

Success Academy Charter Schools - NYC

Financial Statements and
Supplementary Information
Year Ended June 30, 2015

Success Academy Charter Schools - NYC

Financial Statements and Supplementary Information
Year Ended June 30, 2015

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

We have audited the accompanying financial statements of Success Academy Charter School-NYC ("SACS-NYC"), which comprise the statement of financial position as of June 30, 2015, 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. 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 Success Academy Charter School- NYC as of June 30, 2015, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary combining statement of activities is presented for the 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 related 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 29, 2015 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 29, 2015

Success Academy Charter Schools - NYC

Statement of Financial Position

June 30, 2015

Assets

Current Assets:

Cash and cash equivalents (Note 2)	\$ 4,070,877
Restricted investments, at fair value (Notes 2 and 4)	350,002
Grants and contracts receivable, net (Note 2)	8,283,986
Prepaid expenses and other assets	4,090,345

Total Current Assets 16,795,210

Property and Equipment, Net (Notes 2 and 3) 24,818,614

Total Assets \$41,613,824

Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued expenses	\$ 2,244,130
Accrued payroll and payroll taxes	48,333
Due to affiliate (Note 5)	7,805,703

Total Current Liabilities 10,098,166

Loans Payable (Note 5) 8,500,000

Total Liabilities 18,598,166

Commitments and Contingencies (Notes 9 and 10)

Net Assets (Notes 2 and 11):

Unrestricted	22,795,658
Temporarily restricted	220,000

Total Net Assets 23,015,658

Total Liabilities and Net Assets \$41,613,824

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Activities

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
State and local per pupil operating revenue	\$132,939,104	\$ -	\$132,939,104
Government grants	8,945,525	-	8,945,525
Contributions and private grants	500	2,000,000	2,000,500
Donated services (Note 8)	548,477	-	548,477
Interest and other income	7,516	-	7,516
Net assets released from restriction	2,440,000	(2,440,000)	-
Total Revenue and Support	144,881,122	(440,000)	144,441,122
Expenses:			
Program services:			
General education	117,611,180	-	117,611,180
Special education	16,037,881	-	16,037,881
Total Program Services	133,649,061	-	133,649,061
Supporting services:			
Management and general	10,701,909	-	10,701,909
Total Expenses	144,350,970	-	144,350,970
Change In Net Assets	530,152	(440,000)	90,152
Net Assets, Beginning of Year	22,265,506	660,000	22,925,506
Net Assets, End of Year	\$ 22,795,658	\$ 220,000	\$ 23,015,658

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses

Year ended June 30, 2015

	Program Services			Management and General	Total
	General Education	Special Education	Total Program Services		
Salaries	\$ 55,978,121	\$ 7,633,380	\$ 63,611,501	\$ 5,531,435	\$ 69,142,936
Payroll taxes and employee benefits	12,371,574	1,687,033	14,058,607	1,222,488	15,281,095
Professional development	1,657,116	225,970	1,883,086	-	1,883,086
Legal	-	-	-	548,477	548,477
Audit and accounting	-	-	-	113,053	113,053
Professional and consulting fees	844,728	115,189	959,917	83,472	1,043,389
Transportation	513,904	70,078	583,982	50,781	634,763
Scholar food service	2,482,308	338,496	2,820,804	-	2,820,804
Field studies	1,377,833	187,886	1,565,719	-	1,565,719
Instructional supplies and textbooks	6,385,616	870,766	7,256,382	-	7,256,382
Management fee (Note 5)	14,834,329	2,022,860	16,857,189	1,465,844	18,323,033
Interest expense	-	-	-	85,000	85,000
Talent recruitment	719,833	98,159	817,992	-	817,992
Scholar recruitment	1,476,532	201,345	1,677,877	-	1,677,877
Parent and community outreach and engagement	579,677	79,046	658,723	-	658,723
Scholar after school programming	491,594	67,036	558,630	-	558,630
Uniforms and backpacks	566,392	77,235	643,627	-	643,627
Office expense	2,115,401	288,464	2,403,865	209,032	2,612,897
School culture	900,018	122,730	1,022,748	-	1,022,748
Special events	18,240	2,487	20,727	1,802	22,529
Equipment rental	1,019,588	139,035	1,158,623	100,750	1,259,373
Student assessments	225,864	30,800	256,664	-	256,664
Telecommunications and internet	1,160,148	158,202	1,318,350	114,639	1,432,989
Postage and delivery	139,784	19,061	158,845	13,813	172,658
Insurance	1,135,368	154,823	1,290,191	112,191	1,402,382
Facilities expense	618,789	84,380	703,169	61,145	764,314
Information technology	1,175,383	160,280	1,335,663	116,145	1,451,808
Depreciation and amortization	8,221,050	1,121,051	9,342,101	812,357	10,154,458
Miscellaneous	601,990	82,089	684,079	59,485	743,564
Total Expenses	\$117,611,180	\$16,037,881	\$133,649,061	\$10,701,909	\$144,350,970

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Cash Flows

Year ended June 30, 2015

Cash Flows from Operating Activities:	
Change in net assets	\$ 90,152
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,154,458
Loss on disposal of property and equipment	276,132
(Increase) decrease in:	
Restricted investments	451,017
Grants and contracts receivable	(4,404,412)
Prepaid expenses and other assets	(493,423)
Increase (decrease) in:	
Accounts payable and accrued expenses	1,424,011
Payroll and payroll taxes	(823,913)
Due to affiliate	3,603,628
Net Cash Provided By Operating Activities	10,277,650
Cash Flows From Investing Activities:	
Purchases of property and equipment	(19,021,028)
Proceeds from sale of investments	2,883,681
Net Cash Used In Investing Activities	(16,137,347)
Net Decrease in Cash and Cash Equivalents	(5,859,697)
Cash and Cash Equivalents, Beginning of Year	9,930,574
Cash and Cash Equivalents, End of Year	\$ 4,070,877
Cash Paid for Interest During the Year	\$ -

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 Side, Success Academy Charter School - Bedford Stuyvesant 1, Success Academy Charter School - Bedford Stuyvesant 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.

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

Success Academy Charter School - Harlem 1 ("Harlem 1"), Success Academy Charter School - Harlem 2 ("Harlem 2"), Success Academy Charter School - Harlem 3 ("Harlem 3"), Success Academy Charter School - Harlem 4 ("Harlem 4"), Success Academy Charter School - Harlem 5 ("Harlem 5"), Success Academy Charter School - Harlem West ("Harlem West"), Success Academy Charter School - Harlem Central ("Harlem Central"), Success Academy Charter School - High School ("HS Liberal Arts"), Success Academy Charter School - Bronx 3 ("Bronx 3"), Success Academy Charter School - Crown Heights ("Crown Heights"), Success Academy Charter School - Fort Greene ("Fort Greene"), Success Academy Charter School - Harlem 3 100th Street ("Harlem 3K"), Success Academy Charter School - Hell's Kitchen ("Hell's Kitchen"), Success Academy Charter School - Harlem North Central ("Harlem North Central"), Success Academy Charter School - Prospect Heights ("Prospect Heights"), Success Academy Charter School - Union Square ("Union Square"), Success Academy Charter School - Bensonhurst ("Bensonhurst"), Success Academy Charter School - Bergen Beach ("Bergen Beach"), Success Academy Charter School - Bronx 2 ("BX2"), Success Academy Charter School - Harlem North West ("Harlem North West"), Success Academy Charter School - Rosedale ("Rosedale"), Success Academy Charter School - Springfield Gardens ("Springfield Gardens"), Success Academy Charter School - Bronx 4 ("Bronx 4"), Success Academy Charter School - Washington Heights ("Washington Heights"), Success Academy Charter School - Bedford Stuyvesant 1 (Bed Stuy 1), Success Academy Charter School - Bedford Stuyvesant 2 ("Bed Stuy 2"), Success Academy Charter School Middle School - Bronx 2 ("Bronx 2

Success Academy Charter Schools - NYC

Notes to Financial Statements

MS”), Success Academy Charter School - Bronx 2 (“Bronx 2”), Success Academy Charter School-Cobble Hill (“Cobble Hill”), Success Academy Charter School - Upper West Side (“Upper West”) and Success Academy Charter School - Williamsburg (“Williamsburg”).

SACS-NYC provided education to approximately 8,715 students in grades kindergarten through high school during the 2014-2015 academic year.

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, 2015, 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

Success Academy Charter Schools - NYC

Notes to Financial Statements

identified by management as to their uncertainty in regards to collectability. At June 30, 2015, management estimated the allowance for doubtful accounts to be \$-0- for government and tuition receivable, and \$-0- for other receivables, respectively.

(g) Property and Equipment

Property and equipment 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. Property and equipment 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) 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.

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, 2015 are in certificates of deposit and are classified as Level 1.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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, 2015, cost approximates fair value.

(i) 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.

(j) Asset Impairment

SACS-NYC evaluates long-term assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed to be impaired if the carrying value of the assets is in excess of its fair value. During the year ended June 30, 2015, SACS-NYC wrote off \$2,292,145 of assets related to website and software.

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, 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 donated 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.

(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, 2015.

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Notes to Financial Statements

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, 2015, 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, 2015, 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, 2012.

(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.

3. Property and Equipment, Net

SACS-NYC's property and equipment consist of the following:

June 30, 2015

Renovations and improvements	\$ 16,019,242
Equipment	7,536,714
Software	14,179,250
Furniture and fixtures	6,595,646
	<hr/>
	44,330,852
Less: Accumulated depreciation and amortization	(21,045,803)
Assets not placed in operations *	1,533,565
	<hr/>
	\$ 24,818,614

* Assets not placed in operation relate to the school which will begin its operations in September 2016.

For the year ended June 30, 2015, depreciation and amortization expense was \$10,154,458.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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, 2015. 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, 2015

	Fair Value Measurement at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Certificates of deposit	\$350,002	\$-	\$-	\$350,002

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.

5. Affiliate 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 "the 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, 2015, SACS-NYC incurred \$18,323,033 in management fees. The balance due to Network at June 30, 2015 was \$7,805,703. This balance represents expenses paid by the Network on behalf of SACS-NYC, as well as management fees.

(b) Loans Payable

At various dates from July 2012 through June 2015, 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 three years of these 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, 2015 was \$8,500,000.

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Notes to Financial Statements

At June 30, 2015, maturities of loans payable are as follows:

Year ending June 30,

2016	\$	-
2017		250,000
2018		2,100,000
2019		2,000,000
2020		2,150,000
Thereafter		2,000,000
		<hr/> \$8,500,000 <hr/>

During the year ended June 30, 2015, 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 JPMorgan Chase Bank, N.A. (the "Bank"). The balance due to the Bank owed by the Network at June 30, 2015 was \$-0-.

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, 2015, SACS-NYC received legal services at no charge with a fair market value of \$548,477 for the year ended June 30, 2015.

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.

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Notes to Financial Statements

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 \$1,438,557 for the year ended June 30, 2015.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of \$220,000 to fund Technology Literacy Program of Success Academy High School Liberal Arts. The net assets released from restriction in the amount of \$2,440,000 for the year ended June 30, 2015 consisted of \$440,000 for the Technology Literacy and \$2,000,000 for the Liberal Arts program expenses of Success Academy High School Liberal Arts.

12. Subsequent Events

SACS-NYC's management has performed subsequent event procedures through October 29, 2015, 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 two new schools in September 2016, Success Academy Bedford Stuyvesant MS and Success Academy Midtown West. In addition, Success Academy Charter School - Harlem 2 and Success Academy Charter School - Bronx 3 will be divided into elementary and middle schools, bringing a total number of schools operating under SACS-NYC to 37 schools.

Supplementary Information

Success Academy Charter Schools - NYC

Combining Statement of Activities

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
	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

Combining Statement of Activities

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			
	Unrestricted												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	2,000,000	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



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 School- NYC ("SACS-NYC"), which comprise the statement of financial position as of June 30, 2015, 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 29, 2015.

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 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 of 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 SACS-NYC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SACS-NYC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 29, 2015