

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2014

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2014

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FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

Report on the Financial Statements

We have audited the accompanying financial statements of Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) (“SACS–NYC”) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2014, 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 the 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 SACS–NYC’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 SACS–NYC’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 SACS–NYC as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, 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.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2014

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,630,445
Grants and contracts receivable	2,921,408
Prepaid expenses and other current assets	<u>2,823,903</u>
Total current assets	11,375,756
Property and equipment, net of accumulated depreciation and amortization of \$8,458,468	10,153,572
Long-term investments	2,883,681
Restricted cash	<u>351,019</u>
TOTAL ASSETS	<u><u>\$ 24,764,028</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 480,918
Accrued payroll and payroll taxes	601,603
Due to related party	<u>2,915,862</u>
Total current liabilities	3,998,383
Loans payable - related party	<u>2,700,000</u>
Total liabilities	<u>6,698,383</u>
Net assets:	
Unrestricted	17,405,645
Temporarily restricted	<u>660,000</u>
Total net assets	<u>18,065,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,764,028</u></u>

The accompanying notes are an integral part of the financial statements.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
State and local per pupil operating revenue	\$ 60,304,891	\$ -	\$ 60,304,891
Federal grants	4,320,723	-	4,320,723
Contributions and private grants	500	660,000	660,500
In-kind donations	477,410	-	477,410
Interest and other income	36,925	-	36,925
	<u>65,140,449</u>	<u>660,000</u>	<u>65,800,449</u>
 Expenses:			
Program services			
Regular education	47,634,229	-	47,634,229
Special education	6,495,579	-	6,495,579
Total program services	<u>54,129,808</u>	<u>-</u>	<u>54,129,808</u>
Supporting service			
Management and general	<u>13,754,498</u>	<u>-</u>	<u>13,754,498</u>
	<u>67,884,306</u>	<u>-</u>	<u>67,884,306</u>
Changes in net assets	(2,743,857)	660,000	(2,083,857)
Net assets - beginning of year	<u>20,149,502</u>	<u>-</u>	<u>20,149,502</u>
Net assets - end of year	<u>\$ 17,405,645</u>	<u>\$ 660,000</u>	<u>\$ 18,065,645</u>

The accompanying notes are an integral part of the financial statements.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (2,083,857)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,247,644
Changes in certain assets and liabilities:	
(Increase) in grants and contracts receivable	(1,061,390)
(Increase) in prepaid expenses and other current assets	(1,113,388)
(Increase) in restricted cash	(708)
Increase in accounts payable and accrued expenses	201,838
Increase in accrued payroll and payroll taxes	571,866
Increase in due to related party	<u>762,477</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>524,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(9,415,458)
Purchases of investments	(3,676,528)
Proceeds from maturity of investments	<u>14,192,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,100,014</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Proceeds from loans payable - related party	<u>1,250,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,874,496
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,755,949</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,630,445</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 21,430</u></u>

The accompanying notes are an integral part of the financial statements.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) (“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 (“H3”), Success Academy Charter School – Harlem 4, and Success Academy Charter School – Harlem 5 merged into a single legal entity under H3, 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. H3 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.

The financial statements include the following Schools: Success Academy Charter School – Harlem 1 (“H1”), Success Academy Charter School – Harlem 2 (“H2”), Success Academy Charter School – Harlem 3 (“H3”), Success Academy Charter School – Harlem 4 (“H4”), Success Academy Charter School – Harlem 5 (“H5”), Success Academy Charter School – Harlem West (“HW”), Success Academy Charter School – Harlem Central (“HC”), Success Academy Charter School – High School (“HS”), Success Academy Charter School – Bronx 3 (“BX3”), Success Academy Charter School – Crown Heights (“CR”), Success Academy Charter School – Fort Greene (“FG”), Success Academy Charter School – Harlem 3 100th Street (“H3 100th Street”), Success Academy Charter School – Hell’s Kitchen (“HK”), Success Academy Charter School – Harlem North Central (“HNC”), Success Academy Charter School – Prospect Heights (“PH”), Success Academy Charter School – Union Square (“US”), Success Academy Charter School – Bensonhurst (“B”), Success Academy Charter School – Bergen Beach (“BB”), Success Academy Charter School – Bronx 2 (“BX2”), Success Academy Charter School – Harlem North West (“HNW”), Success Academy Charter School – Rosedale (“R”), Success Academy Charter School – Springfield Gardens (“SG”), Success Academy Charter School – Bronx 4 (“BX4”), and Success Academy Charter School – Washington Heights (“WH”). The last eight Schools aforementioned opened in August 2014 and HS will open in August 2015.

SACS–NYC provided education to approximately 4100 students in grades kindergarten through eight during the 2013-2014 academic year.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Organization (Continued)

SACS–NYC share 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 other than security related to SACS–NYC’s programs that take place outside the district’s school day.

Food Service

The New York City Department of Education provides free lunches to a majority of SACS–NYC’s students. Such costs are not included in these financial statements. SACS–NYC covers the cost of lunches for children not entitled to the free lunches.

Tax Status

SACS–NYC is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. SACS–NYC did not have net unrelated business income for the year ended June 30, 2014.

SACS–NYC’s accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. SACS–NYC has no uncertain tax position resulting in an accrual of tax expense or benefit.

IRS Forms 990 filed by SACS–NYC is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by SACS–NYC are no longer subject to examination for the fiscal years ended June 30, 2010, and prior.

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

Unrestricted

Net assets of SACS–NYC whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of SACS–NYC.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily Restricted

Net assets of SACS–NYC whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of SACS–NYC. 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 and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Net assets of SACS–NYC whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

As of June 30, 2014, SACS–NYC had no permanently restricted net assets.

Revenue and Support

Contributions are recognized when the donor makes a grant to SACS–NYC that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support SACS–NYC’s current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from the state and local governments resulting from SACS–NYC’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agencies.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, SACS–NYC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Financial instruments which potentially subject SACS–NYC to concentrations of credit risk are cash and cash equivalents. SACS–NYC places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. SACS–NYC believes that there is little risk in any losses and has not experienced any losses in such accounts.

Restricted Cash

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.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Equipment	3 years
Furniture and fixtures	3 years
Website development	3 years
Software	3 years
Leasehold improvements	5 years

Refundable Advances

SACS–NYC records certain government grants and contracts as refundable advances until related services are performed, at which time it is recognized as revenue.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal, state, and city entitlements and grants. SACS–NYC expects to collect these receivables within one year.

NOTE 3 - INVESTMENTS

Investments held by SACS–NYC at June 30, 2014 consist of cash equivalents in the amount of \$1,443,428 and certificates of deposit in the amount of \$1,440,253. These investments are presented in the statement of financial position at fair value. Interest income from these investments amounted to \$36,050 for the year ended June 30, 2014.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SACS–NYC has the ability to access.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are not considered to be active.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash equivalents: Valued at quoted market prices.

Certificates of deposit: Valued at original cost plus accrued interest, which approximates fair value.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Network believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The primary uses of fair value measures in SACS–NYC’s financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets.
- recurring measurement of investments.

The following table sets forth by level, within the fair value hierarchy, the Network’s assets at fair value at June 30, 2014.

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,443,428	\$ -	\$ -	\$ 1,443,428
Certificates of deposit	-	1,440,253	-	1,440,253
Total	\$ 1,443,428	\$ 1,440,253	\$ -	\$ 2,883,681

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Equipment	\$ 3,402,345
Furniture and fixtures	3,220,437
Website development	44,315
Software	6,941,305
Leasehold improvements	4,957,551
Construction in progress	46,087
	18,612,040
Less: Accumulated depreciation and amortization	8,458,468
	\$ 10,153,572

Depreciation and amortization expense was \$3,247,644 for the year ended June 30, 2014. Construction-in-progress consist of building improvements for the High School that will open in August 2015.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 consist of \$660,000 to fund the Success Academy High School Technology Literacy Program. There were no net assets released from donor restrictions during the year ended June 30, 2014.

NOTE 7 - RELATED PARTY TRANSACTIONS

SACS–NYC is an affiliate of Success Academy Charter Schools, Inc. (the “Network”), a not-for-profit charter management organization dedicated to helping start and manage charter schools, provide management and other administrative support services to the schools.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

Pursuant to the terms of the Academic and Business Service Agreement by and between the Network and SACS–NYC, dated April 21, 2012, the Network shall provide educational management and operational services to SACS–NYC. As compensation to the Network for these services rendered, SACS–NYC shall pay to the Network an amount each year 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 increased or decreased each year by the percentage increase or decrease in the Final Adjusted Expense Per Pupil for charter schools in the New York City school district commencing with and including the 2012-2013 school year. The per pupil fee was \$2,029 for the year ended June 30, 2014. For operational efficiency and purchasing power, SACS–NYC also shares expenses with the Network and seven other charter schools related by common management.

For the year ended June 30, 2014, SACS–NYC incurred \$8,389,463 in management fees, and there were no material transactions between SACS–NYC and the related charter schools. The balance due to the Network from SACS–NYC at June 30, 2014 amounted to \$2,915,862. These balances represent expenses paid by the Network on behalf of SACS–NYC. SACS–NYC fully repaid this balance prior to the issuance of this report.

At various dates from July 2012 through June 2014, SACS–NYC signed loan agreements with the Network totaling \$2,700,000 with annual interest equal to the prevailing interest rate available to the Network as of the date of each advance. The loans and any accrued unpaid interest are due in full within three years of these agreements. The loans may be prepaid by SACS–NYC, at any time, in whole or in part, without penalty. The proceeds were used to finance SACS–NYC’s operations. The outstanding principal balance of the loans at June 30, 2014 was \$2,700,000. SACS–NYC paid \$21,430 in interest expense on these loans during the year ended June 30, 2014.

NOTE 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 the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - REVENUE CONCENTRATION

SACS–NYC receives substantially all of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, SACS–NYC’s finances could be materially adversely affected.

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of SACS–NYC.

NOTE 11 - IN-KIND DONATIONS

Donated services are recognized as contributions in accordance with ASC 605, “Accounts for Contributions Received and Contributions Made,” if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SACS–NYC.

Donated Services

SACS–NYC received legal services at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$466,304 for the year ended June 30, 2014.

Donated Goods

During the year ended June 30, 2014, SACS–NYC received donated supplies and materials from a donor with a fair value of \$11,106. The entire value is included in instructional supplies and materials in the accompanying schedule of functional expenses.

NOTE 12 - RETIREMENT PLAN

SACS–NYC maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, SACS–NYC will match employee contributions up to 3% of annual compensation. Employer match for the year ended June 30, 2014 amounted to \$494,793.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 - SUBSEQUENT EVENTS

In preparing these financial statements, SACS–NYC has evaluated events and transactions for potential recognition or disclosure through October 15, 2014, the date the financial statements were available to be issued.

Success Academy Charter School – Bronx 1 (f/k/a Bronx Success Academy Charter School 1), Success Academy Charter School – Bronx 2 (f/k/a Bronx Success Academy Charter School 2), Success Academy Charter School – Upper West (f/k/a Upper West Success Academy Charter School), Success Academy Charter School – Bed-Stuy 1 (f/k/a Brooklyn Success Academy Charter School 1), Success Academy Charter School – Bed-Stuy 2, Success Academy Charter School – Cobble Hill, and Success Academy Charter School – Williamsburg (collectively referred to as the “Schools”) 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, the 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.

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

We have audited the financial statements of Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) as of and for the year then ended, and have issued our report thereon dated October 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and statements of activities are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2014

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Regular Education	Special Education	Total Program Services	Management and General	Total
Salaries	\$ 26,208,091	\$ 3,573,831	\$ 29,781,922	\$ 2,826,237	\$ 32,608,159
Payroll taxes and employee benefits	5,478,657	747,090	6,225,747	563,795	6,789,542
Professional development	1,122,617	153,084	1,275,701	1,900	1,277,601
Legal	-	-	-	466,304	466,304
Audit and accounting	-	-	-	70,079	70,079
Professional fees	88,364	12,050	100,414	8,732	109,146
Travel and entertainment	163,519	22,298	185,817	17,600	203,417
Student food service	992,130	135,291	1,127,421	36	1,127,457
Instructional supplies and textbooks	3,545,983	483,543	4,029,526	7,029	4,036,555
Management fee	-	-	-	8,389,463	8,389,463
Interest expense	-	-	-	21,430	21,430
Teacher recruitment	447,848	61,070	508,918	205,849	714,767
Student recruitment	449,251	61,261	510,512	272,213	782,725
Marketing	210,453	28,698	239,151	122,285	361,436
Uniforms	65,072	8,873	73,945	-	73,945
Office expense	951,654	129,771	1,081,425	94,913	1,176,338
Field trips	576,412	78,602	655,014	1,844	656,858
School culture	432,299	58,950	491,249	-	491,249
Special events	240,728	32,827	273,555	23,788	297,343
Equipment rental	459,419	62,648	522,067	45,399	567,466
Student assessments	229,342	31,274	260,616	325	260,941
Telephone and internet services	510,902	69,669	580,571	50,487	631,058
Postage and delivery	269,048	36,688	305,736	46,243	351,979
Insurance	400,933	54,673	455,606	39,621	495,227
Facilities expense	302,368	41,232	343,600	29,879	373,479
Information technology	1,561,010	212,865	1,773,875	154,929	1,928,804
Depreciation and amortization	2,628,045	358,372	2,986,417	261,227	3,247,644
Miscellaneous	300,084	40,919	341,003	32,891	373,894
Total	\$ 47,634,229	\$ 6,495,579	\$ 54,129,808	\$ 13,754,498	\$ 67,884,306

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>H1</u>	<u>H2</u>	<u>H3</u>	<u>H4</u>	<u>H5</u>	<u>HW</u>	<u>HC</u>	<u>BX3</u>
Revenue and support:								
State and local per pupil operating revenue	\$ 9,342,116	\$ 8,220,799	\$ 9,012,089	\$ 6,037,820	\$ 5,334,302	\$ 3,919,081	\$ 1,835,621	\$ 2,757,539
Federal grants	267,425	197,364	286,020	190,977	142,037	152,876	97,185	397,307
Contributions and private grants	-	500	-	-	-	-	-	-
In-kind donations	233,152	11,106	-	233,152	-	-	-	-
Interest and other income	1,312	1,432	17,850	1,310	1,310	1,985	1,460	1,277
	<u>9,844,005</u>	<u>8,431,201</u>	<u>9,315,959</u>	<u>6,463,259</u>	<u>5,477,649</u>	<u>4,073,942</u>	<u>1,934,266</u>	<u>3,156,123</u>
Total revenue and support								
Expenses:								
Program services								
Regular education	6,097,685	5,525,673	6,890,934	4,280,188	3,245,608	3,434,771	1,854,326	2,178,408
Special education	831,233	753,504	939,675	583,664	442,603	468,377	252,860	297,300
Total program services	<u>6,928,918</u>	<u>6,279,177</u>	<u>7,830,609</u>	<u>4,863,852</u>	<u>3,688,211</u>	<u>3,903,148</u>	<u>2,107,186</u>	<u>2,475,708</u>
Supporting service								
Management and general	<u>1,997,974</u>	<u>1,630,729</u>	<u>1,839,610</u>	<u>1,436,312</u>	<u>1,005,305</u>	<u>842,453</u>	<u>415,882</u>	<u>578,296</u>
Total expenses	<u>8,926,892</u>	<u>7,909,906</u>	<u>9,670,219</u>	<u>6,300,164</u>	<u>4,693,516</u>	<u>4,745,601</u>	<u>2,523,068</u>	<u>3,054,004</u>
Changes in net assets	917,113	521,295	(354,260)	163,095	784,133	(671,659)	(588,802)	102,119
Net assets - beginning of year	<u>6,640,193</u>	<u>5,909,118</u>	<u>4,848,581</u>	<u>2,852,062</u>	<u>1,713,178</u>	<u>(526,673)</u>	<u>(749,859)</u>	<u>(22,167)</u>
Net assets - end of year	<u>\$ 7,557,306</u>	<u>\$ 6,430,413</u>	<u>\$ 4,494,321</u>	<u>\$ 3,015,157</u>	<u>\$ 2,497,311</u>	<u>\$ (1,198,332)</u>	<u>\$ (1,338,661)</u>	<u>\$ 79,952</u>

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	CR	FG	HK	PH	US	H3 100th Street	HNC	HS
Revenue and support:								
State and local per pupil operating revenue	\$ 1,923,812	\$ 1,835,607	\$ 1,914,839	\$ 2,773,398	\$ 1,727,437	\$ 1,199,178	\$ 2,471,253	\$ -
Federal grants	363,338	420,518	376,866	461,964	376,818	61,416	137,837	-
Contributions and private grants	-	-	-	-	-	-	-	660,000
In-kind donations	-	-	-	-	-	-	-	-
Interest and other income	1,277	1,277	1,277	1,277	1,277	1,277	1,327	-
Total revenue and support	<u>2,288,427</u>	<u>2,257,402</u>	<u>2,292,982</u>	<u>3,236,639</u>	<u>2,105,532</u>	<u>1,261,871</u>	<u>2,610,417</u>	<u>660,000</u>
Expenses:								
Program services								
Regular education	1,923,649	2,010,270	2,140,234	2,253,742	2,104,157	1,175,489	2,519,095	-
Special education	262,317	274,125	291,852	307,328	286,930	160,296	343,515	-
Total program services	<u>2,185,966</u>	<u>2,284,395</u>	<u>2,432,086</u>	<u>2,561,070</u>	<u>2,391,087</u>	<u>1,335,785</u>	<u>2,862,610</u>	<u>-</u>
Supporting service								
Management and general	432,691	422,519	440,005	573,490	407,023	273,662	560,772	295,977
Total expenses	<u>2,618,657</u>	<u>2,706,914</u>	<u>2,872,091</u>	<u>3,134,560</u>	<u>2,798,110</u>	<u>1,609,447</u>	<u>3,423,382</u>	<u>295,977</u>
Changes in net assets	(330,230)	(449,512)	(579,109)	102,079	(692,578)	(347,576)	(812,965)	364,023
Net assets - beginning of year	<u>(127,912)</u>	<u>(107,573)</u>	<u>(26,721)</u>	<u>(109,192)</u>	<u>(25,112)</u>	<u>(4,035)</u>	<u>(30,900)</u>	<u>(83,486)</u>
Net assets - end of year	<u><u>\$ (458,142)</u></u>	<u><u>\$ (557,085)</u></u>	<u><u>\$ (605,830)</u></u>	<u><u>\$ (7,113)</u></u>	<u><u>\$ (717,690)</u></u>	<u><u>\$ (351,611)</u></u>	<u><u>\$ (843,865)</u></u>	<u><u>\$ 280,537</u></u>

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	B	BB	BX2	HNW	R	SG	BX4	WH	Total
Revenue and support:									
State and local per pupil operating revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,304,891
Federal grants	113,335	113,335	22,873	22,873	-	75,596	42,763	-	4,320,723
Contributions and private grants	-	-	-	-	-	-	-	-	660,500
In-kind donations	-	-	-	-	-	-	-	-	477,410
Interest and other income	-	-	-	-	-	-	-	-	36,925
Total revenue and support	113,335	113,335	22,873	22,873	-	75,596	42,763	-	65,800,449
Expenses:									
Program services									
Regular education	-	-	-	-	-	-	-	-	47,634,229
Special education	-	-	-	-	-	-	-	-	6,495,579
Total program services	-	-	-	-	-	-	-	-	54,129,808
Supporting service									
Management and general	113,724	113,740	23,111	23,346	123,093	75,991	43,184	85,609	13,754,498
Total expenses	113,724	113,740	23,111	23,346	123,093	75,991	43,184	85,609	67,884,306
Changes in net assets	(389)	(405)	(238)	(473)	(123,093)	(395)	(421)	(85,609)	(2,083,857)
Net assets - beginning of year	-	-	-	-	-	-	-	-	20,149,502
Net assets - end of year	\$ (389)	\$ (405)	\$ (238)	\$ (473)	\$ (123,093)	\$ (395)	\$ (421)	\$ (85,609)	\$ 18,065,645

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' 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 OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

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 (f/k/a Harlem Success Academy Charter School 3) (“SACS–NYC”), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014.

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 SACS–NYC’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.

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

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 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.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2014

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

Report on Compliance for Each Major Federal Program

We have audited Success Academy Charter Schools – NYC's (f/k/a Harlem Success Academy Charter School 3) ("SACS–NYC") compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SACS–NYC’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2014

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3).
2. No significant deficiencies and no material weaknesses were discovered during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3), which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies and no material weaknesses relating to the audit of the major federal award programs are reported in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) are reported in this schedule.
7. The programs tested as major programs included:
 - Title I Part A, CFDA No. 84.010
 - Charter Schools Program, CFDA No. 84.282
 - Charter Schools Program for Replication and Expansion of High-Quality Charter Schools, CFDA No. 84.282M
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) did not qualify as a low-risk auditee.

B - FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor Pass-through Grantor Program Name/Cluster	Federal CFDA Number	Federal Expenditures
U.S. Department of Education: Charter Schools Program for Replication and Expansion of High-Quality Charter Schools	84.282M	\$ 1,454,723
Passed through the New York State Education Department: Charter Schools Program	84.282	\$ 1,019,732
Title I Part A	84.010	1,489,106
Title II Part A	84.367	10,997
Total New York State Education Department		2,519,835
Total Expenditures of Federal Awards		\$ 3,974,558

The accompanying notes are an integral part of the financial statements.

SUCCESS ACADEMY CHARTER SCHOOLS – NYC
(F/K/A HARLEM SUCCESS ACADEMY CHARTER SCHOOL 3)
(A Not-For-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Success Academy Charter Schools – NYC (f/k/a Harlem Success Academy Charter School 3) and is presented on the accrual basis of accounting for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.