

Success Academy Charter Schools - NYC

Audit of Financial Statements and
Supplementary Information and
Supplemental Schedule of Expenditures
of Federal Awards
Year Ended June 30, 2021

Success Academy Charter Schools - NYC

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Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Success Academy Charter Schools - NYC

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Success Academy Charter Schools - NYC (SACS-NYC), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Success Academy Charter Schools - NYC as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of SACS-NYC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SACS-NYC's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SACS-NYC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SACS-NYC's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the financial statements of SACS-NYC as of and for the year ended June 30, 2020, and our report, dated October 27, 2020, 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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. The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and to 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 to 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, 2021 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SACS-NYC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SACS-NYC's internal control over financial reporting and compliance.

BDO USA, LLP

October 29, 2021

Success Academy Charter Schools - NYC

Statement of Financial Position (with comparative totals for 2020)

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 49,249,879	\$ 33,408,593
Grants and contracts receivables, net (Note 2)	16,733,785	10,730,964
Prepaid expenses and other assets	5,983,930	1,583,551
Total Current Assets	71,967,594	45,723,108
Fixed Assets, Net (Notes 2 and 5)	36,236,373	41,880,440
Funds - designated for community reinvestment (Note 2)	45,000,000	-
Total Assets	\$ 153,203,967	\$ 87,603,548
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,422,187	\$ 7,430,623
Accrued payroll and payroll taxes	11,014,031	4,962,899
Due to affiliate, net (Note 6)	2,981,313	5,321,513
Current portion loans payable to affiliated organization (Note 6)	3,500,000	129,663
Current portion capital lease payable (Note 7)	5,119,884	3,485,789
Total Current Liabilities	25,037,415	21,330,487
Loans Payable to Affiliate, less current portion (Note 6)	-	3,500,000
Capital Lease Payable, less current portion (Note 7)	5,255,228	3,764,171
Deferred Rent (Note 10)	1,670,519	3,114,496
Total Liabilities	31,963,162	31,709,154
Commitments and Contingencies (Notes 6, 9, 10, and 11)		
Net Assets (Note 2)		
Without donor restrictions:		
Undesignated	76,240,805	55,894,394
Board-designated for community reinvestment	45,000,000	-
Total Without Donor Restrictions	121,240,805	55,894,394
Total Net Assets	121,240,805	55,894,394
Total Liabilities and Net Assets	\$ 153,203,967	\$ 87,603,548

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Activities (with comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions	Total	
		2021	2020
Revenue, Support, and Gains, Net (Note 2)			
State per-pupil operating revenue	\$ 365,240,140	\$ 365,240,140	\$ 318,255,006
Government grants	25,606,575	25,606,575	14,097,855
Interest and other income	177,057	177,057	451,520
Loss on asset impairment	(3,027,551)	(3,027,551)	-
Total Revenue, Support, and Gains, Net	387,996,221	387,996,221	332,804,381
Expenses			
Program services:			
General education	220,116,229	220,116,229	191,074,432
Special education	69,576,171	69,576,171	78,044,485
Total Program Services	289,692,400	289,692,400	269,118,917
Supporting services:			
General and administrative	32,957,410	32,957,410	30,527,886
Total Expenses	322,649,810	322,649,810	299,646,803
Change in Net Assets	65,346,411	65,346,411	33,157,578
Net Assets, beginning of year	55,894,394	55,894,394	22,736,816
Net Assets, end of year	\$ 121,240,805	\$ 121,240,805	\$ 55,894,394

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses (with comparative totals for 2020)

Year ended June 30,

	FTEs	Program Services			Supporting Services	Total	
		General Education	Special Education	Total Program Services	General Administrative	2021	2020
Salaries and Staff							
Administrative staff personnel	388	\$ 25,178,217	\$ 7,958,541	\$ 33,136,758	\$ 2,881,457	\$ 36,018,215	\$ 38,574,851
Instructional personnel	2,086	88,149,742	27,863,105	116,012,847	10,088,074	126,100,921	112,970,478
Total Salaries and Staff		113,327,959	35,821,646	149,149,605	12,969,531	162,119,136	151,545,329
Payroll taxes and benefits		24,506,988	7,746,373	32,253,361	2,804,641	35,058,002	30,369,629
Professional development		1,210,545	382,640	1,593,185	-	1,593,185	3,013,618
Legal fees		-	-	-	760,017	760,017	3,330,546
Audit and accounting fees		-	-	-	72,793	72,793	123,184
Professional and consulting fees		2,092,572	661,438	2,754,010	239,479	2,993,489	1,130,635
Transportation		14,253	4,505	18,758	1,631	20,389	847,021
Scholar food service		6,340	2,003	8,343	-	8,343	711,663
Instructional supplies and textbooks		4,381,613	1,384,977	5,766,590	-	5,766,590	7,322,154
Management fee		33,215,330	10,498,978	43,714,308	10,928,577	54,642,885	42,678,091
Interest expense		340,403	107,597	448,000	38,956	486,956	360,683
Office expense		1,607,031	507,964	2,114,995	183,912	2,298,907	3,262,108
Equipment lease		2,041,395	645,261	2,686,656	233,622	2,920,278	2,862,581
Telecommunications and internet		2,755,674	871,036	3,626,710	315,366	3,942,076	4,236,953
Insurance		1,434,276	453,358	1,887,634	164,143	2,051,777	1,947,473
Information technology		9,500,689	3,003,057	12,503,746	1,087,283	13,591,029	8,723,179
Marketing/Recruitment		2,528,743	799,306	3,328,049	-	3,328,049	5,108,127
Student Services		1,739,317	549,778	2,289,095	5,356	2,294,451	5,306,670
Facility		4,647,611	1,469,055	6,116,666	531,885	6,648,551	7,136,799
Depreciation		13,111,741	4,144,468	17,256,209	1,500,540	18,756,749	19,363,531
Bad debt expense		-	-	-	930,421	930,421	-
Miscellaneous		1,653,749	522,731	2,176,480	189,257	2,365,737	266,829
Total Expenses		\$ 220,116,229	\$ 69,576,171	\$ 289,692,400	\$ 32,957,410	\$ 322,649,810	\$ 299,646,803

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Cash Flows (with comparative totals for 2020)

<i>Year ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 65,346,411	\$ 33,157,578
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,756,749	19,363,531
Change in allowance for grants and contracts receivables	930,421	-
Loss on asset impairment	3,027,551	-
Increase (decrease) in assets:		
Grants and contracts receivables	(6,933,242)	(2,208,734)
Prepaid expenses and other assets	(4,400,379)	1,156,492
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(5,008,436)	(6,607,737)
Accrued payroll and payroll taxes	6,051,132	1,972,388
Due to affiliate	(2,340,200)	(15,321,264)
Deferred rent	(1,443,977)	(137,002)
Net Cash Provided by Operating Activities	73,986,030	31,375,252
Cash Flows from Investing Activities		
Purchases of fixed assets	(8,196,946)	(2,717,258)
Net Cash Used in Investing Activities	(8,196,946)	(2,717,258)
Cash Flows from Financing Activities		
Repayment from loans payable	(129,663)	(3,870,337)
Repayment of capital leases	(4,818,135)	(2,467,999)
Net Cash Used in Financing Activities	(4,947,798)	(6,338,336)
Net Increase in Cash and Cash Equivalents	60,841,286	22,319,658
Cash and Cash Equivalents, beginning of year	33,408,593	11,088,935
Cash and Cash Equivalents, end of year	\$ 94,249,879	\$ 33,408,593
Supplemental Disclosure of Cash Flow Information		
Noncash transaction related to capital leases	\$ 7,943,287	\$ 5,963,846
Cash paid during the year for interest	451,956	256,280
Supplemental Schedule of Cash		
Cash and cash equivalents	\$ 49,249,879	\$ 33,408,593
Funds - designated for community reinvestment	45,000,000	-
Total Cash and Cash Equivalents	\$ 94,249,879	\$ 33,408,593

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. SAC-NYC is dedicated to providing a high-quality education to primarily disadvantaged students to narrow the achievement gap.

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 1, 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 SACS-NYC's 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.

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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 CS - Harlem 1	Harlem 1 (Elementary)	Serving Grades K-4
2. Success Academy CS - Harlem 2	Harlem 2 (Elementary)	Serving Grades K-4
3. Success Academy CS - Harlem 3	Harlem 3 (Elementary)	Serving Grades K-4
4. Success Academy CS - Harlem 4	Harlem 4 (Elementary)	Serving Grades K-4
5. Success Academy CS - Harlem 5	Harlem 5 (Elementary)	Serving Grades K-4
6. Success Academy CS - Harlem 6	Harlem 6 (Elementary)	Serving Grades K-3
7. Success Academy CS - Bed Stuy 1	Bed Stuy 1 (Elementary)	Serving Grades K-4
8. Success Academy CS - Bed Stuy 2	Bed Stuy 2 (Elementary)	Serving Grades K-4
9. Success Academy CS - Cobble Hill	Cobble Hill (Elementary)	Serving Grades K-4
10. Success Academy CS - Williamsburg	Williamsburg (Elementary)	Serving Grades K-4
11. Success Academy CS - Crown Heights	Crown Heights (Elementary)	Serving Grades K-4
12. Success Academy CS - Fort Greene	Fort Greene (Elementary)	Serving Grades K-4
13. Success Academy CS - Prospect Heights	Prospect Heights (Elementary)	Serving Grades K-4
14. Success Academy CS - Bensonhurst	Bensonhurst (Elementary)	Serving Grades K-4
15. Success Academy CS - Bergen Beach	Bergen Beach (Elementary)	Serving Grades K-4
16. Success Academy CS - Bushwick	Bushwick (Elementary)	Serving Grades K-4
17. Success Academy CS - Flatbush	Flatbush (Elementary)	Serving Grades K-4
18. Success Academy CS - Upper West	Upper West (Elementary)	Serving Grades K-4
19. Success Academy CS - Hell's Kitchen	Hell's Kitchen (Elementary)	Serving Grades K-4
20. Success Academy CS - Union Square	Union Square (Elementary)	Serving Grades K-4
21. Success Academy CS - Washington Heights	Washington Heights (Elementary)	Serving Grades K-4
22. Success Academy CS - Hudson Yards	Hudson Yards (Elementary)	Serving Grades K-3
23. Success Academy CS - Rosedale	Rosedale (Elementary)	Serving Grades K-4
24. Success Academy CS - Springfield Gardens	Springfield Gardens (Elementary)	Serving Grades K-4
25. Success Academy CS - Far Rockaway	Far Rockaway (Elementary)	Serving Grades K-4
26. Success Academy CS - South Jamaica	South Jamaica (Elementary)	Serving Grades K-4
27. Success Academy CS - Bronx 1	Bronx 1 (Elementary)	Serving Grades K-4
28. Success Academy CS - Bronx 2	Bronx 2 (Elementary)	Serving Grades K-4
29. Success Academy CS - Bronx 3	Bronx 3 (Elementary)	Serving Grades K-4
30. Success Academy CS - Bronx 4	Bronx 4 (Elementary)	Serving Grades K-4
31. Success Academy CS - Harlem 1	Harlem West (Middle)	Serving Grades 5-8
32. Success Academy CS - Harlem 5	Harlem North Central (Middle)	Serving Grades 5-8
33. Success Academy CS - Harlem 3	Harlem East (Middle)	Serving Grades 5-8
34. Success Academy CS - Harlem 2	Harlem North West (Middle)	Serving Grades 5-8
35. Success Academy CS - Bed Stuy 1	Bed Stuy 1 (Middle)	Serving Grades 5-8
36. Success Academy CS - Prospect Heights	Myrtle (Middle)	Serving Grades 5-8
37. Success Academy CS - Crown Heights	Ditmas Park (Middle)	Serving Grades 5-7
38. Success Academy CS - Bergen Beach	East Flatbush (Middle)	Serving Grades 5-8
39. Success Academy CS - Bed Stuy 3	Lafayette (Middle)	Serving Grades 5-8
40. Success Academy CS - Upper West	Midtown West (Middle)	Serving Grades 5-8
41. Success Academy CS - Union Square	Hudson Yards (Middle)	Serving Grades 5-8
42. Success Academy CS - Springfield Gardens	Springfield Gardens (Middle)	Serving Grades 5-8
43. Success Academy CS - Bronx 2	Bronx 2 (Middle)	Serving Grades 5-8
44. Success Academy CS - Bronx	Bronx (Middle)	Serving Grades 5-8
45. Success Academy CS - Rosedale	Hollis (Middle)	Serving Grade 5
46. Success Academy CS - Far Rockaway	Far Rockaway (Middle)	Serving Grade 5
47. Success Academy CS - Harlem 1	Liberal Arts (High)	Serving Grades 9-12
48. Success Academy CS - Harlem 3	Liberal Arts Bronx (High)	Serving Grades 9-12

SACS-NYC provided education to 20,290 full-time equivalent (FTE) in grades kindergarten through high school during the 2020-2021 academic year.

Success Academy Charter Schools - NYC

Notes to Financial Statements

2. Summary of Significant Accounting Policies

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 (U.S. GAAP).

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 two classes of net assets—with and without donor restrictions—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.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest, and other investment income, net of direct internal and external investment expenses should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SACS-NYC. These net assets may be used at the discretion of SACS-NYC's management and the Board of Trustees. Board-designated net assets for community reinvestment is for long-term community reinvestment in connection with SACS-NYC's educational mission, including but not limited to, its supervision and operation of schools and its real property needs (including, but not limited to, leases, acquisitions and/or furnishing, maintenance and renovation of educational and/or administrative facilities) and all other matters in furtherance of SACS-NYC's mission to create and build high performing public charter schools.

With Donor Restrictions - This class consists of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SACS-NYC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of June 30, 2021, the SACS-NYC had no assets with donor restrictions.

Cash and Cash Equivalents

SACS-NYC considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. SACS-NYC has not experienced any losses on these accounts. 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. As of June 30, 2021, the escrow account amounted to \$353,059. SACS-NYC has set aside cash as board-designated net assets for long-term community reinvestment and are shown as non-current assets in the statement of financial position.

Success Academy Charter Schools - NYC

Notes to Financial Statements

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. All of SACS-NYC's grant, contract, and other receivables are expected to be collected within one year.

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 regard to collectability. At June 30, 2021, management determined to reserve an amount of \$930,421 to cover any potential risk around collectability.

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:

	Years
Equipment	3
Furniture and fixtures	3
Software	3
Renovations and improvements	Useful life or lease term, whichever is shorter

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, 2021, management concluded that technology equipment with a net book value of \$3,027,551 are impaired and therefore have been written off.

Revenue Recognition

Per-pupil Revenue

SACS-NYC recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of FTE students and the basic charter school tuition rate for the school district of residence of the students attending SACS-NYC in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with SACS-NYC as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). SACS-NYC's total student population includes general education and special education students. SACS-NYC has determined that revenue from its students has the same

Success Academy Charter Schools - NYC

Notes to Financial Statements

performance obligations, types of contract and services rendered. As a result, the student body is viewed as one customer base for revenue recognition purposes. SACS-NYC uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. SACS-NYC believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual-contract approach was used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, SACS-NYC submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, as amounts are trued up to actual, the reconciliation calculates how much should have been paid to SACS-NYC or any amounts payable to the funding source. Any amounts due from the funding source are included in accounts receivable at year-end and any amounts due to the funding source are included in accounts payable at year-end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program (IEP), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service; 0 - 20% service, 20 - 60% service, or 60% or more service required and provided by SACS-NYC. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as SACS-NYC is providing them, SACS-NYC recognizes per-pupil revenue from these services over time. SACS-NYC believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. SACS-NYC measures the performance obligation from admission or enrollment into the school to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All these services are bundled and considered a single-performance obligation, as such, SACS-NYC accounts for these bundled-performance obligations under state and local per-pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

Contract Assets and Contract Liabilities

In accordance with Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. SACS-NYC does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. SACS-NYC does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Contributions of Nonfinancial Assets

SACS-NYC may receive contributed services that are an integral part of its operations. Such services are only recorded as contributions of nonfinancial assets, at their fair value, provided the services create or enhance nonfinancial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation.

SACS-NYC receives donated space from the New York City Department of Education (NYCDOE) that it shares with a New York City public school (Note 9). The donated space will be used for operating, general, and administrative activities. In valuing the donated space, which is located in the Bronx, Brooklyn, Queens and Manhattan, SACS-NYC estimated the fair value on the basis of recent comparable market rates in the Bronx, Brooklyn, Queens and Manhattan's real estate market, taking into account the restriction on use of the space.

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 according to the functional categories, as follows:

Program Services - This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Management and General - This category represents expenses related to the overall administration and operation of SACS-NYC that are not specific to any program services or development. These costs are allocated based on the FTE allocation method.

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 (IRS) 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, 2021.

Under U.S. GAAP, 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

Success Academy Charter Schools - NYC

Notes to Financial Statements

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 is subject to routine audits by a taxing authority. As of June 30, 2021, SACS-NYC was not subject to any examination by a taxing authority.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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 that it is exposed to any significant credit risk on its cash and cash equivalent accounts.

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 information. 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the SACS-NYC's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Recent Accounting Pronouncements Issued but Not Yet Adopted

Leases

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The FASB also issued ASU 2020-05, which deferred the effective date for SACS-NYC until annual periods beginning after December 15, 2021. SACS-NYC is currently evaluating the impact of the adoption of ASU 2016-02.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. SACS-NYC is currently evaluating the impact of the adoption of ASU 2020-07.

Success Academy Charter Schools - NYC

Notes to Financial Statements

3. Liquidity and Availability of Resources

The SACS-NYC's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

June 30, 2021

Cash and cash equivalents	\$	49,249,879
Grants and contracts receivables, net		16,733,785
		<hr/>
		65,983,664
Less: amounts unavailable for general expenditures within one year due to:		
Cash escrow (Note 2)		(353,059)
		<hr/>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	65,630,605

Liquidity Management

SACS-NYC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. In addition to financial assets available to meet general expenditures over the next 12 months, SACS-NYC seeks to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. Grants and Contracts Receivable, Net

The net present value of grants and contracts receivable is \$16,733,785 as of June 30, 2021, and SACS-NYC expects collection within the next 12 months.

5. Fixed Assets, Net

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

June 30, 2021

Renovations and improvements	\$	69,847,945
Equipment		16,757,108
Software		2,730,472
Furniture and fixtures		571,636
Fixed assets not placed in service		6,553,492
		<hr/>
Fixed Assets		96,460,653
Less: accumulated depreciation		(60,224,280)
		<hr/>
Fixed Assets, Net	\$	36,236,373

For the year ended June 30, 2021, depreciation expense was \$18,756,749.

Success Academy Charter Schools - NYC

Notes to Financial Statements

6. Related-Party Transactions

Due to Affiliate

Success Academy Charter Schools, Inc. (the Network), a not-for-profit organization dedicated to helping start and manage charter schools, provides curriculum development, teacher leader training, and school operations management to SACS-NYC. Pursuant to the terms of the Academic and Business Service Agreement, with an effective date of July 1, 2020, SACS-NYC pays the Network an annual fee of equal to the total 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 City Department of Education annually. For operational efficiency and purchasing power, SACS-NYC also shares common expenses with the Network.

For the year ended June 30, 2021, SACS-NYC incurred \$54,642,885 in management fees with a balance due to the Network for \$2,976,313. This balance represents expenses paid by the Network on behalf of SACS-NYC.

Amounts due to or from the Network, which included expenses paid on behalf of SACS-NYC that are included in due to affiliates, net, are as follows:

June 30, 2021

Employee benefits	\$	809,939
School purchases		2,657,495
Medical insurance		(491,121)
	\$	2,976,313

Loans Payable to Affiliated Organization

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, which was 1%. 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. Additionally, SACS-NYC agreed to meet certain milestones within a specific time schedule with the intent that certain of the amounts due under this loan be forgiven. The outstanding principal balance of the loan was \$3,500,000. At June 30, 2021, interest expense on the loan during the period was \$35,000 and at June 30, 2021, the total outstanding interest balance was \$0.

Loan Guarantee

On January 29, 2020, SACS-NYC entered and signed a loan guarantee for the Network’s revolving line of credit in the amount of \$30,000,000 with a financial institution, whereby SACS-NYC, identified as a guarantor, guarantees the obligation of the Network under the respective financing arrangement. The line of credit has a sub-limit of \$4,935,886 for purposes of issuing letters of credit. At June 30, 2021, the outstanding balance for the line of credit was \$0. A letter of credit has been allocated in the amount of \$4,935,886 against the sub-limit to secure the construction of leasehold

Success Academy Charter Schools - NYC

Notes to Financial Statements

improvements and security to the lease property of office space at 95 Pine Street. The letter of credit expires on January 1, 2023.

Additionally, SACS-NYC is named a guarantor and guarantees the obligation of the Network for the full payment when due on the capital lease for the Hudson Yards site.

7. Capital Lease Payable

SACS-NYC leases equipment under multiple capital leases that expire on various dates between July 2021 to May 2024. The leases are secured by the equipment and require monthly payments of principal and interest, with rates ranging from 4.46% to 6.18% per annum.

The following is a schedule of future minimum lease payments, including interest under the terms of the lease, together with the present value of the net minimum lease payments, as of June 30, 2021.

Year ending June 30,

2022	\$	5,495,344
2023		4,141,379
2024		1,287,935
Total Minimum Lease Payments		10,924,658
Less: amount representing interest		(549,546)
Present Value of Net Minimum Lease Payments		10,375,112
Less: current portion		(5,119,884)
Long-Term	\$	5,255,228

8. Revenue Concentrations

SACS-NYC receives substantially all of its support and revenue from the New York City Department of Education. If the funding from the Department of Education were to be reduced or eliminated, SACS-NYC's finances could be materially adversely affected.

9. Agreement for School Facilities

SACS-NYC shares space with various New York City public schools in the Bronx, Brooklyn, Queens and Manhattan. Under New York State's Charter Schools Act, the NYCDOE has provided this space to the School at no charge. The services provided by the NYCDOE to SACS-NYC, such as rent, utilities, custodial services, maintenance and school safety services are provided at no cost.

SACS-NYC is using a relative valuation model to measure the fair value of the donated space. The NYCDOE has not provided a fair value for the space and there is no lease agreement in place. In applying the fair valuation model, significant inputs include the total square footage allocated to SACS-NYC, the average cost per square foot based on comparable market rates in the Bronx, Brooklyn, Queens and Manhattan, and the estimated discount factor applied to the cost per square foot to account for the restricted use of the space. Based on such assumptions, SACS-NYC applies a relative cost per square foot calculated using all available market information in the Bronx, Brooklyn, Queens and Manhattan.

Success Academy Charter Schools - NYC

Notes to Financial Statements

The average square footage of the space provided by the NYCDOE to forty-five SACS-NYC schools is approximately twenty thousand square feet. The value of the space and related utilities and services calculated by applying the relative fair valuation model is not significant and, therefore, is not recorded in the financial statements.

10. Commitments and Contingencies

Commitments

On November 2, 2017, SACS-NYC entered into an operating sub-lease agreement with a related party to sub-lease the community facility unit at 555 10th Avenue. The agreement expires on June 30, 2022. SACS-NYC leases equipment under multiple operating leases that expire on various dates through August 2024.

Future minimum lease payments for operating lease agreements are as follows:

Year ending June 30,

2022	\$	7,560,109
2023		312,722
2024		68,456
2025		5,192
	\$	7,946,479

The aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent on the SACS-NYC's statement of financial position, which will reverse over the lease terms. Deferred rent payable amounted to \$1,670,519 as of June 30, 2021.

Rent expense under the occupancy operating leases for the year ended June 30, 2021 amounted to \$3,706,960 included in total facility expense in the statement of functional expenses.

Contingencies

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 SACS-NYC's 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 as indicated in Note 6.

From time to time, SACS-NYC is involved in claims, lawsuits, and proceedings that arise in the ordinary course of business. Such matters include, but are not limited to, claims involving particular students, employment law, and personal injury. Management believes that SACS-NYC has strong defenses with respect to these matters, and SACS-NYC intends to vigorously defend its positions. SACS-NYC evaluates estimated contingencies or losses related to these matters on an on-going basis, in conjunction with internal and external counsel. Should any matter, based on applicable accounting standards, be determined to likely result in adverse financial impact, SACS-NYC accrues a contingency accordingly. As of June 30, 2021, there are no matters for which SACS-NYC believes the ultimate outcome would have a material adverse effect on SACS-NYC's financial position.

Success Academy Charter Schools - NYC

Notes to Financial Statements

11. 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 \$4,027,510 for the year ended June 30, 2021.

12. Subsequent Events

The SACS-NYC's management has performed subsequent event procedures through October 29, 2021, 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.

Supplementary Information

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2021

	Ed Corp	Harlem 1	Harlem 2	Harlem 3	Harlem 4	Harlem 5	Harlem 6	Bed Stuy 1	Bed Stuy 2	Cobble Hill	Williamsburg	Crown Heights
Revenue, Support, and Gains, Net												
State per-pupil operating revenue	\$ 689,203	\$ 9,489,743	\$ 8,855,124	\$ 6,861,382	\$ 6,892,290	\$ 7,625,705	\$ 6,600,492	\$ 6,711,261	\$ 5,142,179	\$ 7,750,274	\$ 7,422,082	\$ 7,836,014
Government grants	33,239	570,883	565,766	389,107	441,116	488,174	627,227	380,623	306,358	344,576	396,620	410,420
Interest and other income	148,754	883	579	509	523	602	558	492	388	508	487	600
Loss on asset impairment	-	(100,817)	(97,845)	(74,761)	(75,195)	(85,529)	(66,474)	(73,483)	(59,299)	(86,038)	(81,233)	(88,092)
Total Revenue, Support, and Gains, Net	871,196	9,960,692	9,323,624	7,176,237	7,258,734	8,028,952	7,161,803	7,018,893	5,389,626	8,009,320	7,737,956	8,158,942
Expenses												
Program services:												
General education	142,113	5,430,235	4,947,354	3,803,267	4,277,238	4,486,381	4,284,195	4,289,688	3,664,820	4,761,939	4,444,604	4,566,781
Special education	44,920	1,716,434	1,563,801	1,202,168	1,351,985	1,418,093	1,354,184	1,355,920	1,158,407	1,505,193	1,404,888	1,443,506
Total Program Services	187,033	7,146,669	6,511,155	5,005,435	5,629,223	5,904,474	5,638,379	5,645,608	4,823,227	6,267,132	5,849,492	6,010,287
Supporting services:												
General and administrative	13,310	823,421	756,697	584,048	660,658	677,045	652,638	634,985	536,888	726,117	669,623	714,034
Total Expenses	200,343	7,970,090	7,267,852	5,589,483	6,289,881	6,581,519	6,291,017	6,280,593	5,360,115	6,993,249	6,519,115	6,724,321
Change in Net Assets	670,853	1,990,602	2,055,772	1,586,754	968,853	1,447,433	870,786	738,300	29,511	1,016,071	1,218,841	1,434,621
Net Assets (Deficit), beginning of year	(22,366,664)	10,073,638	10,260,244	6,533,849	6,444,160	6,861,853	852,753	(99,909)	(731,562)	(315,410)	2,962,912	4,836,541
Net Assets (Deficit), end of year	\$ (21,695,811)	\$ 12,064,240	\$ 12,316,016	\$ 8,120,603	\$ 7,413,013	\$ 8,309,286	\$ 1,723,539	\$ 638,391	\$ (702,051)	\$ 700,661	\$ 4,181,753	\$ 6,271,162

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2021

	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Bushwick	Flatbush	Upper West	Hell's Kitchen	Union Square	Washington Heights	Hudson Yards	Rosedale	Springfield Gardens
Revenue, Support, and Gains, Net													
State per-pupil operating revenue	\$ 4,241,750	\$ 6,798,422	\$ 11,130,344	\$ 10,158,952	\$ 9,190,072	\$ 10,218,581	\$ 7,604,985	\$ 8,036,334	\$ 10,103,765	\$ 10,276,699	\$ 7,429,885	\$ 11,135,956	\$ 9,633,089
Government grants	258,609	343,635	479,649	511,556	580,004	572,854	272,847	405,042	363,132	500,437	2,426,955	389,465	346,657
Interest and other income	294	645	837	831	797	756	607	732	715	745	620	874	849
Loss on asset impairment	(50,671)	(76,932)	(113,587)	(111,536)	(97,732)	(100,340)	(91,074)	(90,176)	(99,705)	(112,190)	(67,073)	(114,680)	(101,069)
Total Revenue, Support, and Gains, Net	4,449,982	7,065,770	11,497,243	10,559,803	9,673,141	10,691,851	7,787,365	8,351,932	10,367,907	10,665,691	9,790,387	11,411,615	9,879,526
Expenses													
Program services:													
General education	3,084,093	3,966,882	5,492,074	5,176,139	4,822,817	5,468,044	4,665,021	4,459,043	5,288,713	5,560,812	5,677,354	5,748,103	4,831,310
Special education	974,846	1,253,885	1,735,980	1,636,117	1,524,436	1,728,385	1,474,559	1,409,451	1,671,700	1,757,708	1,794,545	1,816,908	1,527,121
Total Program Services	4,058,939	5,220,767	7,228,054	6,812,256	6,347,253	7,196,429	6,139,580	5,868,494	6,960,413	7,318,520	7,471,899	7,565,011	6,358,431
Supporting services:													
General and administrative	474,501	608,568	863,765	808,831	748,473	840,995	695,033	685,149	810,519	852,503	808,321	886,158	753,182
Total Expenses	4,533,440	5,829,335	8,091,819	7,621,087	7,095,726	8,037,424	6,834,613	6,553,643	7,770,932	8,171,023	8,280,220	8,451,169	7,111,613
Change in Net Assets	(83,458)	1,236,435	3,405,424	2,938,716	2,577,415	2,654,427	952,752	1,798,289	2,596,975	2,494,668	1,510,167	2,960,446	2,767,913
Net Assets (Deficit), beginning of year	(3,047,269)	2,420,421	7,530,161	4,517,654	3,555,024	769,327	7,043,536	4,809,615	3,059,345	4,956,993	(1,963,123)	6,953,324	6,468,975
Net Assets (Deficit), end of year	\$ (3,130,727)	\$ 3,656,856	\$ 10,935,585	\$ 7,456,370	\$ 6,132,439	\$ 3,423,754	\$ 7,996,288	\$ 6,607,904	\$ 5,656,320	\$ 7,451,661	\$ (452,956)	\$ 9,913,770	\$ 9,236,888

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2021

	Far Rockaway	South Jamaica	Bronx 1	Bronx 2	Bronx 3	Bronx 4	MS Harlem West	MS Harlem North Central	MS Harlem East	MS Harlem North West	MS Bed Stuy 1	MS Myrtle
Revenue, Support, and Gains, Net												
State per-pupil operating revenue	\$ 9,272,303	\$ 7,710,684	\$ 10,909,976	\$ 10,783,359	\$ 11,278,658	\$ 10,594,328	\$ 6,402,477	\$ 6,516,850	\$ 8,303,977	\$ 2,863,348	\$ 6,787,768	\$ 4,044,987
Government grants	549,724	297,230	1,143,510	680,177	769,459	403,353	402,849	420,052	471,489	192,287	393,589	215,952
Interest and other income	710	563	837	853	928	897	487	524	580	214	516	292
Loss on asset impairment	(100,761)	(79,272)	(109,927)	(111,596)	(113,793)	(113,696)	(16,745)	(18,347)	(20,552)	(17,218)	(17,895)	(11,008)
Total Revenue, Support, and Gains, Net	9,721,976	7,929,205	11,944,396	11,352,793	11,935,252	10,884,882	6,789,068	6,919,079	8,755,494	3,038,631	7,163,978	4,250,223
Expenses												
Program services:												
General education	5,200,822	4,292,076	5,679,166	5,009,864	5,305,974	5,542,005	3,845,909	4,605,052	5,767,644	2,736,370	4,609,595	3,615,383
Special education	1,643,919	1,356,675	1,795,118	1,583,560	1,677,156	1,751,763	1,215,647	1,455,603	1,823,085	864,934	1,457,039	1,142,780
Total Program Services	6,844,741	5,648,751	7,474,284	6,593,424	6,983,130	7,293,768	5,061,556	6,060,655	7,590,729	3,601,304	6,066,634	4,758,163
Supporting services:												
General and administrative	789,150	654,818	893,678	807,981	853,384	864,687	571,036	656,321	836,095	382,589	666,901	499,169
Total Expenses	7,633,891	6,303,569	8,367,962	7,401,405	7,836,514	8,158,455	5,632,592	6,716,976	8,426,824	3,983,893	6,733,535	5,257,332
Change in Net Assets	2,088,085	1,625,636	3,576,434	3,951,388	4,098,738	2,726,427	1,156,476	202,103	328,670	(945,262)	430,443	(1,007,109)
Net Assets (Deficit), beginning of year	4,578,712	1,651,854	7,300,166	11,888,613	4,990,048	8,486,159	(3,954,350)	(4,692,389)	(358,929)	(7,756,253)	(3,294,312)	(4,594,957)
Net Assets (Deficit), end of year	\$ 6,666,797	\$ 3,277,490	\$ 10,876,600	\$ 15,840,001	\$ 9,088,786	\$ 11,212,586	\$ (2,797,874)	\$ (4,490,286)	\$ (30,259)	\$ (8,701,515)	\$ (2,863,869)	\$ (5,602,066)

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2021

	MS Ditmas Park	MS East Flatbush	MS LaFayette	MS Midtown West	MS Hudson Yards	MS Springfield Gardens	MS Bronx 2	MS Bronx	MS Hollis	MS Far Rockaway	HS Liberal Arts	HS Liberal Arts Bronx	Success Academy Charter Schools-NYC
Revenue, Support, and Gains, Net													
State per-pupil operating revenue	\$ 7,116,044	\$ 5,875,288	\$ 2,813,443	\$ 8,431,770	\$ 7,599,034	\$ 5,919,318	\$ 6,856,781	\$ 10,136,243	\$ 1,707,902	\$ 1,036,616	\$ 7,589,879	\$ 6,854,524	\$ 365,240,140
Government grants	534,508	444,412	289,805	337,245	2,256,923	410,627	480,284	858,076	351,341	225,248	661,831	411,653	25,606,575
Interest and other income	526	448	187	591	567	485	535	737	119	72	1,204	-	177,057
Loss on asset impairment	(18,400)	(15,754)	(7,544)	(21,031)	(19,495)	(17,146)	(9,763)	(25,603)	(13,583)	(3,415)	(29,476)	-	(3,027,551)
Total Revenue, Support, and Gains, Net	7,632,678	6,304,394	3,095,891	8,748,575	9,837,029	6,313,284	7,327,837	10,969,453	2,045,779	1,258,521	8,223,438	7,266,177	387,996,221
Expenses													
Program services:													
General education	4,583,445	4,257,362	2,658,729	5,461,848	5,552,444	4,149,145	4,336,884	6,147,240	1,596,890	1,095,763	9,566,492	1,161,107	220,116,229
Special education	1,448,774	1,345,703	840,394	1,726,426	1,755,063	1,311,496	1,370,839	1,943,071	504,759	346,359	3,023,856	367,012	69,576,171
Total Program Services	6,032,219	5,603,065	3,499,123	7,188,274	7,307,507	5,460,641	5,707,723	8,090,311	2,101,649	1,442,122	12,590,348	1,528,119	289,692,400
Supporting services:													
General and administrative	668,446	604,962	365,216	793,412	783,160	589,884	645,825	924,749	220,021	154,450	1,172,771	273,243	32,957,410
Total Expenses	6,700,665	6,208,027	3,864,339	7,981,686	8,090,667	6,050,525	6,353,548	9,015,060	2,321,670	1,596,572	13,763,119	1,801,362	322,649,810
Change in Net Assets	932,013	96,367	(768,448)	766,889	1,746,362	262,759	974,289	1,954,393	(275,891)	(338,051)	(5,539,681)	5,464,815	65,346,411
Net Assets (Deficit), beginning of year	(2,158,444)	(1,501,401)	(1,098,906)	(2,032,925)	(2,256,597)	492,317	(2,122,194)	(3,657,235)	-	-	(20,306,169)	3,905,198	55,894,394
Net Assets (Deficit), end of year	\$ (1,226,431)	\$ (1,405,034)	\$ (1,867,354)	\$ (1,266,036)	\$ (510,235)	\$ 755,076	\$ (1,147,905)	\$ (1,702,842)	\$ (275,891)	\$ (338,051)	\$ (25,845,850)	\$ 9,370,013	\$ 121,240,805

See accompanying notes to financial statements.

* Bed Stuy 3, MS Harlem Central, MS Cobble Hill and MS Williamsburg were closed and net asset balance was rolled into Ed Corp. Bronx 1 and MS Bronx 3 were closed and net asset balance was rolled into MS Bronx.

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2020

	Ed Corp	Harlem 1	Harlem 2	Harlem 3	Harlem 4	Harlem 5	Harlem 6	Bed Stuy 1	Bed Stuy 2	Cobble Hill	Williamsburg	Crown Heights
Revenue, Support, and Gains, Net												
State per-pupil operating revenue	\$ (295,703)	\$ 8,160,359	\$ 7,983,501	\$ 7,091,801	\$ 6,806,586	\$ 7,698,254	\$ 5,185,172	\$ 6,712,042	\$ 5,387,844	\$ 6,747,071	\$ 7,221,784	\$ 7,308,552
Government grants	716,053	214,880	238,547	197,184	235,997	226,287	333,646	220,948	203,730	174,782	231,530	193,135
Interest and other income	(1,626)	4,547	5,344	3,605	4,787	4,548	-	3,845	4,040	5,830	4,838	5,657
Total Revenue, Support, and Gains, Net	418,724	8,379,786	8,227,392	7,292,590	7,047,370	7,929,089	5,518,818	6,936,835	5,595,614	6,927,683	7,458,152	7,507,344
Expenses												
Program services:												
General education	473,620	4,693,303	4,336,086	3,770,929	3,984,828	4,414,664	3,152,125	4,195,282	3,865,401	3,897,618	4,349,876	4,452,900
Special education	193,448	1,916,983	1,771,077	1,540,239	1,627,606	1,803,173	1,287,488	1,713,566	1,578,826	1,591,985	1,776,710	1,818,790
Total Program Services	667,068	6,610,286	6,107,163	5,311,168	5,612,434	6,217,837	4,439,613	5,908,848	5,444,227	5,489,603	6,126,586	6,271,690
Supporting services:												
General and administrative	58,018	679,204	636,173	549,155	715,917	638,499	446,630	737,427	526,798	828,683	621,715	657,007
Total Expenses	725,086	7,289,490	6,743,336	5,860,323	6,328,351	6,856,336	4,886,243	6,646,275	5,971,025	6,318,286	6,748,301	6,928,697
Change in Net Assets	(306,362)	1,090,296	1,484,056	1,432,267	719,019	1,072,753	632,575	290,560	(375,411)	609,397	709,851	578,647
Net Assets (Deficit), beginning of year	(14,985,377)	8,983,342	8,776,188	5,101,582	5,725,141	5,789,100	220,178	(390,469)	(356,151)	(924,807)	2,253,061	4,257,894
Net Assets (Deficit), end of year	\$ (15,291,739)	\$ 10,073,638	\$ 10,260,244	\$ 6,533,849	\$ 6,444,160	\$ 6,861,853	\$ 852,753	\$ (99,909)	\$ (731,562)	\$ (315,410)	\$ 2,962,912	\$ 4,836,541

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Bushwick	Flatbush	Upper West	Hell's Kitchen	Union Square	Washington Heights	Hudson Yards	Rosedale	Springfield Gardens	Far Rockaway
Revenue, Support, and Gains, Net														
State per-pupil operating revenue	\$ 4,915,298	\$ 6,332,406	\$ 9,727,240	\$ 9,151,399	\$ 8,222,944	\$ 7,566,879	\$ 7,713,626	\$ 7,565,544	\$ 7,953,011	\$ 8,824,581	\$ 5,634,897	\$ 9,447,610	\$ 8,487,539	\$ 8,674,372
Government grants	185,232	182,209	190,513	175,603	295,770	252,914	141,838	197,562	155,534	222,193	1,667,819	141,267	144,012	276,586
Interest and other income	3,844	5,562	6,070	5,585	3,626	3,409	6,701	5,223	6,674	5,948	-	5,440	5,368	4,641
Total Revenue, Support, and Gains, Net	5,104,374	6,520,177	9,923,823	9,332,587	8,522,340	7,823,202	7,862,165	7,768,329	8,115,219	9,052,722	7,302,716	9,594,317	8,636,919	8,955,599
Expenses														
Program services:														
General education	3,394,276	3,819,364	4,703,437	4,791,558	4,129,965	4,609,236	4,250,916	3,826,718	4,499,452	5,045,930	4,307,646	4,308,717	4,275,921	4,408,389
Special education	1,386,394	1,560,022	1,921,122	1,957,115	1,686,887	1,882,646	1,736,290	1,563,026	1,837,804	2,061,014	1,759,461	1,759,898	1,746,503	1,800,610
Total Program Services	4,780,670	5,379,386	6,624,559	6,748,673	5,816,852	6,491,882	5,987,206	5,389,744	6,337,256	7,106,944	6,067,107	6,068,615	6,022,424	6,208,999
Supporting services:														
General and administrative	2,628,165	811,052	706,904	707,430	605,029	661,087	616,387	593,509	653,827	742,710	593,505	657,085	639,020	648,635
Total Expenses	7,408,835	6,190,438	7,331,463	7,456,103	6,421,881	7,152,969	6,603,593	5,983,253	6,991,083	7,849,654	6,660,612	6,725,700	6,661,444	6,857,634
Change in Net Assets	(2,304,461)	329,739	2,592,360	1,876,484	2,100,459	670,233	1,258,572	1,785,076	1,124,136	1,203,068	642,104	2,868,617	1,975,475	2,097,965
Net Assets (Deficit), beginning of year	(742,808)	2,090,682	4,937,801	2,641,170	1,454,565	99,094	5,784,964	3,024,539	1,935,209	3,753,925	(2,605,227)	4,084,707	4,493,500	2,480,747
Net Assets (Deficit), end of year	\$ (3,047,269)	\$ 2,420,421	\$ 7,530,161	\$ 4,517,654	\$ 3,555,024	\$ 769,327	\$ 7,043,536	\$ 4,809,615	\$ 3,059,345	\$ 4,956,993	\$ (1,963,123)	\$ 6,953,324	\$ 6,468,975	\$ 4,578,712

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	South Jamaica	Bronx 1	Bronx 2	Bronx 3	Bronx 4	MS Harlem West	MS Harlem North Central	MS Harlem East	MS Harlem North West	MS Bed Stuy 1	MS Myrtle	MS Ditmas Park	MS East Flatbush	MS LaFayette
Revenue, Support, and Gains, Net														
State per-pupil operating revenue	\$ 6,436,486	\$ 9,295,072	\$ 9,390,402	\$ 10,278,065	\$ 10,227,694	\$ 5,408,102	\$ 5,685,480	\$ 8,756,120	\$ 3,406,883	\$ 6,272,855	\$ 3,302,538	\$ 5,087,889	\$ 3,084,732	\$ 1,560,031
Government grants	177,152	519,836	373,945	293,899	381,879	147,797	165,079	265,267	97,699	242,790	181,886	251,163	280,099	227,672
Interest and other income	3,917	4,910	6,240	4,837	6,093	12,769	14,828	14,729	10,328	15,380	11,827	17,242	11,245	5,585
Total Revenue, Support, and Gains, Net	6,617,555	9,819,818	9,770,587	10,576,801	10,615,666	5,568,668	5,865,387	9,036,116	3,514,910	6,531,025	3,496,251	5,356,294	3,376,076	1,793,288
Expenses														
Program services:														
General education	3,584,253	4,802,158	4,436,550	4,720,228	5,084,311	3,789,864	3,990,460	5,568,079	3,518,576	4,444,379	3,230,065	3,652,576	2,593,405	1,758,355
Special education	1,463,991	1,961,445	1,812,112	1,927,980	2,076,690	1,547,973	1,629,906	2,274,286	1,437,165	1,815,310	1,319,322	1,491,897	1,059,278	718,200
Total Program Services	5,048,244	6,763,603	6,248,662	6,648,208	7,161,001	5,337,837	5,620,366	7,842,365	4,955,741	6,259,689	4,549,387	5,144,473	3,652,683	2,476,555
Supporting services:														
General and administrative	521,307	708,596	965,916	711,093	749,540	522,304	554,104	775,445	471,279	605,945	424,916	500,360	346,791	221,396
Total Expenses	5,569,551	7,472,199	7,214,578	7,359,301	7,910,541	5,860,141	6,174,470	8,617,810	5,427,020	6,865,634	4,974,303	5,644,833	3,999,474	2,697,951
Change in Net Assets	1,048,004	2,347,619	2,556,009	3,217,500	2,705,125	(291,473)	(309,083)	418,306	(1,912,110)	(334,609)	(1,478,052)	(288,539)	(623,398)	(904,663)
Net Assets (Deficit), beginning of year	603,850	4,952,547	9,332,604	1,772,548	5,781,034	(3,662,877)	(4,383,306)	(777,235)	(5,844,143)	(2,959,703)	(3,116,905)	(1,869,905)	(878,003)	(194,243)
Net Assets (Deficit), end of year	\$ 1,651,854	\$ 7,300,166	\$ 11,888,613	\$ 4,990,048	\$ 8,486,159	\$ (3,954,350)	\$ (4,692,389)	\$ (358,929)	\$ (7,756,253)	\$ (3,294,312)	\$ (4,594,957)	\$ (2,158,444)	\$ (1,501,401)	\$ (1,098,906)

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC
Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	MS Midtown West	MS Hudson Yards	MS Springfield Gardens	MS Bronx 2	HS Liberal Arts	HS Liberal Arts Bronx	MS Bronx 1	MS Bronx 3	Bed Stuy 3	MS Harlem Central	MS Cobble Hill	MS Williamsburg	Success Academy Charter Schools-NYC
Revenue, Support, and Gains, Net													
State per-pupil operating revenue	\$ 7,483,387	\$ 5,931,137	\$ 4,459,871	\$ 5,578,309	\$ 8,359,098	\$ 4,203,973	\$ 33,679	\$ 7,788,594	\$ -	\$ -	\$ -	\$ -	\$ 318,255,006
Government grants	217,795	1,688,401	219,439	223,827	210,823	114,829	13,867	386,940	-	-	-	-	14,097,855
Interest and other income	22,420	20,753	17,385	12,118	99,360	-	-	26,048	-	-	-	-	451,520
Total Revenue, Support, and Gains, Net	7,723,602	7,640,291	4,696,695	5,814,254	8,669,281	4,318,802	47,546	8,201,582	-	-	-	-	332,804,381
Expenses													
Program services:													
General education	4,768,407	4,905,512	2,693,273	3,512,954	8,284,906	1,016,263	356,375	4,405,326	-	-	-	-	191,074,432
Special education	1,947,659	2,003,660	1,100,069	1,434,869	3,383,976	415,093	145,562	1,799,359	-	-	-	-	78,044,485
Total Program Services	6,716,066	6,909,172	3,793,342	4,947,823	11,668,882	1,431,356	501,937	6,204,685	-	-	-	-	269,118,917
Supporting services:													
General and administrative	662,222	659,073	382,104	499,059	1,028,675	186,402	31,091	640,697	-	-	-	-	30,527,886
Total Expenses	7,378,288	7,568,245	4,175,446	5,446,882	12,697,557	1,617,758	533,028	6,845,382	-	-	-	-	299,646,803
Change in Net Assets	345,314	72,046	521,249	367,372	(4,028,276)	2,701,044	(485,482)	1,356,200	-	-	-	-	33,157,578
Net Assets (Deficit), beginning of year	(2,378,239)	(2,328,643)	(28,932)	(2,489,566)	(16,277,893)	1,204,154	(3,892,993)	(634,960)	(921,797)	(5,452,285)	(423,640)	(277,203)	22,736,816
Net Assets (Deficit), end of year	\$ (2,032,925)	\$ (2,256,597)	\$ 492,317	\$ (2,122,194)	\$ (20,306,169)	\$ 3,905,198	\$ (4,378,475)	\$ 721,240	\$ (921,797)	\$ (5,452,285)	\$ (423,640)	\$ (277,203)	\$ 55,894,394

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	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	Not Applicable	\$ -	\$ 6,910,369
Supporting Effective Instruction State Grants				
	84.367	Not Applicable	-	1,132,869
Student Support and Academic Enrichment Program				
	84.424	Not Applicable	-	872,995
Special Education Cluster (IDEA): Special Education - Grants to States (IDEA, Part B)				
	84.027	Not Applicable	-	2,133,132
Coronavirus Relief Fund Elementary and Secondary School Emergency Relief Fund				
	84.425D	Not Applicable	-	4,087,254
Passed through Success Academy Charter Schools, Inc.:				
Charter Schools - Grants for Replication and Expansion of High-Quality Charter Schools Program - CSP				
	84.282M	Not Applicable	-	1,795,374
Total U.S. Department of Education			-	21,657,168
Total Expenditures of Federal Awards			\$ -	\$ 21,657,168

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, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Success Academy Charter Schools - NYC (SACS-NYC) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. Indirect Cost Rate

SACS-NYC has elected not 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*

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2021



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

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

Report on Compliance

Opinion 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, 2021. 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.

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, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of SACS-NYC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of SACS-NYC's compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SACS-NYC's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SACS-NYC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SACS-NYC's compliance with the requirements of the federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SACS-NYC's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SACS-NYC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SACS-NYC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 29, 2021

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on 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
84.010	Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)
84.367	Supporting Effective Instruction State Grants
21.019	Coronavirus Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

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 that are required to be reported in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.
