

(h) Asset Impairment

SACS-NYC reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2016, there was no such loss.

(i) Fair Value Measurements

Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement”, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as SACS-NYC would use in pricing SACS-NYC’s asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of SACS-NYC are traded. SACS-NYC estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Success Academy Charter Schools - NYC

Notes to Financial Statements

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

All of SACS-NYC's investment assets at June 30, 2016 are in certificates of deposit and are classified as Level 1.

Investments are stated at their fair values in the statement of financial position. Net realized gains and losses and net change in unrealized gains and losses for the period are shown in the statement of activities. SACS-NYC's investment portfolio is comprised of investments in certificates of deposit. At June 30, 2016, cost approximates fair value.

(j) Revenue Recognition

SACS-NYC recognizes gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. SACS-NYC reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from state and local governments resulting from SACS-NYC's charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement.

Revenue from Federal, state and local government grants and contracts is recognized by SACS-NYC when qualifying expenditures are incurred and billable to the government or when required services have been provided.

SACS-NYC recognizes as income donated services that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if they had not been contributed.

A number of volunteers have made a contribution of their time to SACS-NYC to develop its academic programs and to serve on SACS-NYC's Board of Trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition.

(k) Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities using methodologies developed by management as follows:

- *Program Services* - represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.
- *Management and General* - represents expenses related to the overall administration and operation of SACS-NYC that are not associated with any program services or development.

Success Academy Charter Schools - NYC

Notes to Financial Statements

(l) Income Taxes

SACS-NYC is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, SACS-NYC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2016.

Under ASC 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SACS-NYC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SACS-NYC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SACS-NYC has filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities. SACS-NYC is subject to routine audits by a taxing authority. As of June 30, 2016, SACS-NYC was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2013.

(m) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(n) Concentration of Credit Risk

SACS-NYC maintains cash and cash equivalent balances in bank deposit accounts, which may exceed Federally-insured limits. SACS-NYC has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

(o) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SACS-NYC's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Success Academy Charter Schools - NYC

Notes to Financial Statements

3. Fixed Assets, Net

SACS-NYC's fixed assets consist of the following:

June 30, 2016

Renovations and improvements	\$ 27,449,852
Equipment	10,617,307
Software	14,385,709
Furniture and fixtures	8,786,843
	61,239,711
Less: Accumulated depreciation and amortization	(33,442,949)
	\$ 27,796,762

For the year ended June 30, 2016, depreciation and amortization expense was \$13,558,113.

4. Investments at Fair Value

The following table shows, by level within the fair value hierarchy, SACS-NYC's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SACS-NYC's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset's placement within the fair value hierarchy levels.

June 30, 2016

	Fair Value Measurement at Reporting Date Using			Total
	Level 1	Level 2	Level 3	
Certificates of deposit	\$351,816	\$-	\$-	\$351,816

SACS-NYC has investments in certificates of deposit with original maturities of greater than 3 months from the date of purchase, which SACS-NYC considers to be short-term investments. The certificates of deposit represent interest-bearing cash accounts and are categorized as Level 1 of the fair value hierarchy.

Success Academy Charter Schools - NYC

Notes to Financial Statements

5. Related Party Transactions

(a) Due to Affiliate

Success Academy Charter Schools, Inc. (the “Network”), a not-for-profit organization dedicated to helping start and manage charter schools, provides management, fundraising, and other administrative support services to SACS-NYC. Pursuant to the terms of the Academic and Business Service Agreement with an effective date of April 21, 2012, SACS-NYC pays the Network an annual fee of equal to the total general full-time equivalent enrollment of students in SACS-NYC multiplied by “per pupil fee”. The per pupil fee shall be equal to 15% of the final and adjusted expense per pupil for Charter Schools in the New York City School district as calculated by the New York State Education Department annually. For operational efficiency and purchasing power, SACS-NYC also shares common expenses with the Network.

For the year ended June 30, 2016, SACS-NYC incurred \$21,983,041 in management fees. The balance due to Network at June 30, 2016 was \$26,600,039. This balance represents expenses paid by the Network on behalf of SACS-NYC, as well as management fees.

(b) Loans Payable to Affiliated Organization

At various dates from July 2012 through June 2016, SACS-NYC entered into borrowing arrangements with the Network totaling \$8,500,000 with annual interest equal to the prevailing interest rate available to the Network as of the date of each advance. The loans and any accrued unpaid interest are due in full within various dates of the borrowing arrangements. The loans may be prepaid by SACS-NYC at any time, in whole or in part, without penalty. The proceeds were used to finance SACS-NYC’s operations. The outstanding principal balance of the loans at June 30, 2016 was \$8,500,000.

At June 30, 2016, maturities of loans payable are as follows:

Year ending June 30,

2017	\$ -
2018	2,350,000
2019	2,000,000
2020	2,150,000
2021	2,000,000
	<hr/>
	\$8,500,000

During the year ended June 30, 2016, SACS-NYC recorded interest expense on these loans in the amount of \$85,000.

(c) Loan Guarantee

On October 7, 2014, SACS-NYC signed a loan guarantee for the Network’s non-revolving line of credit in the amount of \$7,000,000 with a financial institution, whereby SACS-NYC, identified as a guarantor, guarantees the full payment when due, the obligation of the Network under the respective financing arrangements. The balance due to the financial institution owed by the Network at June 30, 2016 was \$-0-.

Success Academy Charter Schools - NYC

Notes to Financial Statements

6. Revenue Concentrations

SACS-NYC receives substantially all of its support and revenue from the New York City Department of Education. If the charters of the schools were modified, reducing or eliminating these revenues, SACS-NYC's finances could be materially adversely affected.

7. Shared Space of Facilities

SACS-NYC shares space with various New York City public schools throughout New York City. SACS-NYC is not responsible for rent, utilities, custodial services, maintenance and school safety services. The value of space and related utilities and services cannot be established, therefore, is not recorded in the financial statements.

SACS-NYC is responsible for any related costs for services provided beyond the regular opening hours.

8. Donated Services

During the year ended June 30, 2016, SACS-NYC received legal services at no charge with a fair market value of \$833,564 for the year ended June 30, 2016.

9. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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. Additionally, SACS-NYC signed a loan guarantee for the Network's non-revolving line of credit indicated in Note 5(c).

10. Employee Benefit Plan

SACS-NYC maintains a deferred compensation plan qualified under Section 403(b) of the IRC. SACS-NYC matches up to 3% of eligible employee's annual compensation not to exceed the employee's annual salary deferral amount. SACS-NYC made contributions totaling \$2,163,405 for the year ended June 30, 2016.

11. Temporarily Restricted Net Assets

SACS-NYC for the year ended June 30, 2016, released from restriction the amount of \$220,000 for the Technology Literacy of Success Academy High School Liberal Arts.

Success Academy Charter Schools - NYC

Notes to Financial Statements

12. Subsequent Events

SACS-NYC's management has performed subsequent event procedures through October 28, 2016, which is the date the financial statements were available to be issued and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

SACS-NYC is in the process of opening seven new schools in August 2016, Success Academy Charter School - Bed Stuy 3, Success Academy Charter School - Bushwick, Success Academy Charter School - Flatbush, Success Academy Charter School - Far Rockaway, Success Academy Charter School - South Jamaica, Success Academy Middle School - Cobble Hill and Success Academy Middle School - Williamsburg. In addition, Success Academy Charter School - Harlem 3 and Success Academy Charter School - Bronx 3 will remain divided into upper and lower elementary schools and Harlem 2 will be consolidated back into one school, bringing a total number of schools operating under SACS-NYC to 44 schools.

Supplementary Information

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2016

	Ed Corp	Harlem 1	Harlem 2 (Lower)	Harlem 2 (Upper)	Harlem 3 (Upper)	Harlem 3 (Lower)	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3 (Lower)	Bronx 3 (Upper)	Bronx 4	Upper West	Hell's Kitchen	Union Square	Washington Heights
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
Revenue and Support:																	
State and local per pupil operating revenue	\$ -	\$8,658,517	\$5,480,795	\$2,815,012	\$3,162,028	\$3,700,473	\$6,269,154	\$5,528,708	\$6,871,091	\$7,088,999	\$3,429,395	\$1,283,628	\$3,618,679	\$7,392,049	\$4,700,586	\$4,942,142	\$3,629,969
Government grants	1,691,664	450,352	302,237	172,254	184,474	214,878	350,376	326,494	525,873	516,242	443,663	142,841	511,767	340,986	429,341	420,652	741,949
Contributions and private grants	-	1,000	1,000	-	-	1,000	1,000	1,000	1,000	1,000	1,000	-	1,000	1,000	1,000	1,000	1,000
Donated services (Note 8)	833,564	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	34,812	24,595	8,764	8,666	10,071	9,321	22,780	15,553	9,770	14,956	2,265	8,966	6,840	30,898	14,187	19,708	19,460
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue and Support	2,560,040	9,134,464	5,792,796	2,995,932	3,356,573	3,925,672	6,643,310	5,871,755	7,407,734	7,621,197	3,876,323	1,435,435	4,138,286	7,764,933	5,145,114	5,383,502	4,392,378
Expenses:																	
Program services:																	
General education	2,465,156	7,082,693	4,160,876	2,729,734	3,362,340	3,087,078	5,262,557	4,635,353	5,556,698	5,528,349	3,003,756	1,539,828	3,210,910	5,529,913	4,065,190	4,251,248	3,138,388
Special education	336,158	965,822	567,392	372,236	458,501	420,965	717,621	632,094	757,732	753,866	409,603	209,976	437,851	754,079	554,344	579,716	427,962
Total Program Services	2,801,314	8,048,515	4,728,268	3,101,970	3,820,841	3,508,043	5,980,178	5,267,447	6,314,430	6,282,215	3,413,359	1,749,804	3,648,761	6,283,992	4,619,534	4,830,964	3,566,350
Supporting services:																	
General and administrative	1,059,232	629,162	363,769	237,119	290,651	261,609	465,018	388,533	493,400	480,224	264,032	126,983	280,331	478,155	348,079	359,551	263,854
Total Expenses	3,860,546	8,677,677	5,092,037	3,339,089	4,111,492	3,769,652	6,445,196	5,655,980	6,807,830	6,762,439	3,677,391	1,876,787	3,929,092	6,762,147	4,967,613	5,190,515	3,830,204
Change in Net Assets	(1,300,506)	456,787	700,759	(343,157)	(754,919)	156,020	198,114	215,775	599,904	858,758	198,932	(441,352)	209,194	1,002,786	177,501	192,987	562,174
Net Assets, Beginning of Year	-	8,312,836	6,723,703	-	4,089,383	(569,171)	3,208,828	3,080,778	2,991,499	4,360,006	338,612	-	335,678	575,454	(765,576)	(983,064)	(332,810)
Net Assets, End of Year	\$(1,300,506)	\$8,769,623	\$7,424,462	\$(343,157)	\$3,334,464	\$(413,151)	\$3,406,942	\$3,296,553	\$3,591,403	\$5,218,764	\$537,544	\$(441,352)	\$544,872	\$1,578,240	\$(588,075)	\$(790,077)	\$229,364

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2016

	Bed Stuy 1	Bed Stuy 2	Bed Stuy 3	Cobble Hill	Williamsburg	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens	MS Harlem Central	MS Harlem West	MS Harlem North Central	MS Harlem North West	MS Harlem East
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
Revenue and Support:																	
State and local per pupil operating revenue	\$6,030,393	\$5,363,263	\$ -	\$ 5,923,155	\$6,547,183	\$5,200,245	\$ 4,136,782	\$4,964,500	\$3,616,386	\$3,510,731	\$3,447,078	\$3,509,423	\$ 3,139,962	\$ 4,659,719	\$ 4,060,184	\$ 3,917,946	\$4,520,154
Government grants	531,816	407,371	217,595	398,800	445,977	566,450	486,236	495,509	374,690	363,335	643,078	448,194	259,729	207,985	228,121	335,437	302,451
Contributions and private grants	1,000	1,000	-	1,000	1,000	1,000	1,000	3,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Donated services (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	11,626	14,096	-	10,680	18,843	9,707	10,609	11,294	12,410	3,735	4,244	2,549	23,610	49,767	31,377	43,698	51,342
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue and Support	6,574,835	5,785,730	217,595	6,333,635	7,013,003	5,777,402	4,634,627	5,474,803	4,004,486	3,878,801	4,095,400	3,961,166	3,424,301	4,918,471	4,320,682	4,298,081	4,874,947
Expenses:																	
Program services:																	
General education	5,418,904	4,833,875	-	5,729,330	5,514,959	4,066,037	3,941,336	4,215,368	2,991,236	3,039,820	3,075,829	3,001,080	3,884,268	4,443,196	3,913,840	4,315,914	4,187,546
Special education	738,941	659,165	-	781,272	752,040	554,459	537,455	574,823	407,896	414,521	419,431	409,238	529,673	605,890	533,705	588,533	571,029
Total Program Services	6,157,845	5,493,040	-	6,510,602	6,266,999	4,620,496	4,478,791	4,790,191	3,399,132	3,454,341	3,495,260	3,410,318	4,413,941	5,049,086	4,447,545	4,904,447	4,758,575
Supporting services:																	
General and administrative	460,841	406,931	-	493,979	489,895	362,024	344,684	370,241	253,277	256,077	257,092	260,099	330,260	393,388	344,406	373,438	352,460
Total Expenses	6,618,686	5,899,971	-	7,004,581	6,756,894	4,982,520	4,823,475	5,160,432	3,652,409	3,710,418	3,752,352	3,670,417	4,744,201	5,442,474	4,791,951	5,277,885	5,111,035
Change in Net Assets	(43,851)	(114,241)	217,595	(670,946)	256,109	794,882	(188,848)	314,371	352,077	168,383	343,048	290,749	(1,319,900)	(524,003)	(471,269)	(979,804)	(236,088)
Net Assets, Beginning of Year	(418,282)	(494,905)	-	(696,302)	95,752	(164,399)	(842,756)	273,408	95,258	(94,869)	(423,579)	211,282	(2,472,675)	(1,453,645)	(1,627,378)	(380,661)	-
Net Assets, End of Year	\$ (462,133)	\$ (609,146)	\$217,595	\$(1,367,248)	\$ 351,861	\$ 630,483	\$(1,031,604)	\$ 587,779	\$ 447,335	\$ 73,514	\$ (80,531)	\$ 502,031	\$(3,792,575)	\$(1,977,648)	\$(2,098,647)	\$(1,360,465)	\$ (236,088)

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2016

	MS Bronx 1	MS Bronx 2	MS Midtown West	MS Bed Stuy	Bushwick	Far Rockaway	Flatbush	South Jamaica	HS Liberal Arts		Success Academy Charter Schools -NYC			
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support:														
State and local per pupil operating revenue	\$ 1,932,934	\$ 2,279,843	\$ 910,616	\$ 796,609	\$ -	\$ -	\$ -	\$ -	\$ 4,603,210	\$ -	\$ 4,603,210	\$ 161,641,541	\$ -	\$ 161,641,541
Government grants	148,763	279,054	315,490	614,913	217,595	285,291	217,595	285,291	668,521	-	668,521	17,511,330	-	17,511,330
Contributions and private grants	1,000	1,000	1,000	1,000	-	-	-	-	1,000	-	1,000	36,500	-	36,500
Donated services (Note 8)	-	-	-	-	-	-	-	-	-	-	-	833,564	-	833,564
Interest and other income	36,114	31,572	42,722	31,948	-	-	-	-	70,015	-	70,015	783,570	-	783,570
Net assets released from restriction	-	-	-	-	-	-	-	-	220,000	(220,000)	-	220,000	(220,000)	-
Total Revenue and Support	2,118,811	2,591,469	1,269,828	1,444,470	217,595	285,291	217,595	285,291	5,562,746	(220,000)	5,342,746	181,026,505	(220,000)	180,806,505
Expenses:														
Program services:														
General education	2,501,019	2,462,907	1,606,132	1,382,452	-	-	-	-	6,384,240	-	6,384,240	149,519,355	-	149,519,355
Special education	341,048	335,851	219,018	188,516	-	-	-	-	870,578	-	870,578	20,389,000	-	20,389,000
Total Program Services	2,842,067	2,798,758	1,825,150	1,570,968	-	-	-	-	7,254,818	-	7,254,818	169,908,355	-	169,908,355
Supporting services:														
General and administrative	210,831	202,818	133,693	114,699	-	-	-	-	520,082	-	520,082	13,720,917	-	13,720,917
Total Expenses	3,052,898	3,001,576	1,958,843	1,685,667	-	-	-	-	7,774,900	-	7,774,900	183,629,272	-	183,629,272
Change in Unrestricted Net Assets	(934,087)	(410,107)	(689,015)	(241,197)	217,595	285,291	217,595	285,291	(2,212,154)	(220,000)	(2,432,154)	(2,602,767)	(220,000)	(2,822,767)
Net Assets, Beginning of Year	-	(313,170)	-	-	-	-	-	-	136,423	220,000	356,423	22,795,658	220,000	23,015,658
Net Assets, End of Year	\$ (934,087)	\$ (723,277)	\$ (689,015)	\$ (241,197)	\$ 217,595	\$ 285,291	\$ 217,595	\$ 285,291	\$ (2,075,731)	\$ -	\$ (2,075,731)	\$ 20,192,891	\$ -	\$ 20,192,891

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2015

	Harlem 1	Harlem 2	Harlem 3	Harlem 3K	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3	Bronx 4	Upper West	Hell's Kitchen	Washington Heights	Union Square	Bed Stuy 1	Bed Stuy 2	Cobble Hill	Williams-burgh	
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
Revenue and Support:																			
State and local per pupil operating revenue	\$8,851,027	\$7,843,519	\$9,149,612	\$2,319,795	\$6,211,734	\$5,578,833	\$7,805,872	\$7,353,156	\$3,446,821	\$2,950,829	\$6,906,944	\$3,104,388	\$2,533,303	\$3,271,006	\$6,019,924	\$4,621,402	\$4,726,480	\$5,329,122	
Government grants	262,470	278,555	220,125	74,822	183,555	178,115	378,748	430,123	393,626	603,516	114,420	303,862	96,199	268,463	226,990	414,427	353,699	429,349	
Contributions and private grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	
Donated services (Note 8)	17,692	17,692	17,692	17,692	17,692	17,692	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	
Interest and other income	185	185	1,137	185	185	185	1,282	298	185	185	291	185	185	185	291	254	254	254	
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue and Support	9,131,374	8,139,951	9,388,566	2,412,494	6,413,166	5,774,825	8,203,595	7,801,270	3,858,325	3,572,223	7,039,348	3,426,128	2,647,380	3,557,347	6,265,398	5,053,776	5,098,126	5,776,418	
Expenses:																			
Program services:																			
General education	6,835,185	6,400,271	7,985,667	2,140,994	5,065,023	4,229,674	6,366,442	5,372,973	2,843,531	2,643,164	5,166,117	2,917,402	2,363,540	3,114,236	5,190,820	4,324,102	4,527,579	4,600,885	
Special education	932,069	872,764	1,088,955	291,953	690,685	576,773	868,151	732,678	387,754	360,431	704,470	397,827	322,301	424,668	707,838	589,650	617,397	627,393	
Total Program Services	7,767,254	7,273,035	9,074,622	2,432,947	5,755,708	4,806,447	7,234,593	6,105,651	3,231,285	3,003,595	5,870,587	3,315,229	2,685,841	3,538,904	5,898,658	4,913,752	5,144,976	5,228,278	
Supporting services:																			
General and administrative	608,590	573,626	718,882	197,107	463,787	384,911	575,854	496,882	266,261	232,529	469,002	270,645	208,740	283,817	480,766	406,435	422,773	436,363	
Total Expenses	8,375,844	7,846,661	9,793,504	2,630,054	6,219,495	5,191,358	7,810,447	6,602,533	3,497,546	3,236,124	6,339,589	3,585,874	2,894,581	3,822,721	6,379,424	5,320,187	5,567,749	5,664,641	
Change in Net Assets	755,530	293,290	(404,938)	(217,560)	193,671	583,467	393,148	1,198,737	360,779	336,099	699,759	(159,746)	(247,201)	(265,374)	(114,026)	(266,411)	(469,623)	111,777	
Net Assets, Beginning of Year	7,557,306	6,430,413	4,494,321	(351,611)	3,015,157	2,497,311	2,598,351	3,161,269	(22,167)	(421)	(124,305)	(605,830)	(85,609)	(717,690)	(304,256)	(228,494)	(226,679)	(16,025)	
Net Assets, End of Year	\$8,312,836	\$6,723,703	\$4,089,383	\$ (569,171)	\$3,208,828	\$3,080,778	\$2,991,499	\$4,360,006	\$ 338,612	\$ 335,678	\$ 575,454	\$ (765,576)	\$ (332,810)	\$ (983,064)	\$ (418,282)	\$ (494,905)	\$ (696,302)	\$ 95,752	

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2015

	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens	Harlem Central	Harlem North Central	Harlem West	Harlem North West	Bronx 2 MS	HS Liberal Arts	Success Academy Charter Schools -NYC				
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
Revenue and Support:																		
State and local per pupil operating revenue	\$3,278,419	\$2,894,975	\$3,652,295	\$2,568,041	\$2,463,226	\$2,507,446	\$2,563,701	\$ 2,936,530	\$ 2,370,539	\$ 4,809,739	\$2,835,798	\$1,057,442	\$ 977,186	\$ 977,186	\$132,939,104	\$ -	\$132,939,104	
Government grants	376,274	317,167	336,661	393,232	319,724	92,398	498,015	111,298	99,222	163,742	528,222	449,526	48,980	48,980	8,945,525	-	8,945,525	
Contributions and private grants	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000	500	2,000,500	
Donated services (Note 8)	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	17,693	-	17,693	548,477	548,477	
Interest and other income	185	185	185	185	185	185	185	(615)	185	185	185	185	185	-	185	7,516	7,516	
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	2,440,000	(2,440,000)	-	2,440,000	(2,440,000)	
Total Revenue and Support	3,672,571	3,230,020	4,006,834	2,979,151	2,800,828	2,617,722	3,079,594	3,064,906	2,487,639	4,991,359	3,381,898	1,524,846	3,484,044	(440,000)	3,044,044	144,881,122	(440,000)	144,441,122
Expenses:																		
Program services:																		
General education	2,744,700	2,862,676	3,032,027	2,359,996	2,367,233	2,382,448	2,341,576	3,416,981	2,658,158	4,278,338	3,074,875	1,578,682	2,425,885	-	2,425,885	117,611,180	-	117,611,180
Special education	374,277	390,365	413,458	321,818	322,804	324,880	319,305	465,952	362,477	583,409	419,301	215,275	330,803	-	330,803	16,037,881	-	16,037,881
Total Program Services	3,118,977	3,253,041	3,445,485	2,681,814	2,690,037	2,707,328	2,660,881	3,882,933	3,020,635	4,861,747	3,494,176	1,793,957	2,756,688	-	2,756,688	133,649,061	-	133,649,061
Supporting services:																		
General and administrative	259,851	262,650	280,828	201,690	205,255	210,880	207,036	315,987	250,517	384,925	267,910	145,940	211,470	-	211,470	10,701,909	-	10,701,909
Total Expenses	3,378,828	3,515,691	3,726,313	2,883,504	2,895,292	2,918,208	2,867,917	4,198,920	3,271,152	5,246,672	3,762,086	1,939,897	2,968,158	-	2,968,158	144,350,970	-	144,350,970
Change in Unrestricted Net Assets	293,743	(285,671)	280,521	95,647	(94,464)	(300,486)	211,677	(1,134,014)	(783,513)	(255,313)	(380,188)	(415,051)	515,886	(440,000)	75,886	530,152	(440,000)	90,152
Net Assets, Beginning of Year	(458,142)	(557,085)	(7,113)	(389)	(405)	(123,093)	(395)	(1,338,661)	(843,865)	(1,198,332)	(473)	101,881	(379,463)	660,000	280,537	22,265,506	660,000	22,925,506
Net Assets, End of Year	\$ (164,399)	\$ (842,756)	\$ 273,408	\$ 95,258	\$ (94,869)	\$ (423,579)	\$ 211,282	\$ (2,472,675)	\$ (1,627,378)	\$ (1,453,645)	\$ (380,661)	\$ (313,170)	\$ 136,423	\$ 220,000	\$ 356,423	\$ 22,795,658	\$ 220,000	\$ 23,015,658

Success Academy Charter Schools - NYC

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education:			
Passed through the New York State Education Department:			
Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)			
	84.010	None	\$ 3,637,844
<hr/>			
Improving Teacher Quality State Grants	84.367	None	201,668
<hr/>			
Charter Schools Passed through Success Academy Charter Schools, Inc.:	84.282A	None	1,042,378
<hr/>			
Charter Schools - Replication and Expansion of High-Quality Charter Schools	84.282M	None	4,608,718
<hr/>			
Subtotal CFDA #84.282			5,651,096
<hr/>			
Total U.S. Department of Education			9,490,608
<hr/>			
U.S. Department of Agriculture:			
Passed through the New York State Education Department:			
Child Nutrition Program Administration:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	331400861107	1,479,360
School Breakfast Program	10.553	331400861107	207,150
<hr/>			
Total U.S. Department of Agriculture			1,686,510
<hr/>			
Total Expenditures of Federal Awards			\$11,177,118

The accompanying notes are an integral part of this schedule.

Success Academy Charter Schools - NYC

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Success Academy Charter Schools - NYC ("SACS NYC") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of SACS-NYC, it is not intended to and does not present the financial position, changes in net assets or cash flows of SACS-NYC.

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to SACS-NYC's financial position or change in net assets.

All of SACS-NYC's federal awards were in the form of cash assistance for the year ended June 30, 2016.

SACS-NYC had no federally funded insurance programs or loan guarantees during the year ended June 30, 2016.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. SACS-NYC is not required to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**Independent Auditor's 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***

To the Board of Trustees
Success Academy Charter Schools - NYC
New York, New York

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 Success Academy Charter Schools - NYC ("SACS-NYC"), which comprise the statement of financial position as of June 30, 2016, 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 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SACS-NYC'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 SACS-NYC's internal control. Accordingly, we do not express an opinion on the effectiveness of SACS-NYC'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 may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether SACS-NYC'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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 28, 2016



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Success Academy Charter Schools - NYC
New York, New York

Report on Compliance for Each Major Federal Program

We have audited Success Academy Charter Schools - NYC's ("SACS-NYC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SACS-NYC's major federal programs for the year ended June 30, 2016. SACS-NYC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SACS-NYC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SACS-NYC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SACS-NYC's compliance.

Opinion on Each Major Federal Program

In our opinion, SACS-NYC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.



SACS-NYC's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. SACS-NYC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of SACS-NYC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SACS-NYC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SACS-NYC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be significant deficiencies.

SACS-NYC's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. SACS-NYC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

October 28, 2016

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

Yes No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.282A	Charter Schools
84.282M	Charter Schools
10.553	Child Nutrition Cluster:
10.555	National School Lunch Program
	School Breakfast Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section 2. Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section 3. Federal Award Findings and Questioned Costs

Finding Number: 2016-001

Compliance Requirement: Eligibility

Program:

U.S. Department of Agriculture

Government Department/Agency:

New York State Education Department

National School Lunch Program

School Breakfast Program

Child Nutrition Cluster

CFDA #: 10.555/10.553

Award #: 331400861107

Award Year: 7/01/2015 - 06/30/2016

Criteria - The Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organization (OMB Circular A-110) requires that non-Federal entities receiving Federal awards (i.e., audited management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

7 CFR 210.2 states:

“Child means—(a) a student of high school grade or under as determined by the State educational agency, who is enrolled in an educational unit of high school grade or under as described in paragraphs (a) and (b) of the definition of “School,” including students who are mentally or physically disabled as defined by the State and who are participating in a school program established for the mentally or physically disabled; or (b) a person under 21 chronological years of age who is enrolled in an institution or center as described in paragraph (c) of the definition of “School;” or (c) for purposes of reimbursement for meal supplements served in afterschool care programs, an individual enrolled in an afterschool care program operated by an eligible school who is 12 years of age or under, or in the case of children of migrant workers and children with disabilities, not more than 15 years of age.”

7 CFR 245.2 states:

“*Categorically eligible* means considered income eligible for free meals or free milk, as applicable, based on documentation that a child is a member of a *Family*, as defined in this section, and one or more children in that family are receiving assistance under *SNAP*, *FDPIR* or the *TANF* program, as defined in this section. A *Foster child*, *Homeless child*, a *Migrant child*, a *Head Start child* and a *Runaway child*, as defined in this section, are also categorically eligible. Categorical eligibility and automatic eligibility may be used synonymously.”

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

7 CFR 245.3 states:

“(b) - Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. Local educational agencies must include these eligibility criteria in their policy statement as required under § 245.10 and it must be publicly announced in accordance with the provisions of § 245.5. Additionally, each State agency, or FNSRO where applicable, must require that local educational agencies accept as income eligible for free meals and free milk, children who are categorically eligible for those benefits based on documentation of eligibility, as specified in § 245.6 (b).”

We noted the following deficiencies during our eligibility testing in determining which students are eligible through an application process. SACS-NYC's officials are required to determine whether each student's household income falls within the income eligibility guidelines. 1 out of the 40 samples tested exceeded the allowable income eligibility threshold. We also noted that for 28 of the 40 samples, SACS-NYC officials did not complete the application in determination of the free or reduce meals and document its review and approval with a signature. In lieu of the application form approval box, SACS-NYC provided an excel summary of the eligibility determination as part of its internal control and review process.

Questioned Costs - The amount cannot be determined or established for known and likely questioned costs.

Context - This is a condition identified per review of compliance with specified requirements.

Effect - SACS-NYC did not comply with the eligibility requirements of the Child Nutrition Cluster.

Cause - SACS-NYC does not have fully effective internal controls over the eligibility determination process to ensure participants are accurately being assessed for free and reduced price lunch and breakfast.

Recommendation - We recommend SACS-NYC establish adequate controls over eligibility that ensure compliance with the requirements of the Child Nutrition Cluster. This includes (1) ensuring that the eligibility determination is sufficiently reviewed such that all errors in the determination process are detected; and (2) data corrections are properly recorded in a timely basis.

Views of Responsible Officials and Planned Corrective Actions

SACS-NYC was approved on September 7, 2016 by the New York State Education Department to participate in the State Community Eligibility Provision for certifying its Free/Reduced Lunch Rates. This provision allows SACS-NYC to forego collecting and analyzing the income certifications from families and rather submit an annual report to the state detailing all of the students that automatically qualify (based on Welfare status) for free lunch based on data collected by the New York City Department of Education.

Success Academy Charter Schools - NYC

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

2015-001 *Procurement*

Federal Program:

Federal Programs 84.282A and 84.282M

Condition:

During our testing, we noted the following instances of non-compliance:

- SACS-NYC did not perform the minimum of three bids for purchases over \$25,000 or, in the case of a single service provider, did not document the costs analysis as required by its procurement policy.

Current Status:

This was no longer a finding in the current year testing.

Updated Corrective Action:

SACS-NYC has the following approach to remedy the findings from its prior year's single-audit. In response, the CFO will be presenting a revised procurement policy increasing the threshold requiring competitive bidding from \$25,000 to \$150,000 by the end of 2016 and will now be in compliance with the new Uniform Guidance. In addition to raising the limit, the SACS-NYC Finance Department, in partnership with the Sourcing and Logistics Department, identified the Associate Director of Sourcing and Logistics to oversee the procurement process. This "Operations Oversight" step in the purchase requisition process ensures that all employees are following the procurement process and that all purchase orders in excess of \$150,000 are reviewed centrally to ensure compliance with SACS-NYC's newly revised bidding procedures. The Financial Policies and Procedures Manual will be reviewed annually for updates that might impact future procurement procedures as SACS-NYC grows to ensure continued compliance with all Federal purchasing regulations.
