

# **Success Academy Charter Schools - NYC**

**Financial Statements  
and Supplementary Information  
Year Ended June 30, 2023**

# **Success Academy Charter Schools - NYC**

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Financial Statements and Supplementary Information  
Year Ended June 30, 2023

# 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 School - NYC (SACS-NYC), which comprise the statement of financial position as of June 30, 2023, 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 SACS-NYC as of June 30, 2023, 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.

#### ***Emphasis of Matter - Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, SACS-NYC has elected to change its method of accounting for leases in the year ended June 30, 2023 due to the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

#### ***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

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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, 2022, and our report, dated October 4, 2022, 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, 2022 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 detailed schedule of activities by school for the year ended June 30, 2023 are presented for the purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and 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 30, 2023 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 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, P.C.*

October 30, 2023

# Success Academy Charter Schools - NYC

## Statement of Financial Position (with summarized comparative totals for 2022)

<i>June 30,</i>	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 16,049,821	\$ 45,232,596
Grants and contracts receivables, net (Notes 2 and 4)	29,112,699	21,496,507
Prepaid expenses and other assets	4,201,194	8,582,343
Inventory (Note 2)	8,152,697	7,325,685
<b>Total Current Assets</b>	<b>57,516,411</b>	<b>82,637,131</b>
<b>Fixed Assets, Net (Notes 2 and 5)</b>	<b>24,512,518</b>	<b>29,770,184</b>
<b>Right-of-Use Assets - Operating Leases (Notes 2 and 7)</b>	<b>40,328,379</b>	-
<b>Right-of-Use Assets - Finance Leases (Notes 2 and 7)</b>	<b>3,486,417</b>	-
<b>Loan Receivable from Affiliated Organization, (Note 6)</b>	<b>30,000,000</b>	-
<b>Cash Funds, designated for community reinvestment (Note 2)</b>	<b>150,000,000</b>	<b>100,000,000</b>
<b>Total Assets</b>	<b>\$ 305,843,725</b>	<b>\$ 212,407,315</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 8,361,748	\$ 8,305,220
Accrued payroll and payroll taxes	3,501,650	14,131,618
Due to affiliate, net (Note 6)	8,369,976	4,394,620
Current portion of right-of-use liability - operating (Notes 2 and 7)	9,339,311	-
Current portion of right-of-use liability - finance (Notes 2 and 7)	3,789,456	-
Current portion capital lease payable (Notes 2 and 7)	-	7,135,844
<b>Total Current Liabilities</b>	<b>33,362,141</b>	<b>33,967,302</b>
<b>Right-of-Use Liability - Operating, less current portion (Notes 2 and 7)</b>	<b>31,802,996</b>	-
<b>Right-of-Use Liability - Finance, less current portion (Notes 2 and 7)</b>	<b>630,989</b>	-
<b>Capital Lease Payable, less current portion (Notes 2 and 7)</b>	-	4,563,111
<b>Refundable Advances (Note 2)</b>	<b>2,186,853</b>	-
<b>Total Liabilities</b>	<b>67,982,979</b>	<b>38,530,413</b>
<b>Commitments and Contingencies (Notes 2, 3, 6, 7, 8, 9, 10, and 11)</b>		
<b>Net Assets (Note 2)</b>		
Without donor restrictions:		
Undesignated	87,860,746	73,876,902
Board-designated cash funds for community reinvestment	150,000,000	100,000,000
<b>Total Without Donor Restrictions</b>	<b>237,860,746</b>	<b>173,876,902</b>
<b>Total Net Assets</b>	<b>237,860,746</b>	<b>173,876,902</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 305,843,725</b>	<b>\$ 212,407,315</b>

*See accompanying notes to financial statements.*

# Success Academy Charter Schools - NYC

## Statement of Activities (with summarized comparative totals for 2022)

*Year ended June 30,*

	2023	2022
	(Without Donor Restrictions)	
<b>Revenue, Support, and Gains (Losses), Net (Note 2)</b>		
State per-pupil operating revenue	\$ 364,683,917	\$ 364,068,038
Government grants	45,790,851	35,044,682
Contributions	904,496	-
Interest and other income	6,187,343	110,134
Loss on asset impairment (Note 2)	(558,817)	(4,324,303)
<b>Total Revenue, Support, and Gains, Net</b>	<b>417,007,790</b>	<b>394,898,551</b>
<b>Expenses</b>		
Program services:		
General education	238,232,195	221,008,619
Special education	75,212,284	86,705,909
<b>Total Program Services</b>	<b>313,444,479</b>	<b>307,714,528</b>
Supporting services:		
General and administrative	39,579,467	34,547,926
<b>Total Expenses</b>	<b>353,023,946</b>	<b>342,262,454</b>
<b>Change in Net Assets</b>	<b>63,983,844</b>	<b>52,636,097</b>
<b>Net Assets, beginning of year</b>	<b>173,876,902</b>	<b>121,240,805</b>
<b>Net Assets, end of year</b>	<b>\$ 237,860,746</b>	<b>\$ 173,876,902</b>

*See accompanying notes to financial statements.*

## Success Academy Charter Schools - NYC

### Statement of Functional Expenses (with summarized comparative totals for 2022)

Year ended June 30,

	FTEs	Program Services			Supporting Services	Total	
		General Education	Special Education	Total Program Services	General and Administrative	2023	2022
<b>Salaries and Staff</b>							
Administrative staff personnel	432	\$ 26,414,470	\$ 8,339,313	\$ 34,753,783	\$ 3,022,068	\$ 37,775,851	\$ 36,517,309
Instructional personnel	1,979	78,534,626	24,794,166	103,328,792	8,985,112	112,313,904	123,788,106
<b>Total Salaries and Staff</b>		104,949,096	33,133,479	138,082,575	12,007,180	150,089,755	160,305,415
Payroll taxes and benefits		23,190,483	7,321,467	30,511,950	2,653,213	33,165,163	32,214,558
Professional development		2,645,864	835,326	3,481,190	-	3,481,190	2,300,542
Legal fees		-	-	-	356,922	356,922	121,444
Audit and accounting fees		-	-	-	180,967	180,967	240,363
Professional and consulting fees		181,677	57,357	239,034	20,786	259,820	638,793
Transportation		1,249,539	394,492	1,644,031	142,959	1,786,990	1,177,980
Scholar food service		1,039,348	328,132	1,367,480	-	1,367,480	1,335,754
Instructional supplies and textbooks		5,866,803	1,852,208	7,719,011	-	7,719,011	8,644,609
Management fee		41,624,347	13,141,222	54,765,569	13,691,392	68,456,961	63,860,044
Interest expense		173,882	54,896	228,778	19,894	248,672	753,194
Office expense		2,957,570	933,734	3,891,304	338,374	4,229,678	4,849,707
Equipment lease		898,488	283,662	1,182,150	102,796	1,284,946	2,683,431
Telecommunications and internet		2,250,390	710,471	2,960,861	322,294	3,283,155	4,019,353
Insurance		1,973,488	623,050	2,596,538	225,786	2,822,324	2,226,333
Information technology		16,362,049	5,165,663	21,527,712	1,730,565	23,258,277	13,674,219
Marketing/recruitment		6,493,031	2,049,915	8,542,946	-	8,542,946	5,705,582
Student services		5,930,036	1,872,172	7,802,208	16,649	7,818,857	5,806,049
Facility		10,148,219	3,203,894	13,352,113	1,161,053	14,513,166	9,519,154
Depreciation and amortization		10,061,205	3,176,422	13,237,627	1,292,507	14,530,134	19,470,659
Bad debt expense		-	-	-	-	-	1,145,176
Miscellaneous		236,680	74,722	311,402	5,316,130	5,627,532	1,570,095
<b>Total Expenses</b>		\$ 238,232,195	\$ 75,212,284	\$ 313,444,479	\$ 39,579,467	\$353,023,946	\$ 342,262,454

*See accompanying notes to financial statements.*

# Success Academy Charter Schools - NYC

## Statement of Cash Flows (with summarized comparative totals for 2022)

Year ended June 30,	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 63,983,844	\$ 52,636,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,479,220	19,470,659
Amortization of right-of-use of assets	4,050,914	-
Bad debt expense	-	745,150
Loss on asset impairment	558,817	4,324,303
Noncash lease expense	10,815,980	-
Realized gains on sale of investment	(2,770,571)	-
Payments on operating leases	(10,002,053)	-
(Increase) decrease in assets:		
Grants and contracts receivables	(4,101,274)	(5,507,872)
Prepaid expenses and other assets	4,381,149	(2,598,413)
Inventory	(827,012)	(7,325,685)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,458,391)	5,883,033
Accrued payroll and payroll taxes	(10,629,968)	3,117,587
Due to affiliate	3,975,356	1,413,307
Deferred rent	-	(1,670,519)
Refundable advances	2,186,853	-
<b>Net Cash Provided by Operating Activities</b>	<b>68,642,864</b>	<b>70,487,647</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(13,413,078)	(7,875,053)
Payment for loan disbursement	(30,000,000)	-
Purchases of investments	(149,999,999)	-
Proceeds from sale of investments	152,770,570	-
<b>Net Cash Used in Investing Activities</b>	<b>(40,642,507)</b>	<b>(7,875,053)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment from loans payable	-	(3,500,000)
Repayment of capital leases	(1,828,615)	(8,129,877)
Payments on finance leases	(5,354,517)	-
<b>Net Cash Used in Financing Activities</b>	<b>(7,183,132)</b>	<b>(11,629,877)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>20,817,225</b>	<b>50,982,717</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>145,232,596</b>	<b>94,249,879</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 166,049,821</b>	<b>\$ 145,232,596</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Noncash transaction related to capital leases	\$ -	\$ 9,453,720
Operating leases right-of-use assets obtained in exchange for operating lease liabilities	49,736,235	-
Finance leases right-of-use assets obtained in exchange for finance lease liabilities	7,632,670	-
Cash paid during the year for interest	209,385	757,242
<b>Supplemental Schedule of Cash</b>		
Cash and cash equivalents	\$ 16,049,821	\$ 45,232,596
Cash funds - designated for community reinvestment	150,000,000	100,000,000
<b>Total Cash and Cash Equivalents</b>	<b>\$ 166,049,821</b>	<b>\$ 145,232,596</b>

*See accompanying notes to financial statements.*

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 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

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

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

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SACS-NYC provided education to 18,678 full-time equivalent (FTE) in grades kindergarten through high school during the 2022-2023 academic year.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 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.

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, 2023, the SACS-NYC had no assets with donor restrictions.

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.

#### *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, 2023, the escrow account amounted to \$353,238. In fiscal year 2021, 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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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of financial position. At June 30, 2023, Board-designated cash funds for community reinvestment was \$150,000,000.

### ***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 after the initial recording of revenue at the net realizable value. At June 30, 2023, management determined to reserve an amount of \$3,449,704 to cover any potential risk around collectability.

### ***Conditional Promises to Give***

During the year ended June 30, 2023, SACS-NYC received conditional promises to give from a private donor in the amount up to \$3,109,159. Conditional promises to give are not included as contributions until the conditions have been met. SACS-NYC has recorded amounts received in advance of satisfying the conditions as refundable advances on the statement of financial position. For the year ended June 30, 2023, SACS-NYC has refundable advances related to conditional promises to give of \$2,186,853, which is the amount of advances received to date related to this donor.

### ***Inventory***

Inventory consists of scholar laptops for use in the Charter School's everyday operations. The inventory is stated at the lower of cost (on a first-in, first-out basis) or net realizable value.

### ***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:

<u>Asset Category</u>	<u>Useful Life (Years)</u>
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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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the use of the asset are less than the carrying amount of that asset. As of June 30, 2023, management concluded that technology equipment, leasehold improvements, furniture, and academic equipment with a net book value of \$558,817 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 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 1<sup>st</sup> and July 31<sup>st</sup>, 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 to 20% service, 20 to 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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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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 under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Revenue with customers is comprised of the following:

*June 30, 2023*

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State per-pupil operating revenue	\$ 364,683,917
<b>Total Revenue Subject to ASC 606</b>	<b>364,683,917</b>
<b>Total Revenue Not Subject to ASC 606</b>	<b>52,323,873</b>
<b>Total Revenue, Support, and Gains, Net</b>	<b>\$ 417,007,790</b>

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Receivables from per-pupil contracts are as follows:

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	Receivables
Beginning of year	\$ 1,371,385
End of year	269,813

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### *Government Grants*

Government and other grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. Government and other grants contracts are evaluated for contributions that are conditional. Factors including the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government and other grant revenues are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred. Government and other grant funds received in excess of revenue earned are recorded as refundable advances.

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.

### *Contract Assets and Contract Liabilities*

In accordance with FASB 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.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### ***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.

### ***Repairs and Maintenance***

Repairs and Maintenance Expense is immediately recognized on the statement of activities in the period it is incurred. In contrast, costs that extend the life of an asset or improve its capacity (capital expenditures) are capitalized and then depreciated over the improved asset's new useful life. For the year ended June 30, 2023, the repair and maintenance balance amounted to \$1,479,352.

### ***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, 2023.

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 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, 2023, SACS-NYC was not subject to any examination by a taxing authority.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### ***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***

Financial instruments that potentially subject SACS-NYC to concentration of credit risk consist primarily of cash and cash equivalents and investments. At various times, SACS-NYC has cash deposits at financial institutions, which exceed the Federal Depository Insurance Coverage (FDIC) insurance limits. SACS-NYC only invests in financial institutions that have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

### ***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, 2022, from which the summarized information was derived.

### ***Recently Adopted Accounting Pronouncements***

#### ***Leases***

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, with amendments in 2018, 2019, and 2020 (collectively, ASC 842), which amends the accounting for leases, requiring lessees to recognize most leases on their balance sheet with a right-of-use (ROU) asset and a lease liability and disclose key quantitative and qualitative information about leasing arrangements. Leases will be classified as either finance or operating leases, which will impact the expense recognition of such leases over the lease term. This guidance also expands the required quantitative and qualitative disclosures for leasing arrangements and gives rise to other changes impacting certain aspects of lessee and lessor accounting. Originally, ASC 842 was to be effective for private entities for annual reporting periods beginning after December 15, 2019; however, ASU 2020-05 delayed the implementation of ASC 842 for these entities for reporting periods commencing after December 15, 2021.

SACS-NYC determines if an arrangement is a lease (or contains a lease) at inception and, if so, determines whether the lease is classified by a lessee as operating or finance. Operating leases are included in operating lease right-of-use assets and operating lease liabilities and finance leases are included in finance right-of-use assets and finance lease liabilities in the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets are calculated and recognized at lease commencement date based on the present value of lease payments over the lease term adjusted for any lease payments paid to the lessor at or before the

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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commencement date and initial direct costs incurred by SACS-NYC and excludes any lease incentives received from the lessor. When the implicit rate is not readily available, SACS-NYC has made an accounting policy election to use the risk-free rate to determine the present value of lease payments for all asset types. SACS-NYC's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

SACS-NYC has elected to not recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less in accordance with the allowed method under the new lease standard. SACS-NYC has elected to not separate lease and non-lease components for all of its real estate and equipment leases. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, data processing, repairs, and maintenance are expensed as incurred.

Lease expense for operating leases is recorded within facility, information technology, and professional development within the statement of functional expenses. Lease expense for finance leases is recorded within depreciation and amortization expense for the portion of the expense that amortizes the ROU asset, and the interest component is recorded within the interest expense line item of the statement of functional expenses.

The two permitted transition methods under the guidance are the modified retrospective transition approach, which requires application of the guidance for all comparative periods, and the cumulative effect adjustment approach, which requires prospective application from the adoption date. SACS-NYC adopted ASC 842 using the cumulative effect adjustment approach as of July 1, 2022. SACS-NYC elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed SACS-NYC to carry forward the historical lease classification, retain the initial direct costs for any leases that existed prior to the adoption of the standard, and not reassess whether any contracts entered into prior to the adoption are leases. SACS-NYC did not elect the hindsight practical expedient to reassess the lease term for leases within SACS-NYC's lease population.

Upon adoption, SACS-NYC recognized operating lease ROU assets of \$49,736,235, operating lease liabilities of \$49,736,198, finance lease ROU assets of \$7,294,702, and finance lease liabilities of \$9,870,340 as of July 1, 2022. In addition, SACS-NYC reclassified deferred rent of \$0. The additional disclosures required by the new standard have been included in Notes 2 and 7.

### ***Recent Accounting Pronouncements Issued but Not Yet Adopted***

#### *Financial Instruments - Credit Losses*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. Management is currently evaluating the impact of this ASU on its financial statements.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 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, 2023*

Cash and cash equivalents	\$	16,049,821
Grants and contracts receivables, net		29,112,699
		<hr/>
		45,162,520
Less: amounts unavailable for general expenditures within one year due to:		
Cash escrow (Note 2)		(353,238)
		<hr/>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$</b>	<b>44,809,282</b>

### *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 \$29,112,699 as of June 30, 2023, 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, 2023*

Renovations and improvements	\$	43,716,980
Equipment		156,337
Fixed assets not placed in service		8,666,050
		<hr/>
<b>Fixed Assets</b>		<b>52,539,367</b>
Less: accumulated depreciation		(28,026,849)
		<hr/>
<b>Fixed Assets, Net</b>	<b>\$</b>	<b>24,512,518</b>

For the year ended June 30, 2023, depreciation expense was \$10,479,220.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 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 \$3,665 per full time equivalent (FTE) student in the 2022-23 school year for charter schools in the New York City school district, as per the terms of the Academic and Business Service Agreement. For operational efficiency and purchasing power, SACS-NYC also shares common expenses with the Network.

For the year ended June 30, 2023, SACS-NYC incurred \$68,456,961 in management fees with a balance due to the Network for \$8,369,976. This balance represents expenses paid by the Network on behalf of SACS-NYC.

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

#### *June 30, 2023*

Employee benefits	\$	1,330,557
School purchases		6,674,208
Medical insurance		365,211
<b>Total</b>	<b>\$</b>	<b>8,369,976</b>

#### *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 \$15,000,000 for purposes of issuing letters of credit. At June 30, 2023, the outstanding balance for the line of credit was \$0. A letter of credit has been allocated in the amount of \$1,640,326 against the sub-limit to secure the construction of leasehold improvements and security to the lease property of office space at 95 Pine Street. The letter of credit expires on December 31, 2023. There was no renewed agreement signed as of June 30, 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.

#### *Loan Receivable from Affiliated Organization*

In order to fund the purchase of the Carol Joy Site for the Queens K-12 campus, 153 Hillside Ave, LLC (SAQ1), whose sole member is the Network, received a loan from SACS-NYC on March 1, 2023. The loan was for \$30 million and shall carry an annual fixed interest of 5% based on the unpaid balance. The loan payable is recorded at SAQ1 for \$30 million and the loan receivable is recorded at SACS-NYC for \$30 million. Interest payments will be made on June 30<sup>th</sup> every year, starting on June 30, 2023.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

The interest receivable balance at SACS-NYC was \$0 and interest payable balance at SAQ1 was \$0 at June 30, 2023. Interest expense at SAQ1 will be \$125,000 per month and resulted in \$500,000 for the fiscal year end June 30, 2023. Interest revenue at SACS-NYC will be \$125,000 per month and resulted in \$500,000, which is recorded in interest and other income on the statement of activities, for fiscal year end June 30, 2023.

### 7. Leases

SACS-NYC has operating leases for real estate with lease terms that are five-year terms and school equipment leases consisting primarily of copiers and printers with lease terms ranging up to three years. SACS-NYC has finance leases for equipment with lease terms ranging up three years.

SACS-NYC's lease cost recognized in the statement of activities consists of the following:

*June 30, 2023*

Operating lease cost	\$	10,815,980
Finance lease cost:		
Amortization of right-of-use assets		4,050,914
Interest on lease liabilities		304,765
<b>Total Lease Cost</b>	<b>\$</b>	<b>15,171,659</b>

Other lease information is as follows:

*June 30, 2023*

Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows from operating leases	\$	10,002,053
Financing cash flows from finance leases		5,354,517

*June 30, 2023*

Weighted-average remaining lease term in years - operating leases	3.98
Weighted-average remaining lease term in years - finance leases	0.94
Weighted-average discount rate - operating leases (%)	2.88
Weighted-average discount rate - finance leases (%)	2.84

Maturities of lease liabilities as of June 30, 2023 are as follows:

*Year ending June 30,*

	Operating Leases	Finance Leases
2024	\$ 9,339,311	\$ 3,789,456
2025	10,712,816	630,989
2026	11,090,503	-
2027	11,452,481	-
<b>Total Undiscounted Lease Obligations</b>	<b>42,595,111</b>	<b>4,420,445</b>
Less: imputed interest	(1,452,804)	-
<b>Net Lease Obligations</b>	<b>\$ 41,142,307</b>	<b>\$ 4,420,445</b>

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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Rent expense charged to operations for the year ended June 30, 2023 was \$10,815,980. \$9,004,828 is recorded in facility, \$218,570 is recorded in information technology, and \$1,592,582 is recorded in professional development on the statement of functional expenses.

### 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. Revenue funded under the New York State Department of Education for SACS-NYC amounted to approximately 87% of total revenue, support and gains.

### 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.

The average square footage of the space provided by the NYCDOE to 45 SACS-NYC schools is approximately 20,000 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

#### *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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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accounting standards, be determined to likely result in adverse financial impact, SACS-NYC accrues a contingency accordingly. As of June 30, 2023, there are no matters for which SACS-NYC believes the ultimate outcome would have a material adverse effect on SACS-NYC's financial position.

### **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 \$3,991,399 for the year ended June 30, 2023.

### **12. Subsequent Events**

The SACS-NYC's management has performed subsequent event procedures through October 30, 2023, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

## Supplementary Information

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## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School (with comparative schedule for 2022)

Year ended June 30, 2023

	Ed Corp	Harlem 1	Harlem 2	Harlem 3	Harlem 4	Harlem 5	Harlem 6	Bed Stuy 2	Cobble Hill	Williamsburg	Crown Heights	Prospect Heights
<b>Revenue, Support, and Gains (Losses), Net</b>												
State per-pupil operating revenue	\$ 1,542,146	\$ 9,499,708	\$ 6,234,832	\$ 5,518,813	\$ 4,724,267	\$ 7,485,403	\$ 1,958,741	\$ 9,270,467	\$ 7,711,442	\$ 7,017,148	\$ 6,709,308	\$ 5,026,629
Government grants	-	970,099	763,848	511,095	587,256	885,599	1,043,759	777,518	788,188	705,349	683,680	1,008,804
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	6,101,565	2,071	1,755	1,491	1,584	1,707	744	1,933	1,796	1,647	1,708	1,525
Gain (loss) on asset impairment	(499,980)	(4,410)	(8,219)	5,322	5,812	7,290	(14,896)	(188)	(4,564)	1,587	3,906	(4,336)
<b>Total Revenue, Support, and Gains, Net</b>	<b>7,143,731</b>	<b>10,467,468</b>	<b>6,992,216</b>	<b>6,036,721</b>	<b>5,318,919</b>	<b>8,379,999</b>	<b>2,988,348</b>	<b>10,049,730</b>	<b>8,496,862</b>	<b>7,725,731</b>	<b>7,398,602</b>	<b>6,032,622</b>
<b>Expenses</b>												
Program services:												
General education	3,455,434	5,391,685	4,368,943	3,667,498	3,816,813	4,451,046	2,032,603	5,031,288	4,806,242	4,239,336	4,429,512	3,705,377
Special education	1,090,913	1,702,209	1,379,319	1,157,866	1,205,006	1,405,240	641,713	1,588,428	1,517,378	1,338,401	1,398,441	1,169,825
<b>Total Program Services</b>	<b>4,546,347</b>	<b>7,093,894</b>	<b>5,748,262</b>	<b>4,825,364</b>	<b>5,021,819</b>	<b>5,856,286</b>	<b>2,674,316</b>	<b>6,619,716</b>	<b>6,323,620</b>	<b>5,577,737</b>	<b>5,827,953</b>	<b>4,875,202</b>
Supporting services:												
General and administrative	2,208,349	902,599	697,380	566,855	584,590	752,967	392,870	829,347	772,945	690,679	710,792	619,315
<b>Total Expenses</b>	<b>6,754,696</b>	<b>7,996,493</b>	<b>6,445,642</b>	<b>5,392,219</b>	<b>5,606,409</b>	<b>6,609,253</b>	<b>3,067,186</b>	<b>7,449,063</b>	<b>7,096,565</b>	<b>6,268,416</b>	<b>6,538,745</b>	<b>5,494,517</b>
<b>Change in Net Assets</b>	<b>389,035</b>	<b>2,470,975</b>	<b>546,574</b>	<b>644,502</b>	<b>(287,490)</b>	<b>1,770,746</b>	<b>(78,838)</b>	<b>2,600,667</b>	<b>1,400,297</b>	<b>1,457,315</b>	<b>859,857</b>	<b>538,105</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>(33,670,784)</b>	<b>13,956,024</b>	<b>13,565,158</b>	<b>8,761,093</b>	<b>7,418,300</b>	<b>9,627,722</b>	<b>2,091,127</b>	<b>(692,323)</b>	<b>1,264,253</b>	<b>5,762,062</b>	<b>7,259,273</b>	<b>4,131,947</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$(33,281,749)</b>	<b>\$ 16,426,999</b>	<b>\$ 14,111,732</b>	<b>\$ 9,405,595</b>	<b>\$ 7,130,810</b>	<b>\$ 11,398,468</b>	<b>\$ 2,012,289</b>	<b>\$ 1,908,344</b>	<b>\$ 2,664,550</b>	<b>\$ 7,219,377</b>	<b>\$ 8,119,130</b>	<b>\$ 4,670,052</b>

See accompanying notes to financial statements.

**Success Academy Charter Schools - NYC**  
**Detailed Schedule of Activities by School (continued)**  
**(with comparative schedule for 2022)**

Year ended June 30, 2023

	Bensonhurst	Bergen Beach	Bushwick	Flatbush	Upper West	Hell's Kitchen	Union Square	Washington Heights	Hudson Yards	Rosedale	Springfield Gardens	Far Rockaway	South Jamaica	Bronx 1
<b>Revenue, Support, and Gains (Losses), Net</b>														
State per-pupil operating revenue	\$ 11,868,073	\$ 9,870,213	\$ 8,832,980	\$ 10,294,726	\$ 7,897,925	\$ 7,500,277	\$ 10,575,404	\$ 6,921,454	\$ 7,449,967	\$ 11,711,962	\$ 8,653,697	\$ 8,824,659	\$ 8,594,618	\$ 6,306,932
Government grants	1,020,788	984,979	918,011	873,529	640,332	745,044	1,051,144	745,713	2,329,424	577,284	577,200	868,968	763,551	1,456,071
Contributions	-	-	-	-	-	161,833	-	-	158,373	-	-	-	-	-
Interest and other income	2,293	1,839	1,849	2,058	1,596	1,679	2,062	2,042	1,718	2,178	1,819	1,956	1,766	1,671
Gain (loss) on asset impairment	7,578	(2,089)	(4,165)	(4,161)	(1,254)	(8,967)	(8,432)	2,756	1,350	3,531	7,272	(4,024)	2,074	(4,331)
<b>Total Revenue, Support, and Gains, Net</b>	<b>12,898,732</b>	<b>10,854,942</b>	<b>9,748,675</b>	<b>11,166,152</b>	<b>8,538,599</b>	<b>8,399,866</b>	<b>11,620,178</b>	<b>7,671,965</b>	<b>9,940,832</b>	<b>12,294,955</b>	<b>9,239,988</b>	<b>9,691,559</b>	<b>9,362,009</b>	<b>7,760,343</b>
<b>Expenses</b>														
Program services:														
General education	6,357,536	5,228,533	4,858,534	5,561,329	4,366,732	4,482,157	5,468,002	5,456,822	7,008,040	6,198,573	5,008,452	5,219,865	4,820,173	4,452,695
Special education	2,007,138	1,650,700	1,533,888	1,755,767	1,378,621	1,415,062	1,726,303	1,722,773	2,212,508	1,956,951	1,581,218	1,647,963	1,521,777	1,405,760
<b>Total Program Services</b>	<b>8,364,674</b>	<b>6,879,233</b>	<b>6,392,422</b>	<b>7,317,096</b>	<b>5,745,353</b>	<b>5,897,219</b>	<b>7,194,305</b>	<b>7,179,595</b>	<b>9,220,548</b>	<b>8,155,524</b>	<b>6,589,670</b>	<b>6,867,828</b>	<b>6,341,950</b>	<b>5,858,455</b>
Supporting services:														
General and administrative	1,083,691	895,501	820,446	938,768	718,728	725,522	947,418	824,949	967,485	1,010,335	810,323	864,788	803,459	779,658
<b>Total Expenses</b>	<b>9,448,365</b>	<b>7,774,734</b>	<b>7,212,868</b>	<b>8,255,864</b>	<b>6,464,081</b>	<b>6,622,741</b>	<b>8,141,723</b>	<b>8,004,544</b>	<b>10,188,033</b>	<b>9,165,859</b>	<b>7,399,993</b>	<b>7,732,616</b>	<b>7,145,409</b>	<b>6,638,113</b>
<b>Change in Net Assets</b>	<b>3,450,367</b>	<b>3,080,208</b>	<b>2,535,807</b>	<b>2,910,288</b>	<b>2,074,518</b>	<b>1,777,125</b>	<b>3,478,455</b>	<b>(332,579)</b>	<b>(247,201)</b>	<b>3,129,096</b>	<b>1,839,995</b>	<b>1,958,943</b>	<b>2,216,600</b>	<b>1,122,230</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>13,535,181</b>	<b>9,759,522</b>	<b>8,436,292</b>	<b>6,379,230</b>	<b>8,529,709</b>	<b>7,888,734</b>	<b>7,807,846</b>	<b>8,169,239</b>	<b>(929,714)</b>	<b>12,936,543</b>	<b>10,541,753</b>	<b>8,512,894</b>	<b>5,519,976</b>	<b>13,591,958</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 16,985,548</b>	<b>\$ 12,839,730</b>	<b>\$ 10,972,099</b>	<b>\$ 9,289,518</b>	<b>\$ 10,604,227</b>	<b>\$ 9,665,859</b>	<b>\$ 11,286,301</b>	<b>\$ 7,836,660</b>	<b>\$ (1,176,915)</b>	<b>\$ 16,065,639</b>	<b>\$ 12,381,748</b>	<b>\$ 10,471,837</b>	<b>\$ 7,736,576</b>	<b>\$ 14,714,188</b>

See accompanying notes to financial statements.

**Success Academy Charter Schools - NYC**  
**Detailed Schedule of Activities by School (continued)**  
**(with comparative schedule for 2022)**

Year ended June 30, 2023

	Bronx 2	Bronx 3	Bronx 4	Bronx 5 Upper	Bronx 5 Lower	MS Harlem West	MS Harlem North Central	MS Harlem East	MS Bed Stuy 1	MS Myrtle	MS Ditmus Park	MS East Flatbush	MS LaFayette	MS Midtown West
<b>Revenue, Support, and Gains (Losses), Net</b>														
State per-pupil operating revenue	\$ 10,042,713	\$ 10,791,721	\$ 11,370,806	\$ 1,766,691	\$ 1,065,232	\$ 7,048,187	\$ 8,590,425	\$ 8,560,405	\$ 6,406,017	\$ 3,399,519	\$ 8,047,832	\$ 9,005,530	\$ 4,377,122	\$ 10,295,647
Government grants	1,293,519	1,410,317	1,164,514	1,149,050	717,640	663,269	980,581	742,731	876,326	128,090	820,547	1,174,789	579,422	841,496
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	196,292
Interest and other income	1,913	2,012	2,090	700	377	1,753	2,077	2,205	2,072	1,203	1,704	1,998	1,666	2,337
Gain (loss) on asset impairment	5,267	3,358	10,098	-	-	(3,647)	(4,547)	(4,965)	(4,297)	(3,498)	(4,018)	(2,853)	(2,344)	(5,446)
<b>Total Revenue, Support, and Gains, Net</b>	<b>11,343,412</b>	<b>12,207,408</b>	<b>12,547,508</b>	<b>2,916,441</b>	<b>1,783,249</b>	<b>7,709,562</b>	<b>9,568,536</b>	<b>9,300,376</b>	<b>7,280,118</b>	<b>3,525,314</b>	<b>8,866,065</b>	<b>10,179,464</b>	<b>4,955,866</b>	<b>11,330,326</b>
<b>Expenses</b>														
Program services:														
General education	5,437,477	5,612,973	6,113,708	2,690,777	1,868,595	4,515,490	5,916,607	5,722,413	4,979,265	3,021,362	4,768,699	5,795,526	3,475,814	6,348,485
Special education	1,716,666	1,772,072	1,930,159	849,505	589,934	1,425,585	1,867,932	1,806,623	1,572,004	953,874	1,505,526	1,829,705	1,097,349	2,004,280
<b>Total Program Services</b>	<b>7,154,143</b>	<b>7,385,045</b>	<b>8,043,867</b>	<b>3,540,282</b>	<b>2,458,529</b>	<b>5,941,075</b>	<b>7,784,539</b>	<b>7,529,036</b>	<b>6,551,269</b>	<b>3,975,236</b>	<b>6,274,225</b>	<b>7,625,231</b>	<b>4,573,163</b>	<b>8,352,765</b>
Supporting services:														
General and administrative	946,937	997,527	1,050,569	341,275	232,353	721,904	900,386	886,899	761,482	426,332	786,096	924,643	519,894	1,005,829
<b>Total Expenses</b>	<b>8,101,080</b>	<b>8,382,572</b>	<b>9,094,436</b>	<b>3,881,557</b>	<b>2,690,882</b>	<b>6,662,979</b>	<b>8,684,925</b>	<b>8,415,935</b>	<b>7,312,751</b>	<b>4,401,568</b>	<b>7,060,321</b>	<b>8,549,874</b>	<b>5,093,057</b>	<b>9,358,594</b>
<b>Change in Net Assets</b>	<b>3,242,332</b>	<b>3,824,836</b>	<b>3,453,072</b>	<b>(965,116)</b>	<b>(907,633)</b>	<b>1,046,583</b>	<b>883,611</b>	<b>884,441</b>	<b>(32,633)</b>	<b>(876,254)</b>	<b>1,805,744</b>	<b>1,629,590</b>	<b>(137,191)</b>	<b>1,971,732</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>19,886,838</b>	<b>13,346,287</b>	<b>14,605,556</b>	<b>-</b>	<b>-</b>	<b>(2,636,015)</b>	<b>(3,654,890)</b>	<b>860,951</b>	<b>(2,401,710)</b>	<b>(6,698,226)</b>	<b>(877,341)</b>	<b>(304,622)</b>	<b>(2,491,027)</b>	<b>187,841</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 23,129,170</b>	<b>\$ 17,171,123</b>	<b>\$ 18,058,628</b>	<b>\$ (965,116)</b>	<b>\$ (907,633)</b>	<b>\$ (1,589,432)</b>	<b>\$ (2,771,279)</b>	<b>\$ 1,745,392</b>	<b>\$ (2,434,343)</b>	<b>\$ (7,574,480)</b>	<b>\$ 928,403</b>	<b>\$ 1,324,968</b>	<b>\$ (2,628,218)</b>	<b>\$ 2,159,573</b>

See accompanying notes to financial statements.

**Success Academy Charter Schools - NYC**  
**Detailed Schedule of Activities by School (continued)**  
**(with comparative schedule for 2022)**

Year ended June 30,

	MS Hudson Yards	MS Springfield Gardens	MS Bronx 2	MS Hamilton Heights	MS Bronx	MS Ozone Park	MS Far Rockaway	HS Liberal Arts Manhattan	HS Liberal Arts Harlem	HS Liberal Arts Brooklyn	2023 Success Academy Charter Schools-NYC	2022 Success Academy Charter Schools-NYC
<b>Revenue, Support, and Gains (Losses), Net</b>												
State per-pupil operating revenue	\$ 8,411,212	\$ 7,935,873	\$ 7,416,660	\$ 2,488,541	\$ 9,315,369	\$ 6,796,509	\$ 3,117,413	\$ 12,048,533	\$ 5,541,642	\$ 2,842,527	\$ 364,683,917	\$ 364,068,038
Government grants	2,714,939	762,705	944,726	461,357	1,150,161	778,060	667,756	1,272,690	1,317,812	901,121	45,790,851	35,044,682
Contributions	167,847	-	-	-	-	-	-	220,151	-	-	904,496	-
Interest and other income	1,726	2,120	1,848	868	2,094	1,557	1,407	2,810	1,563	1,191	6,187,343	110,134
Gain (loss) on asset impairment	(4,082)	(4,164)	(6,077)	-	(6,927)	1,386	(360)	3,837	-	-	(558,817)	(4,324,303)
<b>Total Revenue, Support, and Gains, Net</b>	<b>11,291,642</b>	<b>8,696,534</b>	<b>8,357,157</b>	<b>2,950,766</b>	<b>10,460,697</b>	<b>7,577,512</b>	<b>3,786,216</b>	<b>13,548,021</b>	<b>6,861,017</b>	<b>3,744,839</b>	<b>417,007,790</b>	<b>394,898,551</b>
<b>Expenses</b>												
Program services:												
General education	7,321,542	5,697,842	4,352,872	1,480,498	5,956,323	4,439,858	2,938,503	9,047,381	4,384,133	2,462,832	238,232,195	221,008,619
Special education	2,311,484	1,798,866	1,374,245	467,408	1,880,471	1,401,708	927,715	2,856,349	1,384,115	777,541	75,212,284	86,705,909
<b>Total Program Services</b>	<b>9,633,026</b>	<b>7,496,708</b>	<b>5,727,117</b>	<b>1,947,906</b>	<b>7,836,794</b>	<b>5,841,566</b>	<b>3,866,218</b>	<b>11,903,730</b>	<b>5,768,248</b>	<b>3,240,373</b>	<b>313,444,479</b>	<b>307,714,528</b>
Supporting services:												
General and administrative	1,037,833	858,125	731,967	250,909	990,349	674,348	422,585	1,253,918	599,070	338,478	39,579,467	34,547,926
<b>Total Expenses</b>	<b>10,670,859</b>	<b>8,354,833</b>	<b>6,459,084</b>	<b>2,198,815</b>	<b>8,827,143</b>	<b>6,515,914</b>	<b>4,288,803</b>	<b>13,157,648</b>	<b>6,367,318</b>	<b>3,578,851</b>	<b>353,023,946</b>	<b>342,262,454</b>
<b>Change in Net Assets</b>	<b>620,783</b>	<b>341,701</b>	<b>1,898,073</b>	<b>751,951</b>	<b>1,633,554</b>	<b>1,061,598</b>	<b>(502,587)</b>	<b>390,373</b>	<b>493,699</b>	<b>165,988</b>	<b>63,983,844</b>	<b>52,636,097</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>1,100,611</b>	<b>826,499</b>	<b>1,396,406</b>	<b>-</b>	<b>371,662</b>	<b>(431,473)</b>	<b>(426,848)</b>	<b>(17,241,620)</b>	<b>(1,694,992)</b>	<b>-</b>	<b>173,876,902</b>	<b>121,240,805</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 1,721,394</b>	<b>\$ 1,168,200</b>	<b>\$ 3,294,479</b>	<b>\$ 751,951</b>	<b>\$ 2,005,216</b>	<b>\$ 630,125</b>	<b>\$ (929,435)</b>	<b>\$ (16,851,247)</b>	<b>\$ (1,201,293)</b>	<b>\$ 165,988</b>	<b>\$ 237,860,746</b>	<b>\$ 173,876,902</b>

\* Bed Stuy 1 and Fort Greene were closed and rolled into Ed Corp.

See accompanying notes to financial statements.



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## **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, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2023.

### **Report on 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.



## Report on 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 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, P.C.*

October 30, 2023

# Success Academy Charter Schools - NYC

## Schedule of Findings and Questioned Costs Year Ended June 30, 2023

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### 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 U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Noncompliance material to financial statements noted?

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.

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