

# Success Academy Charter Schools - NYC

Audit of Financial Statements and  
Supplementary Information and  
Supplemental Schedule of Expenditures of  
Federal Awards  
Year Ended June 30, 2017

## **Success Academy Charter Schools - NYC**

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Audit of Financial Statements and Supplementary Information and  
Supplemental Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

# Success Academy Charter Schools - NYC

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## Independent Auditor's Report

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Success Academy Charter Schools - NYC ("SACS NYC"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Success Academy Charter Schools - NYC as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Report on Summarized Comparative Information***

We have previously audited financial statements of SACS-NYC as of and for the year ended June 30, 2016, and our report, dated October 28, 2016, 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, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental detailed schedules of activities by school are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 supplemental detailed schedule of activities by school and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental detailed schedules of activities by schools and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 31, 2017 on our consideration of SACS-NYC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SACS-NYC's internal control over financial reporting and compliance.

BDO USA, LLP

October 31, 2017

## Success Academy Charter Schools - NYC

### Statement of Financial Position (with comparative totals for 2016)

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$ 5,713,520	\$ 8,989,662
Grants and contracts receivables (Note 2)	14,017,217	14,823,909
Prepaid expenses and other assets	3,882,364	5,464,767
<b>Total Current Assets</b>	<b>23,613,101</b>	<b>29,278,338</b>
Assets of limited, as to use (Note 2)	342,000	351,816
Fixed Assets, Net (Notes 2 and 3)	41,916,057	27,796,762
<b>Total Assets</b>	<b>\$65,871,158</b>	<b>\$57,426,916</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,709,198	\$ 2,078,759
Accrued payroll and payroll taxes	1,769,268	55,227
Due to affiliate (Note 4(a))	31,722,351	26,600,039
Current portion loans payable to affiliated organization (Note 4)	1,950,000	-
<b>Total Current Liabilities</b>	<b>39,150,817</b>	<b>28,734,025</b>
Loans Payable to Affiliated Organization (Note 4), Less Current Portion	5,550,000	8,500,000
<b>Total Liabilities</b>	<b>44,700,817</b>	<b>37,234,025</b>
<b>Commitments and Contingencies (Notes 4, 5, 8 and 9)</b>		
<b>Net Assets (Note 2):</b>		
Unrestricted	21,170,341	20,192,891
<b>Total Net Assets</b>	<b>21,170,341</b>	<b>20,192,891</b>
<b>Total Liabilities and Net Assets</b>	<b>\$65,871,158</b>	<b>\$57,426,916</b>

*See accompanying notes to financial statements.*

## Success Academy Charter Schools - NYC

### Statement of Activities (with comparative totals for 2016)

<i>Year ended June 30,</i>	2017	2016
	Unrestricted	
<b>Revenue and Support:</b>		
State and local per pupil operating revenue	\$210,584,340	\$163,980,811
Government grants	15,202,167	15,172,060
Contributions and private grants	40,250	36,500
Donated services (Note 7)	1,025,756	833,564
Other income	704,523	783,570
<b>Total Revenue and Support</b>	<b>227,557,036</b>	<b>180,806,505</b>
<b>Expenses:</b>		
Program services:		
General education	184,131,784	149,519,355
Special education	25,108,878	20,389,000
<b>Total Program Services</b>	<b>209,240,662</b>	<b>169,908,355</b>
Supporting services:		
Management and general	18,338,924	13,720,917
<b>Total Expenses</b>	<b>227,579,586</b>	<b>183,629,272</b>
<b>Change in Net Assets Before Forgiveness of Debt</b>	<b>(22,550)</b>	<b>(2,822,767)</b>
<b>Forgiveness of Debt (Note 4)</b>	<b>1,000,000</b>	<b>-</b>
<b>Change In Net Assets</b>	<b>977,450</b>	<b>(2,822,767)</b>
<b>Net Assets, Beginning of Year</b>	<b>20,192,891</b>	<b>23,015,658</b>
<b>Net Assets, End of Year</b>	<b>\$ 21,170,341</b>	<b>\$ 20,192,891</b>

*See accompanying notes to financial statements.*

## Success Academy Charter Schools - NYC

### Statement of Functional Expenses (with comparative totals for 2016)

*Year ended June 30,*

	FTEs	Program Services			Supporting Services	Total	
		General Education	Special Education	Total Program Services	Management and General	2017	2016
<b>Salaries and staff:</b>							
Administrative staff personnel	367	\$ 21,951,676	\$ 2,993,410	\$ 24,945,086	\$ 1,877,587	\$ 26,822,673	\$ 21,539,775
Instructional personnel	1,338	67,349,989	9,184,089	76,534,078	5,760,630	82,294,708	69,678,921
<b>Total Salaries and Staff</b>		89,301,665	12,177,499	101,479,164	7,638,217	109,117,381	91,218,696
Payroll taxes and employee benefits		18,160,821	2,476,476	20,637,297	1,553,345	22,190,642	19,847,545
Professional development		2,530,990	345,135	2,876,125	-	2,876,125	2,840,642
Legal (Note 7)		-	-	-	1,025,756	1,025,756	833,564
Audit and accounting		-	-	-	113,138	113,138	128,568
Professional and consulting fees		69,940	9,537	79,477	5,982	85,459	463,288
Transportation		679,324	92,635	771,959	58,104	830,063	682,232
Scholar food service		8,233,846	1,122,797	9,356,643	-	9,356,643	5,429,060
Instructional supplies and textbooks		7,834,260	1,068,308	8,902,568	-	8,902,568	7,909,420
Management fee		19,129,420	2,608,557	21,737,977	5,434,494	27,172,471	21,983,041
Interest expense		86,368	11,777	98,145	7,387	105,532	85,000
Talent recruitment		1,000,953	136,494	1,137,447	-	1,137,447	747,297
Scholar recruitment		1,517,600	206,945	1,724,545	-	1,724,545	1,636,947
Scholar after school programming		678,031	92,459	770,490	-	770,490	396,793
Parent and community outreach and engagement		1,022,362	139,413	1,161,775	-	1,161,775	489,919
Uniforms and backpacks		705,562	96,213	801,775	-	801,775	568,018
Office expense		3,645,798	497,154	4,142,952	311,835	4,454,787	2,867,971
Field studies		2,338,357	318,867	2,657,224	-	2,657,224	1,990,410
School culture		1,346,456	183,608	1,530,064	-	1,530,064	885,256
Special events		103,436	14,105	117,541	8,847	126,388	100,250
Equipment lease		1,507,660	205,590	1,713,250	128,954	1,842,204	1,576,768
Student assessments		238,005	32,455	270,460	-	270,460	288,538
Telecommunications and internet		2,255,984	307,634	2,563,618	192,961	2,756,579	1,281,114
Postage and delivery		1,248	170	1,418	107	1,525	17,013
Insurance		1,213,510	165,479	1,378,989	103,795	1,482,784	1,415,859
Facilities expense		2,737,893	373,349	3,111,242	234,179	3,345,421	2,764,427
Information technology		4,067,084	554,602	4,621,686	347,869	4,969,555	1,192,664
Depreciation and amortization		13,291,745	1,812,511	15,104,256	1,136,879	16,241,135	13,473,388
Miscellaneous		433,466	59,109	492,575	37,075	529,650	515,584
<b>Total Expenses</b>		<b>\$184,131,784</b>	<b>\$25,108,878</b>	<b>\$209,240,662</b>	<b>\$18,338,924</b>	<b>\$227,579,586</b>	<b>\$183,629,272</b>

*See accompanying notes to financial statements.*



## Success Academy Charter Schools - NYC

### Statement of Cash Flows (with comparative totals for 2016)

<i>Year ended June 30,</i>	2017	2016
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 977,450	\$ (2,822,767)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,241,135	13,473,388
Forgiveness of debt	(1,000,000)	-
(Increase) decrease in assets:		
Grants and contracts receivables	806,692	(6,539,923)
Prepaid expenses and other assets	1,582,403	(1,374,422)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,630,428	(165,370)
Accrued payroll and payroll taxes	1,714,041	6,894
Due to affiliate	5,122,312	18,794,335
<b>Net Cash Provided By Operating Activities</b>	<b>27,074,461</b>	<b>21,372,135</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of fixed assets	(30,360,419)	(16,451,536)
Assets limited, as to use	9,816	(1,814)
<b>Net Cash Used In Investing Activities</b>	<b>(30,350,603)</b>	<b>(16,453,350)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,276,142)</b>	<b>4,918,785</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>8,989,662</b>	<b>4,070,877</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,713,520</b>	<b>\$ 8,989,662</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. SACS-NYC is dedicated to providing a high quality education to primarily disadvantaged students to prevent the achievement gap from rising.

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

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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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

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

SACS-NYC provided education to approximately 12,595 students in grades kindergarten through high school during the 2016-2017 academic year.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies

#### (a) *Basis of Presentation*

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

#### (b) *Financial Statement Presentation*

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

As of June 30, 2017, SACS-NYC had no permanently restricted net assets.

These classes are defined as follows:

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

#### (c) *Cash and Cash Equivalents*

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

#### (d) *Assets Limited, as to Use*

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

#### (e) *Receivables*

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

#### (f) *Provision for Doubtful Accounts*

SACS-NYC maintains an allowance for doubtful accounts for the receivables that are specifically identified by management as to their uncertainty in regards to collectability. At June 30, 2017, management estimated the allowance for doubtful accounts to be \$-0- for government and tuition receivable.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### *(g) Fixed Assets*

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

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

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### *(h) Asset Impairment*

SACS-NYC reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2017, there was no such loss.

### *(i) Revenue Recognition*

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

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

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

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

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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### *(j) Functional Allocation of Expenses*

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

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

### *(k) Income Taxes*

SACS-NYC is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, SACS-NYC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2017.

Under Accounting Standards Codification ("ASC") 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SACS-NYC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SACS-NYC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SACS-NYC has filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2017, there was no interest or penalties recorded or included in the statement of activities. SACS-NYC is subject to routine audits by a taxing authority. As of June 30, 2017, SACS-NYC was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2014.

### *(l) 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.

### *(m) Concentration of Credit Risk*

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

### *(n) Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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accounting principles. Accordingly, such information should be read in conjunction with SACS-NYC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**(o) Recently Adopted Authoritative Guidance**

**(i) Presentation of Financial Statements of Not-for-Profit Entities**

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The ASU becomes effective for fiscal years beginning after December 15, 2017. SACS-NYC is currently evaluating the impact of the adoption of ASU 2016-14.

**(ii) Revenue From Contracts With Customers**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 which deferred the effective date for SACS-NYC until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. SACS-NYC is currently evaluating the impact of the pending adoption of ASU 2014-09.

**(iii) Leases**

On February 25, 2016, the FASB issued 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 standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and SACS-NYC was currently evaluating the impact of the pending adoption of ASU 2016-02.

**(p) Reclassifications**

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 3. Fixed Assets, Net

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

*June 30, 2017*

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Renovations and improvements	\$ 41,805,118
Equipment	12,483,024
Software	14,385,719
Furniture and fixtures	11,732,648
Fixed assets not placed in service	11,180,441
	<hr/>
	91,586,950
Less: Accumulated depreciation	(49,670,893)
	<hr/>
Net	\$ 41,916,057

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For the year ended June 30, 2017, depreciation and amortization expense was \$16,241,135.

### 4. Related Party Transactions

#### (a) *Due to Affiliate*

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

For the year ended June 30, 2017, SACS-NYC incurred \$27,172,471 in management fees with a balance due to the Network for \$128,528. This balance represents expenses paid by the Network on behalf of SACS-NYC, as well as management fees.

Amounts due to the Network which included expenses paid on behalf of SACS-NYC that are included in other current liabilities as of June 30, 2017 are as follows:

*June 30, 2017*

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Employee benefits	\$ 5,567,670
School purchases	14,219,396
Medical insurance	11,806,757
Management fees	128,528
	<hr/>
	\$31,722,351

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# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### *(b) 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. At June 30, 2017, \$1,000,000 was forgiven by the Network and the outstanding principal balance of the loan was \$7,500,000.

At June 30, 2017, maturities of loans payable are as follows:

#### *Year ending June 30,*

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2018	\$1,950,000
2019	1,000,000
2020	1,050,000
Thereafter 2023-2026	3,500,000
	<hr/>
	\$7,500,000

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During the year ended June 30, 2017, SACS-NYC recorded interest expense on these loans in the amount of \$105,532.

### *(c) Loan Guarantee*

On March 1, 2017, SACS-NYC signed a loan guarantee for the Network's non-revolving line of credit in the amount of \$10,000,000 with a financial institution, whereby SACS-NYC, identified as a guarantor, guarantees the obligation of the Network under the respective financing arrangements. The line of credit has a sub-limit of \$5,000,000 for purposes of issuing letters of credit. A letter of credit has been allocated in the amount of \$3,295,560 against the sub-limit to secure the construction of leasehold improvements. The letter of credit expires on November 30, 2017. The balance due to the financial institution owed by the Network at June 30, 2017 was \$-0-.

## 5. Revenue Concentrations

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

## 6. Shared Space of Facilities

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

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

# Success Academy Charter Schools - NYC

## Notes to Financial Statements

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### 7. Donated Services

During the year ended June 30, 2017, SACS-NYC received legal services at no charge with a fair market value of \$1,025,756 for the year ended June 30, 2017.

### 8. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on 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 indicated in Note 5(c).

### 9. Employee Benefit Plan

SACS-NYC maintains a deferred compensation plan qualified under Section 403(b) of the IRC. SACS-NYC matches up to 3% of eligible employee's annual compensation not to exceed the employee's annual salary deferral amount. SACS-NYC made contributions totaling \$2,572,528 for the year ended June 30, 2017.

### 10. Subsequent Events

SACS-NYC's management has performed subsequent event procedures through October 31, 2017, which is the date the financial statements were available to be issued and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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

## Supplementary Information

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## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2017

	Ed Corp	Harlem 1	Harlem 2	Harlem 3 (Upper)	Harlem 3 (Lower)	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3 (Lower)	Bronx 3 (Upper)	Bronx 4	Upper West	Hell's Kitchen	Union Square	Washington Heights
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
<b>Revenue and Support:</b>																
State and local per pupil operating revenue	\$ -	\$8,937,994	\$8,199,613	\$1,529,161	\$4,982,491	\$6,452,531	\$6,770,785	\$7,299,901	\$7,897,965	\$3,930,177	\$2,770,050	\$6,341,121	\$7,648,160	\$6,463,972	\$6,881,204	\$6,124,553
Government grants	-	344,579	227,770	201,297	280,803	177,689	304,273	261,644	462,275	143,253	132,361	204,520	231,612	220,325	215,253	530,978
Contributions and private grants	40,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated services (Note 7)	1,025,756	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	12,245	22,313	22,405	6,545	10,196	22,680	14,418	19,166	16,680	11,491	15,563	17,119	39,551	27,945	36,527	23,613
<b>Total Revenue and Support</b>	<b>1,078,251</b>	<b>9,304,886</b>	<b>8,449,788</b>	<b>1,737,003</b>	<b>5,273,490</b>	<b>6,652,900</b>	<b>7,089,476</b>	<b>7,580,711</b>	<b>8,376,920</b>	<b>4,084,921</b>	<b>2,917,974</b>	<b>6,562,760</b>	<b>7,919,323</b>	<b>6,712,242</b>	<b>7,132,984</b>	<b>6,679,144</b>
<b>Expenses:</b>																
<b>Program services:</b>																
General education	318,692	8,052,900	6,523,417	2,015,242	3,947,935	4,953,231	5,002,677	5,429,164	5,737,586	3,005,427	2,575,343	4,547,817	5,511,175	4,746,356	5,247,789	4,801,014
Special education	43,456	1,098,123	889,557	274,806	538,355	675,441	682,183	740,341	782,398	409,831	351,183	620,157	751,524	647,230	715,608	654,684
<b>Total Program Services</b>	<b>362,148</b>	<b>9,151,023</b>	<b>7,412,974</b>	<b>2,290,048</b>	<b>4,486,289</b>	<b>5,628,672</b>	<b>5,684,860</b>	<b>6,169,504</b>	<b>6,519,984</b>	<b>3,415,257</b>	<b>2,926,527</b>	<b>5,167,974</b>	<b>6,262,699</b>	<b>5,393,587</b>	<b>5,963,396</b>	<b>5,455,697</b>
<b>Supporting services:</b>																
General and administrative	1,049,202	744,985	641,513	169,619	388,883	499,896	485,254	551,276	560,881	298,212	242,693	466,971	551,075	478,091	517,128	460,636
<b>Total Expenses</b>	<b>1,411,350</b>	<b>9,896,008</b>	<b>8,054,486</b>	<b>2,459,667</b>	<b>4,875,173</b>	<b>6,128,569</b>	<b>6,170,115</b>	<b>6,720,780</b>	<b>7,080,865</b>	<b>3,713,469</b>	<b>3,169,219</b>	<b>5,634,945</b>	<b>6,813,774</b>	<b>5,871,678</b>	<b>6,480,525</b>	<b>5,916,333</b>
<b>Change in Net Assets Before Forgiveness of Debt</b>	<b>(333,099)</b>	<b>(591,122)</b>	<b>395,301</b>	<b>(722,664)</b>	<b>398,317</b>	<b>524,331</b>	<b>919,361</b>	<b>859,931</b>	<b>1,296,055</b>	<b>371,452</b>	<b>(251,245)</b>	<b>927,815</b>	<b>1,105,549</b>	<b>840,564</b>	<b>652,459</b>	<b>762,811</b>
<b>Forgiveness of Debt (Note 4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(333,099)</b>	<b>(591,122)</b>	<b>395,301</b>	<b>(691,414)</b>	<b>398,317</b>	<b>524,331</b>	<b>919,361</b>	<b>891,181</b>	<b>1,296,055</b>	<b>371,452</b>	<b>(251,245)</b>	<b>927,815</b>	<b>1,105,549</b>	<b>840,564</b>	<b>652,459</b>	<b>762,811</b>
<b>Net Assets, Beginning of Year</b>	<b>(1,333,918)</b>	<b>8,769,622</b>	<b>7,081,304</b>	<b>3,334,464</b>	<b>(413,150)</b>	<b>3,406,941</b>	<b>3,296,553</b>	<b>3,591,402</b>	<b>5,218,764</b>	<b>537,544</b>	<b>(441,353)</b>	<b>544,872</b>	<b>1,578,241</b>	<b>(588,073)</b>	<b>(790,077)</b>	<b>229,363</b>
<b>Net Assets, End of Year</b>	<b>\$(1,667,017)</b>	<b>\$8,178,500</b>	<b>\$7,476,605</b>	<b>\$2,643,050</b>	<b>\$ (14,833)</b>	<b>\$3,931,272</b>	<b>\$4,215,914</b>	<b>\$4,482,583</b>	<b>\$6,514,819</b>	<b>\$ 908,996</b>	<b>\$ (692,598)</b>	<b>\$1,472,687</b>	<b>\$2,683,790</b>	<b>\$ 252,491</b>	<b>\$ (137,618)</b>	<b>\$ 992,174</b>

## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2017

	Bed Stuy 1	Bed Stuy 2	Bed Stuy 3	Cobble Hill	Williamsburg	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens	MS Harlem Central	MS Harlem West	MS Harlem North Central	MS Harlem North West	MS Harlem East
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
<b>Revenue and Support:</b>																	
State and local per pupil operating revenue	\$6,100,121	\$5,472,095	\$1,572,935	\$ 5,997,491	\$7,401,794	\$6,464,847	\$ 5,489,413	\$6,023,136	\$5,682,069	\$5,560,477	\$5,782,551	\$5,087,113	\$ 4,316,556	\$ 6,034,311	\$ 4,232,392	\$ 4,539,876	\$6,319,694
Government grants	324,937	315,162	806,691	300,963	206,795	227,999	172,151	187,095	252,265	288,996	643,288	125,969	173,964	161,936	132,283	131,137	210,327
Contributions and private grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated services (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	21,931	25,988	5,719	19,239	18,888	20,369	18,344	21,431	26,163	23,489	11,271	15,371	8,712	8,155	7,041	11,687	14,050
<b>Total Revenue and Support</b>	<b>6,446,989</b>	<b>5,813,245</b>	<b>2,385,345</b>	<b>6,317,693</b>	<b>7,627,477</b>	<b>6,713,215</b>	<b>5,679,908</b>	<b>6,231,662</b>	<b>5,960,497</b>	<b>5,872,962</b>	<b>6,437,110</b>	<b>5,228,453</b>	<b>4,499,232</b>	<b>6,204,402</b>	<b>4,371,716</b>	<b>4,682,700</b>	<b>6,544,071</b>
<b>Expenses:</b>																	
Program services:																	
General education	5,495,418	4,942,202	2,316,726	5,285,863	5,706,546	4,514,557	4,180,708	4,709,912	4,589,076	4,611,540	4,579,758	3,983,492	4,204,533	4,922,856	4,244,933	4,952,485	5,496,698
Special education	749,375	673,937	315,917	720,800	778,165	615,621	570,097	642,261	625,783	628,846	624,512	543,203	573,345	671,299	578,854	675,339	749,550
<b>Total Program Services</b>	<b>6,244,793</b>	<b>5,616,139</b>	<b>2,632,643</b>	<b>6,006,663</b>	<b>6,484,711</b>	<b>5,130,178</b>	<b>4,750,804</b>	<b>5,352,173</b>	<b>5,214,859</b>	<b>5,240,387</b>	<b>5,204,270</b>	<b>4,526,695</b>	<b>4,777,879</b>	<b>5,594,155</b>	<b>4,823,787</b>	<b>5,627,824</b>	<b>6,246,248</b>
Supporting services:																	
General and administrative	506,547	452,459	177,321	498,106	564,504	469,376	427,810	477,448	441,198	430,568	422,181	402,798	356,368	471,741	390,324	448,353	505,298
<b>Total Expenses</b>	<b>6,751,340</b>	<b>6,068,598</b>	<b>2,809,964</b>	<b>6,504,769</b>	<b>7,049,215</b>	<b>5,599,554</b>	<b>5,178,614</b>	<b>5,829,621</b>	<b>5,656,057</b>	<b>5,670,954</b>	<b>5,626,451</b>	<b>4,929,493</b>	<b>5,134,247</b>	<b>6,065,897</b>	<b>5,214,111</b>	<b>6,076,177</b>	<b>6,751,546</b>
<b>Change in Net Assets Before Forgiveness of Debt</b>	<b>(304,351)</b>	<b>(255,353)</b>	<b>(424,619)</b>	<b>(187,076)</b>	<b>578,262</b>	<b>1,113,661</b>	<b>501,294</b>	<b>402,041</b>	<b>304,440</b>	<b>202,008</b>	<b>810,659</b>	<b>298,960</b>	<b>(635,015)</b>	<b>138,505</b>	<b>(842,395)</b>	<b>(1,393,477)</b>	<b>(207,475)</b>
Forgiveness of Debt (Note 4)	-	562,500	-	156,250	156,250	-	-	-	-	-	-	-	31,250	-	31,250	-	-
<b>Change in Net Assets</b>	<b>(304,351)</b>	<b>307,147</b>	<b>(424,619)</b>	<b>(30,826)</b>	<b>734,512</b>	<b>1,113,661</b>	<b>501,294</b>	<b>402,041</b>	<b>304,440</b>	<b>202,008</b>	<b>810,659</b>	<b>298,960</b>	<b>(603,765)</b>	<b>138,505</b>	<b>(811,145)</b>	<b>(1,393,477)</b>	<b>(207,475)</b>
<b>Net Assets, Beginning of Year</b>	<b>(462,133)</b>	<b>(609,146)</b>	<b>217,595</b>	<b>(1,367,247)</b>	<b>351,863</b>	<b>630,483</b>	<b>(1,031,603)</b>	<b>587,780</b>	<b>447,337</b>	<b>73,515</b>	<b>(80,530)</b>	<b>502,032</b>	<b>(3,792,575)</b>	<b>(1,977,647)</b>	<b>(2,098,646)</b>	<b>(1,360,463)</b>	<b>(236,087)</b>
<b>Net Assets, End of Year</b>	<b>\$ (766,484)</b>	<b>\$ (301,999)</b>	<b>\$ (207,024)</b>	<b>\$(1,398,073)</b>	<b>\$1,086,375</b>	<b>\$1,744,144</b>	<b>\$ (530,309)</b>	<b>\$ 989,821</b>	<b>\$ 751,777</b>	<b>\$ 275,523</b>	<b>\$ 730,129</b>	<b>\$ 800,992</b>	<b>\$(4,396,340)</b>	<b>\$(1,839,142)</b>	<b>\$(2,909,791)</b>	<b>\$(2,753,940)</b>	<b>\$ (443,562)</b>

## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2017

	MS Bronx 1	MS Bronx 2	MS Midtown West	MS Bed Stuy	MS Cobble Hill	Bushwick	Far Rockaway	Flatbush	South Jamaica	HS Liberal Arts	MS Williamsburg	Success Academy Charter Schools - NYC
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
<b>Revenue and Support:</b>												
State and local per pupil operating revenue	\$ 3,075,211	\$ 3,314,174	\$ 2,810,410	\$ 2,479,942	\$ 755,820	\$ 2,175,221	\$ 2,443,245	\$ 2,294,422	\$ 2,282,413	\$ 3,727,607	\$ 919,326	\$ 210,584,340
Government grants	143,945	247,014	595,668	452,919	451,723	960,546	815,304	958,777	846,183	649,813	479,685	15,202,167
Contributions and private grants	-	-	-	-	-	-	-	-	-	-	-	40,250
Donated services (Note 7)	-	-	-	-	-	-	-	-	-	-	-	1,025,756
Interest and other income	9,739	10,612	8,696	10,609	-	6,618	3,666	8,080	3,503	38,434	8,261	704,523
<b>Total Revenue and Support</b>	<b>3,228,895</b>	<b>3,571,800</b>	<b>3,414,774</b>	<b>2,943,470</b>	<b>1,207,543</b>	<b>3,142,385</b>	<b>3,262,215</b>	<b>3,261,279</b>	<b>3,132,099</b>	<b>4,415,854</b>	<b>1,407,272</b>	<b>227,557,036</b>
<b>Expenses:</b>												
Program services:												
General education	3,541,627	3,521,090	3,193,776	3,255,289	1,357,314	2,395,894	2,415,671	2,350,563	2,484,353	7,061,451	1,401,690	184,131,784
Special education	482,949	480,149	435,515	443,903	185,088	326,713	329,410	320,531	338,775	962,925	191,139	25,108,878
<b>Total Program Services</b>	<b>4,024,576</b>	<b>4,001,238</b>	<b>3,629,291</b>	<b>3,699,192</b>	<b>1,542,403</b>	<b>2,722,606</b>	<b>2,745,081</b>	<b>2,671,094</b>	<b>2,823,128</b>	<b>8,024,376</b>	<b>1,592,829</b>	<b>209,240,662</b>
Supporting services:												
General and administrative	324,847	310,653	272,222	261,898	102,260	193,627	216,183	209,338	209,239	578,365	111,578	18,338,924
<b>Total Expenses</b>	<b>4,349,424</b>	<b>4,311,891</b>	<b>3,901,513</b>	<b>3,961,090</b>	<b>1,644,663</b>	<b>2,916,233</b>	<b>2,961,264</b>	<b>2,880,432</b>	<b>3,032,367</b>	<b>8,602,742</b>	<b>1,704,407</b>	<b>227,579,586</b>
<b>Change in Net Assets Before Forgiveness of Debt</b>	<b>(1,120,529)</b>	<b>(740,091)</b>	<b>(486,739)</b>	<b>(1,017,620)</b>	<b>(437,120)</b>	<b>226,152</b>	<b>300,951</b>	<b>380,847</b>	<b>99,732</b>	<b>(4,186,888)</b>	<b>(297,135)</b>	<b>(22,550)</b>
<b>Forgiveness of Debt (Note 4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>
<b>Change in Unrestricted Net Assets</b>	<b>(1,120,529)</b>	<b>(740,091)</b>	<b>(486,739)</b>	<b>(1,017,620)</b>	<b>(437,120)</b>	<b>226,152</b>	<b>300,951</b>	<b>380,847</b>	<b>99,732</b>	<b>(4,186,888)</b>	<b>(297,135)</b>	<b>977,450</b>
<b>Net Assets, Beginning of Year</b>	<b>(934,087)</b>	<b>(723,277)</b>	<b>(689,015)</b>	<b>(241,196)</b>	<b>13,480</b>	<b>217,595</b>	<b>285,291</b>	<b>217,595</b>	<b>285,291</b>	<b>(2,075,729)</b>	<b>19,932</b>	<b>20,192,891</b>
<b>Net Assets, End of Year</b>	<b>\$(2,054,616)</b>	<b>\$(1,463,368)</b>	<b>\$(1,175,754)</b>	<b>\$(1,258,816)</b>	<b>\$(423,640)</b>	<b>\$ 443,747</b>	<b>\$ 586,242</b>	<b>\$ 598,442</b>	<b>\$ 385,023</b>	<b>\$(6,262,617)</b>	<b>\$(277,203)</b>	<b>\$ 21,170,341</b>

## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2016

	Ed Corp	Harlem 1	Harlem 2 (Lower)	Harlem 2 (Upper)	Harlem 3 (Upper)	Harlem 3 (Lower)	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3 (Lower)	Bronx 3 (Upper)	Bronx 4	Upper West	Hell's Kitchen	Union Square	Washington Heights
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
<b>Revenue and Support:</b>																	
State and local per pupil operating revenue	\$ -	\$8,777,974	\$5,559,981	\$2,855,939	\$3,205,288	\$3,757,717	\$6,358,223	\$5,606,952	\$6,871,091	\$7,188,765	\$3,482,468	\$1,303,698	\$3,671,815	\$7,495,829	\$4,770,502	\$5,017,436	\$3,681,814
Government grants	1,691,664	330,895	223,051	131,327	141,214	157,634	261,307	248,250	525,873	416,476	390,590	122,771	458,631	237,206	359,425	345,358	690,104
Contributions and private grants	-	1,000	1,000	-	-	1,000	1,000	1,000	1,000	1,000	1,000	-	1,000	1,000	1,000	1,000	1,000
Donated services (Note 7)	833,564	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	34,812	24,595	8,764	8,666	10,071	9,321	22,780	15,553	9,770	14,956	2,265	8,966	6,840	30,898	14,187	19,708	19,460
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue and Support</b>	<b>2,560,040</b>	<b>9,134,464</b>	<b>5,792,796</b>	<b>2,995,932</b>	<b>3,356,573</b>	<b>3,925,672</b>	<b>6,643,310</b>	<b>5,871,755</b>	<b>7,407,734</b>	<b>7,621,197</b>	<b>3,876,323</b>	<b>1,435,435</b>	<b>4,138,286</b>	<b>7,764,933</b>	<b>5,145,114</b>	<b>5,383,502</b>	<b>4,392,378</b>
<b>Expenses:</b>																	
Program services:																	
General education	2,465,156	7,082,693	4,160,876	2,729,734	3,362,340	3,087,078	5,262,557	4,635,353	5,556,698	5,528,349	3,003,756	1,539,828	3,210,910	5,529,913	4,065,190	4,251,248	3,138,388
Special education	336,158	965,822	567,392	372,236	458,501	420,965	717,621	632,094	757,732	753,866	409,603	209,976	437,851	754,079	554,344	579,716	427,962
<b>Total Program Services</b>	<b>2,801,314</b>	<b>8,048,515</b>	<b>4,728,268</b>	<b>3,101,970</b>	<b>3,820,841</b>	<b>3,508,043</b>	<b>5,980,178</b>	<b>5,267,447</b>	<b>6,314,430</b>	<b>6,282,215</b>	<b>3,413,359</b>	<b>1,749,804</b>	<b>3,648,761</b>	<b>6,283,992</b>	<b>4,619,534</b>	<b>4,830,964</b>	<b>3,566,350</b>
Supporting services:																	
General and administrative	1,059,232	629,162	363,769	237,119	290,651	261,609	465,018	388,533	493,400	480,224	264,032	126,983	280,331	478,155	348,079	359,551	263,854
<b>Total Expenses</b>	<b>3,860,546</b>	<b>8,677,677</b>	<b>5,092,037</b>	<b>3,339,089</b>	<b>4,111,492</b>	<b>3,769,652</b>	<b>6,445,196</b>	<b>5,655,980</b>	<b>6,807,830</b>	<b>6,762,439</b>	<b>3,677,391</b>	<b>1,876,787</b>	<b>3,929,092</b>	<b>6,762,147</b>	<b>4,967,613</b>	<b>5,190,515</b>	<b>3,830,204</b>
<b>Change in Net Assets</b>	<b>(1,300,506)</b>	<b>456,787</b>	<b>700,759</b>	<b>(343,157)</b>	<b>(754,919)</b>	<b>156,020</b>	<b>198,114</b>	<b>215,775</b>	<b>599,904</b>	<b>858,758</b>	<b>198,932</b>	<b>(441,352)</b>	<b>209,194</b>	<b>1,002,786</b>	<b>177,501</b>	<b>192,987</b>	<b>562,174</b>
<b>Net Assets, Beginning of Year</b>	<b>-</b>	<b>8,312,836</b>	<b>6,723,703</b>	<b>-</b>	<b>4,089,383</b>	<b>(569,171)</b>	<b>3,208,828</b>	<b>3,080,778</b>	<b>2,991,499</b>	<b>4,360,006</b>	<b>338,612</b>	<b>-</b>	<b>335,678</b>	<b>575,454</b>	<b>(765,576)</b>	<b>(983,064)</b>	<b>(332,810)</b>
<b>Net Assets, End of Year</b>	<b>\$(1,300,506)</b>	<b>\$8,769,623</b>	<b>\$7,424,462</b>	<b>\$(343,157)</b>	<b>\$3,334,464</b>	<b>\$(413,151)</b>	<b>\$3,406,942</b>	<b>\$3,296,553</b>	<b>\$3,591,403</b>	<b>\$5,218,764</b>	<b>\$537,544</b>	<b>\$(441,352)</b>	<b>\$544,872</b>	<b>\$1,578,240</b>	<b>\$(588,075)</b>	<b>\$(790,077)</b>	<b>\$229,364</b>

## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2016

	Bed Stuy 1	Bed Stuy 2	Bed Stuy 3	Cobble Hill	Williamsburg	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens	MS Harlem Central	MS Harlem West	MS Harlem North Central	MS Harlem North West	MS Harlem East
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
<b>Revenue and Support:</b>																	
State and local per pupil operating revenue	\$6,120,618	\$5,440,278	\$ -	\$ 6,012,862	\$6,547,183	\$5,276,399	\$ 4,199,383	\$5,036,567	\$3,669,092	\$3,564,512	\$3,501,720	\$3,561,698	\$ 3,182,334	\$4,720,283	\$ 4,113,381	\$ 3,974,666	\$4,587,448
Government grants	441,591	330,356	217,595	309,093	356,700	490,296	423,635	423,442	321,984	309,554	588,436	395,919	217,357	147,421	174,924	278,717	235,157
Contributions and private grants	1,000	1,000	-	1,000	1,000	1,000	1,000	3,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Donated services (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	11,626	14,096	-	10,680	18,843	9,707	10,609	11,294	12,410	3,735	4,244	2,549	23,610	49,767	31,377	43,698	51,342
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue and Support</b>	<b>6,574,835</b>	<b>5,785,730</b>	<b>217,595</b>	<b>6,333,635</b>	<b>7,013,003</b>	<b>5,777,402</b>	<b>4,634,627</b>	<b>5,474,803</b>	<b>4,004,486</b>	<b>3,878,801</b>	<b>4,095,400</b>	<b>3,961,166</b>	<b>3,424,301</b>	<b>4,918,471</b>	<b>4,320,682</b>	<b>4,298,081</b>	<b>4,874,947</b>
<b>Expenses:</b>																	
Program services:																	
General education	5,418,904	4,833,875	-	5,729,330	5,514,959	4,066,037	3,941,336	4,215,368	2,991,236	3,039,820	3,075,829	3,001,080	3,884,268	4,443,196	3,913,840	4,315,914	4,187,546
Special education	738,941	659,165	-	781,272	752,040	554,459	537,455	574,823	407,896	414,521	419,431	409,238	529,673	605,890	533,705	588,533	571,029
<b>Total Program Services</b>	<b>6,157,845</b>	<b>5,493,040</b>	<b>-</b>	<b>6,510,602</b>	<b>6,266,999</b>	<b>4,620,496</b>	<b>4,478,791</b>	<b>4,790,191</b>	<b>3,399,132</b>	<b>3,454,341</b>	<b>3,495,260</b>	<b>3,410,318</b>	<b>4,413,941</b>	<b>5,049,086</b>	<b>4,447,545</b>	<b>4,904,447</b>	<b>4,758,575</b>
Supporting services:																	
General and administrative	460,841	406,931	-	493,979	489,895	362,024	344,684	370,241	253,277	256,077	257,092	260,099	330,260	393,388	344,406	373,438	352,460
<b>Total Expenses</b>	<b>6,618,686</b>	<b>5,899,971</b>	<b>-</b>	<b>7,004,581</b>	<b>6,756,894</b>	<b>4,982,520</b>	<b>4,823,475</b>	<b>5,160,432</b>	<b>3,652,409</b>	<b>3,710,418</b>	<b>3,752,352</b>	<b>3,670,417</b>	<b>4,744,201</b>	<b>5,442,474</b>	<b>4,791,951</b>	<b>5,277,885</b>	<b>5,111,035</b>
<b>Change in Net Assets</b>	<b>(43,851)</b>	<b>(114,241)</b>	<b>217,595</b>	<b>(670,946)</b>	<b>256,109</b>	<b>794,882</b>	<b>(188,848)</b>	<b>314,371</b>	<b>352,077</b>	<b>168,383</b>	<b>343,048</b>	<b>290,749</b>	<b>(1,319,900)</b>	<b>(524,003)</b>	<b>(471,269)</b>	<b>(979,804)</b>	<b>(236,088)</b>
<b>Net Assets, Beginning of Year</b>	<b>(418,282)</b>	<b>(494,905)</b>	<b>-</b>	<b>(696,302)</b>	<b>95,752</b>	<b>(164,399)</b>	<b>(842,756)</b>	<b>273,408</b>	<b>95,258</b>	<b>(94,869)</b>	<b>(423,579)</b>	<b>211,282</b>	<b>(2,472,675)</b>	<b>(1,453,645)</b>	<b>(1,627,378)</b>	<b>(380,661)</b>	<b>-</b>
<b>Net Assets, End of Year</b>	<b>\$ (462,133)</b>	<b>\$ (609,146)</b>	<b>\$217,595</b>	<b>\$(1,367,248)</b>	<b>\$ 351,861</b>	<b>\$ 630,483</b>	<b>\$(1,031,604)</b>	<b>\$ 587,779</b>	<b>\$ 447,335</b>	<b>\$ 73,514</b>	<b>\$ (80,531)</b>	<b>\$ 502,031</b>	<b>\$(3,792,575)</b>	<b>\$(1,977,648)</b>	<b>\$(2,098,647)</b>	<b>\$(1,360,465)</b>	<b>\$ (236,088)</b>



## Success Academy Charter Schools - NYC

### Detailed Schedule of Activities by School

Year ended June 30, 2016

	MS Bronx 1	MS Bronx 2	MS Midtown West	MS Bed Stuy	Bushwick	Far Rockaway	Flatbush	South Jamaica	HS Liberal Arts		Success Academy Charter Schools -NYC			
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support:</b>														
State and local per pupil operating revenue	\$2,036,925	\$2,341,335	\$ 923,864	\$ 809,214	\$ -	\$ -	\$ -	\$ -	\$ 4,666,280	\$ -	\$ 4,666,280	\$163,980,811	\$ -	\$163,980,811
Government grants	44,772	217,562	302,242	602,308	217,595	285,291	217,595	285,291	605,451	-	605,451	15,350,614	-	15,350,614
Contributions and private grants	1,000	1,000	1,000	1,000	-	-	-	-	1,000	-	1,000	36,500	-	36,500
Donated services (Note 7)	-	-	-	-	-	-	-	-	-	-	-	833,564	-	833,564
Interest and other income	36,114	31,572	42,722	31,948	-	-	-	-	70,015	-	70,015	783,570	-	783,570
Net assets released from restriction	-	-	-	-	-	-	-	-	220,000	(220,000)	-	220,000	(220,000)	-
<b>Total Revenue and Support</b>	<b>2,118,811</b>	<b>2,591,469</b>	<b>1,269,828</b>	<b>1,444,470</b>	<b>217,595</b>	<b>285,291</b>	<b>217,595</b>	<b>285,291</b>	<b>5,562,746</b>	<b>(220,000)</b>	<b>5,342,746</b>	<b>181,026,505</b>	<b>(220,000)</b>	<b>180,806,505</b>
<b>Expenses:</b>														
Program services:														
General education	2,501,019	2,462,907	1,606,132	1,382,452	-	-	-	-	6,384,240	-	6,384,240	149,519,355	-	149,519,355
Special education	341,048	335,851	219,018	188,516	-	-	-	-	870,578	-	870,578	20,389,000	-	20,389,000
<b>Total Program Services</b>	<b>2,842,067</b>	<b>2,798,758</b>	<b>1,825,150</b>	<b>1,570,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,254,818</b>	<b>-</b>	<b>7,254,818</b>	<b>169,908,355</b>	<b>-</b>	<b>169,908,355</b>
Supporting services:														
General and administrative	210,831	202,818	133,693	114,699	-	-	-	-	520,082	-	520,082	13,720,917	-	13,720,917
<b>Total Expenses</b>	<b>3,052,898</b>	<b>3,001,576</b>	<b>1,958,843</b>	<b>1,685,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,774,900</b>	<b>-</b>	<b>7,774,900</b>	<b>183,629,272</b>	<b>-</b>	<b>183,629,272</b>
<b>Change in Unrestricted Net Assets</b>	<b>(934,087)</b>	<b>(410,107)</b>	<b>(689,015)</b>	<b>(241,197)</b>	<b>217,595</b>	<b>285,291</b>	<b>217,595</b>	<b>285,291</b>	<b>(2,212,154)</b>	<b>(220,000)</b>	<b>(2,432,154)</b>	<b>(2,602,767)</b>	<b>(220,000)</b>	<b>(2,822,767)</b>
<b>Net Assets, Beginning of Year</b>	<b>-</b>	<b>(313,170)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,423</b>	<b>220,000</b>	<b>356,423</b>	<b>22,795,658</b>	<b>220,000</b>	<b>23,015,658</b>
<b>Net Assets, End of Year</b>	<b>\$ (934,087)</b>	<b>\$ (723,277)</b>	<b>\$ (689,015)</b>	<b>\$ (241,197)</b>	<b>\$217,595</b>	<b>\$285,291</b>	<b>\$217,595</b>	<b>\$285,291</b>	<b>\$(2,075,731)</b>	<b>\$ -</b>	<b>\$(2,075,731)</b>	<b>\$ 20,192,891</b>	<b>\$ -</b>	<b>\$ 20,192,891</b>

# Success Academy Charter Schools - NYC

## Schedule of Expenditures of Federal Awards

*Year ended June 30, 2017*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Education:</b>				
Passed through the New York State Education Department:				
Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)	84.010	None	\$-	\$ 4,338,761
Supporting Effective Instruction State Grants	84.367	None	-	235,843
Special Education - Grants to States (IDEA, Part B)	84.027	None	-	1,054,622
Passed through the New York State Education Department:				
Charter Schools (Public Charter Schools Program-CSP)	84.282A	C402688/C402687	-	581,957
Passed through Success Academy Charter Schools, Inc.:				
Charter Schools - Grants for Replication and Expansion of High-Quality Charter Schools Program-CSP	84.282M	None	-	4,770,230
<b>Subtotal CFDA #84.282</b>				<b>5,352,187</b>
<b>Total U.S. Department of Education</b>				<b>10,981,413</b>
<b>U.S. Department of Agriculture:</b>				
Passed through the New York State Education Department:				
Child Nutrition Program Administration:				
Child Nutrition Cluster:				
National School Lunch Program (NSLP)	10.555	331400861107	-	1,899,380
School Breakfast Program (SBP)	10.553	331400861107	-	531,105
<b>Total U.S. Department of Agriculture</b>				<b>2,430,485</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$-</b>	<b>\$13,411,898</b>

*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, 2017

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### 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, 2017. 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. Pass-through entity identifying numbers are presented where available.

### 3. Indirect Cost Rate

SACS-NYC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Success Academy Charter Schools - NYC ("SACS-NYC"), which comprise the statement of financial position as of June 30, 2017, 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 31, 2017.

### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered SACS-NYC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SACS-NYC's internal control. Accordingly, we do not express an opinion on the effectiveness of SACS-NYC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether SACS-NYC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 31, 2017



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

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

### ***Report on Compliance for Each Major Federal Program***

We have audited Success Academy Charter Schools - NYC's ("SACS-NYC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SACS-NYC's major federal programs for the year ended June 30, 2017. SACS-NYC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, SACS-NYC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

SACS-NYC's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. SACS-NYC's responses were not subjected to our auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### *Report on Internal Control Over Compliance*

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 31, 2017

# Success Academy Charter Schools - NYC

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

### 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
84.027	Special Education - Grants to States (IDEA, Part B)
84.282	Charter Schools

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

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

### Section 2. Financial Statement Findings

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



# Success Academy Charter Schools - NYC

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### Section 3. Federal Award Findings and Questioned Costs

#### Instances of Non-Compliance:

Finding Number: 2017-001

Compliance Requirement: Reporting

#### *Program:*

Charter Schools (Public Charter Schools Program-CSP)

CFDA #: 84.282

Contract Period: 7/01/2015 - 6/30/2017

Budget Periods: 7/01/2015 - 6/30/2016

7/01/2016 - 6/30/2017

#### *Government Department/Agency:*

U.S. Department of Education/New York State Education Department

#### *Criteria:*

In accordance with the Uniform Guidance, Part 200.327 on financial reporting, unless otherwise approved by Office of Management and Budget ("OMB"), the federal awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information. This information must be collected with the frequency required by the terms and conditions of the federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example, where more frequent reporting is necessary for the effective monitoring of the federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

According to the State Education Department reporting guidelines, the Final Expenditure Report for a Federal or State Project, FS-10-F Long Forms, are required to be filed within 90 days after the budget period's end date. For SACS-NYC, those due dates are 9/28/2016 and 9/28/2017.

#### **Condition:**

During our compliance testing on reporting, SACS-NYC filed two final expenditure reports FS-10-F past the required due dates for the budget periods 7/01/2015 - 6/30/2016 and 7/01/2016 - 6/30/2017. The due dates for the FS-10-F reports were 9/28/2016 and 9/28/2017.

#### **Questioned Costs:**

Not determinable.

#### **Context:**

This is a condition identified per review of SACS-NYC's compliance with the reporting requirements.

#### **Effect:**

SACS-NYC is noncompliant with the reporting requirements.

#### **Cause:**

Due to staffing changes at SACS-NYC, these reports were not prepared and approved by the due dates.

#### **Recommendation:**

We recommend that SACS-NYC implement policies, procedures and controls to ensure compliance with the reporting requirements. SACS-NYC should designate an individual that has thorough knowledge of both the program and the compliance requirements to monitor, review and approve all required reports, including knowledge of reporting deadlines and ensure timely submission of all required reports to the funding agency. Evidence of submission should also be maintained as part of program documentation.



Management's Corrective Action Plan  
Year Ended June 30, 2017

**Finding Number: 2017-001**

**Compliance Requirement: Reporting**

***Program:***

Charter Schools (Public Charter Schools Program-CSP)

CFDA #: 84.282A

Contract Period: 7/01/2015 - 6/30/2017

Budget Periods: 7/01/2015 - 6/30/2016  
7/01/2016 - 6/30/2017

***Government Department/Agency:***

U.S. Department of Education/New York State Education Department

***Planned Corrective Action:***

Linda Fayerweather - Controller is responsible of the corrective action.

The FS-10-F due on 9/28/2016 has been submitted and accepted by New York State Education Department on February 2017.

The FS-10-F due on 9/28/2017 has been submitted to New York State Education Department on October 20, 2017. The finance department prepared and filed the FS-10-F Long Form Expenditure Reports for this program which is the last report due for this specific contract. In addition, on October 24, 2017, the SACS-NYC finance staff under the supervision of the Controller and the Assistant Controller set up a master calendar which discloses all federal funding due dates. This calendar will be maintained by the Assistant Controller and reviewed every month by the Controller to ensure that all federal funding reports are approved and filed by the proper date. To date, all required reports and corrective action has been completed and complied with.



Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

Status of Prior Year Financial Statement Findings under *Government Auditing Standards*:

None Noted

Status of Prior Year Findings Under *Uniform Guidance*:

Finding Number: 2016-001

Compliance Requirement: Eligibility

*Program:*

U.S. Department of Agriculture

National School Lunch Program; School Breakfast Program; Child Nutrition Cluster

CFDA #: 10.555/10.553

Award #: 331400861107

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

*Government Department/Agency:*

U.S. Department of Education/New York State Education Department

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

*Current Year Status:*

This finding has been corrected and is no longer an issue for the year ending June 30, 2017.

*Updated Corrective Action:*

SACS-NYC was approved on September 7, 2016 by the New York State Education Department to participate in the State Community Eligibility Provision for certifying its Free/Reduced Lunch Rates. This provision releases the responsibility for collecting and analyzing the income certifications from families.