

Success Academy Charter Schools - NYC

**Audit of Financial Statements and
Supplementary Information and
Supplemental Schedule of Expenditures
of Federal Awards
Year Ended June 30, 2019**

Success Academy Charter Schools - NYC

Audit of Financial Statements and Supplementary Information and
Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Success Academy Charter Schools - NYC

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Independent Auditor's Report

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

Report on the 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, 2019, 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, 2019, 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, 2018, and our report, dated October 31, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein 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 financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and to other records used to prepare the financial statements, or to the financial statements themselves, and to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the SACS-NYC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SACS-NYC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SACS-NYC's internal control over financial reporting and compliance.

BDO USA, LLP
October 31, 2019

Success Academy Charter Schools - NYC

Statement of Financial Position (with comparative totals for 2018)

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 11,088,935	\$ 91,795
Grants and contracts receivables (Note 2)	8,522,230	19,520,440
Prepaid expenses and other assets	2,740,043	5,660,659
Total Current Assets	22,351,208	25,272,894
Fixed Assets, Net (Notes 2 and 4)	52,562,867	47,203,294
Total Assets	\$ 74,914,075	\$ 72,476,188
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 14,038,360	\$ 7,234,456
Accrued payroll and payroll taxes	2,990,511	2,470,431
Due to affiliate (Note 5)	20,642,777	39,758,489
Current portion loans payable to affiliated organization (Note 5)	4,000,000	2,950,000
Current portion capital lease payable (Note 6)	1,887,957	667,779
Total Current Liabilities	43,559,605	53,081,155
Loans Payable to Affiliated Organization (Note 5), less current portion	3,500,000	4,550,000
Capital Lease Payable (Note 6), less current portion	1,866,156	977,572
Deferred Rent Payable (Note 10)	3,251,498	2,173,683
Total Liabilities	52,177,259	60,782,410
Commitments and Contingencies (Notes 5, 8, 9, 10 and 11)		
Net Assets (Note 2)		
Without donor restrictions	22,736,816	11,693,778
Total Net Assets	22,736,816	11,693,778
Total Liabilities and Net Assets	\$ 74,914,075	\$ 72,476,188

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Activities (with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
Revenue and Support (Note 2)		
State and local per pupil operating revenue	\$ 278,243,167	\$ 246,468,759
Government grants	18,422,986	16,704,466
Donated services (Note 9)	121,952	467,921
Interest and other income	671,715	772,428
Total Revenue and Support	297,459,820	264,413,574
Expenses		
Program services:		
General education	186,032,664	182,962,855
Special education	75,985,176	67,671,201
Total Program Services	262,017,840	250,634,056
Supporting services:		
General and administrative	24,398,942	23,256,081
Total Expenses	286,416,782	273,890,137
Change in Net Assets	11,043,038	(9,476,563)
Net Assets, beginning of year	11,693,778	21,170,341
Net Assets, end of year	\$ 22,736,816	\$ 11,693,778

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses (with comparative totals for 2018)

Year ended June 30,

	FTEs	Program Services			Supporting Services	Total	
		General Education	Special Education	Total Program Services	Management and General	2019	2018
Salaries and staff:							
Administrative staff personnel	455	\$ 22,309,409	\$ 9,112,294	\$ 31,421,703	\$ 2,732,322	\$ 34,154,025	\$ 30,560,579
Instructional personnel	1,691	65,060,404	26,573,968	91,634,372	7,968,206	99,602,578	97,163,757
Total Salaries and Staff		87,369,813	35,686,262	123,056,075	10,700,528	133,756,603	127,724,336
Payroll taxes and employee benefits		18,796,394	7,677,401	26,473,795	2,302,069	28,775,864	26,888,080
Professional development		2,142,477	875,096	3,017,573	-	3,017,573	3,520,654
Legal (Note 8)		-	-	-	121,952	121,952	467,921
Audit and accounting		-	-	-	42,293	42,293	127,469
Professional and consulting fees		2,649	1,082	3,731	324	4,055	13,622
Transportation		729,427	297,935	1,027,362	89,336	1,116,698	1,256,014
Scholar food service		5,424,545	2,215,659	7,640,204	-	7,640,204	7,037,748
Instructional supplies and textbooks		7,627,123	3,115,304	10,742,427	-	10,742,427	13,068,533
Management fee		20,468,115	8,360,216	28,828,331	7,207,083	36,035,414	31,695,870
Interest expense		197,754	80,773	278,527	24,220	302,747	44,742
Talent recruitment		1,029,998	420,703	1,450,701	-	1,450,701	1,770,497
Scholar recruitment		1,456,523	594,918	2,051,441	-	2,051,441	1,264,030
Scholar after school programming		1,498,949	612,247	2,111,196	-	2,111,196	2,051,469
Parent and community outreach and engagement		1,485,622	606,804	2,092,426	-	2,092,426	1,983,862
Uniforms and backpacks		855,142	349,284	1,204,426	-	1,204,426	1,060,085
Office expense		6,644,755	2,714,055	9,358,810	813,810	10,172,620	11,759,675
Field studies		2,431,754	993,251	3,425,005	-	3,425,005	3,051,276
School culture		1,451,122	592,712	2,043,834	-	2,043,834	2,030,159
Special events		68,619	28,027	96,646	8,404	105,050	232,078
Equipment lease		1,737,774	709,795	2,447,569	212,832	2,660,401	1,826,611
Student assessments		382,691	156,311	539,002	-	539,002	741,592
Telecommunications and internet		2,284,247	933,002	3,217,249	279,761	3,497,010	3,339,180
Postage and delivery		524	214	738	64	802	10,802
Insurance		1,227,834	501,510	1,729,344	150,378	1,879,722	2,053,449
Occupancy		2,375,902	970,439	3,346,341	290,986	3,637,327	3,247,791
Facilities expense		2,345,670	958,091	3,303,761	287,284	3,591,045	3,783,902
Information technology		1,708,672	697,908	2,406,580	209,268	2,615,848	3,006,949
Depreciation		13,137,616	5,366,069	18,503,685	1,609,009	20,112,694	18,205,467
Miscellaneous		1,150,953	470,108	1,621,061	49,341	1,670,402	626,274
Total Expenses		\$ 186,032,664	\$ 75,985,176	\$ 262,017,840	\$ 24,398,942	\$ 286,416,782	\$ 273,890,137

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 11,043,038	\$ (9,476,563)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,112,694	18,205,467
Increase (decrease) in assets:		
Grants and contracts receivables	10,998,210	(5,503,223)
Prepaid expenses and other assets	2,920,616	(1,778,295)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,803,904	3,525,258
Accrued payroll and payroll taxes	520,080	701,163
Due to affiliates	(19,115,712)	8,036,138
Deferred rent payable	1,077,815	2,173,683
Net Cash Provided by Operating Activities	34,360,645	15,883,628
Cash Flows from Investing Activities		
Purchases of fixed assets	(22,052,040)	(21,517,470)
Repayment of capital leases	(1,311,465)	(329,883)
Net Cash Used in Investing Activities	(23,363,505)	(21,847,353)
Net Increase (Decrease) in Cash and Cash Equivalents	10,997,140	(5,963,725)
Cash and Cash Equivalents, beginning of year	91,795	6,055,520
Cash and Cash Equivalents, end of year	\$ 11,088,935	\$ 91,795
Supplemental Disclosure of Cash Flow Information		
Noncash transaction related to capital leases	\$ 3,420,227	\$ 1,975,234
Cash paid during the year for interest	227,747	40,301

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Notes to Financial Statements

1. Description of School

Success Academy Charter Schools - NYC (SACS-NYC) is a New York State, not-for-profit educational corporation that was incorporated on March 11, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. SACS-NYC schools are granted provisional charters valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. SAC-NYC is dedicated to providing a high-quality education to primarily disadvantaged students to narrow the achievement gap.

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

Success Academy Charter School - Bronx 1, Success Academy Charter School - Bronx 2, Success Academy Charter School - Upper West, Success Academy Charter School - Bed Stuy, 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.

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Success Academy Charter Schools - NYC

Notes to Financial Statements

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

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

SACS-NYC provided education to 15,357 students in grades kindergarten through high school during the 2018-2019 academic year.

Success Academy Charter Schools - NYC

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

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

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SACS-NYC. These net assets may be used at the discretion of SACS-NYC's management and the board of trustees.

With Donor Restrictions - This class consists of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SACS-NYC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of June 30, 2019, the SACS-NYC had no net assets with donor restrictions.

Cash and Cash Equivalents

SACS-NYC considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. SACS-NYC has not experienced any losses on these accounts. Under the provisions of its charter, SACS-NYC established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

Provision for Doubtful Accounts

SACS-NYC maintains an allowance for doubtful accounts for the receivables that are specifically identified by management as to their uncertainty in regard to collectability. At June 30, 2019, management determined that no estimated allowance would be recorded. All of the SACS- NYC's short-term receivables are expected to be collected within one year.

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:

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

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, 2019, there was no such loss.

Revenue Recognition

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 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—donor restrictions net assets are reclassified to without donor restrictions 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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

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

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

Income Taxes

SACS-NYC is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, SACS-NYC has been determined by the Internal Revenue Service 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, 2019.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SACS-NYC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SACS-NYC is subject to routine audits by a taxing authority. As of June 30, 2019, SACS-NYC was not subject to any examination by a taxing authority.

Use of Estimates

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

Concentration of Credit Risk

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

Success Academy Charter Schools - NYC

Notes to Financial Statements

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 accounting principles. Accordingly, such information should be read in conjunction with SACS-NYC's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities

On August 18, 2016, Financial Accounting Standard Boards (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The new standard becomes effective for fiscal years beginning after December 15, 2017. The SACS-NYC has adopted the standard for the year ended June 30, 2019 and applied it retrospectively to all periods presented.

Recent Accounting Pronouncements Issued but Not Yet Adopted

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.

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, 2020. SACS-NYC is currently evaluating the impact of the pending adoption of ASU 2016-02.

Success Academy Charter Schools - NYC

Notes to Financial Statements

Statement of Cash Flows: Restricted Cash (Topic 230)

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash (Topic 230)", to address the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that the statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Thus, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for SACS-NYC for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. SACS-NYC is currently evaluating the impact of the pending adoption of ASU 2014-09.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation.

3. Liquidity and Availability of Resources

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

June 30, 2019

Cash and cash equivalents	\$	11,088,935
Grants and contracts receivables, net		8,522,230
		<hr/> 19,611,165
Less amounts unavailable for general expenditures within one year:		352,555
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	19,258,610

Liquidity Management

SACS-NYC has \$19,258,610 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures.

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

Success Academy Charter Schools - NYC

Notes to Financial Statements

4. Fixed Assets, Net

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

June 30, 2019

Renovations and improvements	\$	79,509,495
Equipment		21,275,894
Software		17,308,937
Furniture and fixtures		12,209,384
Fixed assets not placed in service		10,252,143
		<hr/>
		140,555,853
Less: accumulated depreciation		(87,992,986)
		<hr/>
Net	\$	52,562,867

Costs incurred to date on projects included in fixed assets not placed in service as of June 30, 2019 represents approximately 90% of the total project costs.

For the year ended June 30, 2019, depreciation expense was \$20,112,694.

5. Related-Party Transactions

Due to Affiliate

Success Academy Charter Schools, Inc. (the Network), a not-for-profit organization dedicated to helping start and manage charter schools, provides 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 equal to the total general full-time equivalent enrollment of students in SACS-NYC multiplied by the "per pupil fee." The per pupil fee shall be equal to 15% of the final and adjusted expense per pupil for Charter Schools in the New York City School district as calculated by the New York State Education Department annually. For operational efficiency and purchasing power, SACS-NYC also shares common expenses with the Network.

For the year ended June 30, 2019, SACS-NYC incurred \$36,035,414 in management fees with a balance due to the Network for \$20,642,777. This balance represents expenses paid by the Network on behalf of SACS-NYC.

Amounts due to the Network, which included expenses paid on behalf of SACS-NYC that are included in other current liabilities as of June 30, 2019, are as follows:

June 30, 2019

Employee benefits	\$	2,694,406
School purchases		9,227,551
Medical insurance		8,720,820
		<hr/>
	\$	20,642,777

Success Academy Charter Schools - NYC

Notes to Financial Statements

Loans Payable to Affiliated Organization

At various dates from July 2012 through June 2015, SACS-NYC entered into borrowing arrangements with the Network totaling \$8,500,000, with annual interest equal to the prevailing interest rate available to the Network as of the date of each advance, which was 1%. The loans and any accrued unpaid interest are due in full within various dates of the borrowing arrangements. The loans may be prepaid by SACS-NYC at any time, in whole or in part, without penalty. The proceeds were used to finance SACS-NYC's operations. Additionally, SACS-NYC agreed to meet certain milestones within a specific time schedule with the intent that certain of the amounts due under this loan be forgiven. The outstanding principal balance of the loan was \$7,500,000. At June 30, 2019, interest expense on the loan during the period was \$75,000 and at June 30, 2019 the total outstanding interest balance was \$75,000.

Maturities of loans payable are as follows:

Year ending June 30,

2020	\$	4,000,000
2021		-
2022		3,500,000
	\$	7,500,000

Loan Guarantee

On May 10, 2019, SACS-NYC renewed and 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, and guarantees the obligation of the Network under the respective financing arrangements. The line of credit has a sub-limit of \$7,500,000 for purposes of issuing letters of credit. At June 30, 2019, the outstanding balance for the line of credit was \$0. A letter of credit has been allocated in the amount of \$4,463,413 against the sub-limit to secure the construction of leasehold improvements and security to the lease property of office space at 95 Pine Street. The letter of credit expires on November 10, 2020.

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

6. Capital Lease Payable

SACS-NYC leases equipment under multiple capital leases that expire on various dates between November 2020 to May 2022. The leases are secured by the equipment and require monthly payments of principal and interest, at a rate of 4.81% to 5.33% per annum.

Success Academy Charter Schools - NYC

Notes to Financial Statements

The following is a schedule of future minimum lease payments, including interest under the terms of the lease, together with the present value of the net minimum lease payments, as of June 30, 2019.

Year ending June 30,

2020	\$	1,887,895
2021		1,624,210
2022		480,736
Total Minimum Lease Payments		3,992,841
Less: amount representing interest		238,728
Present Value of Net Minimum Lease Payments		3,754,113
Less: current portion		1,887,957
Long-Term	\$	1,866,156

7. 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.

8. 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, and, therefore, is not recorded in the financial statements.

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

9. Donated Services

During the year ended June 30, 2019, SACS-NYC received legal services at no charge with a fair market value of \$121,952 for the year ended June 30, 2019.

10. Commitments and Contingencies

Commitments

On November 2, 2017, SACS-NYC entered into an operating sub-lease agreement with a related party to sub-lease the community facility unit at 555 10th Avenue. The agreement expires on June 30, 2022. SACS-NYC leases equipment under multiple operating leases that expire on various dates between July 2019 and September 2022.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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

Year ending June 30,

2020	\$	6,818,625
2021		7,927,386
2022		7,107,298
2023		45,017
	\$	21,898,326

The aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent on the SACS-NYC's statement of financial position, which will reverse over the lease terms. Deferred rent payable amounted to \$3,251,498 as of June 30, 2019.

Rent expense under the occupancy operating leases for the year ended June 30, 2019 amounted to \$3,637,327.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on SACS-NYC's financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims. Additionally, SACS-NYC signed a loan guarantee for the Network's non-revolving line of credit, as indicated in Note 5.

From time to time, SACS-NYC is involved in claims, lawsuits, and proceedings that arise in the ordinary course of business. Such matters include, but are not limited to, claims involving particular students, employment law, and personal injury. Management believes that SACS-NYC has strong defenses with respect to these matters, and SACS-NYC intends to vigorously defend its positions. SACS-NYC evaluates estimated contingencies or losses related to these matters on an on-going basis, in conjunction with internal and external counsel. Should any matter, based on applicable accounting standards, be determined to likely result in adverse financial impact, SACS-NYC accrues a contingency accordingly. As of June 30, 2019, there are no matters for which SACS-NYC believes it must accrue a contingency or as to which the ultimate outcome would have a material adverse effect on SACS-NYC's financial position.

11. Employee Benefit Plan

SACS-NYC maintains a deferred compensation plan qualified under Section 403(b) of the IRC. SACS-NYC matches up to 3% of eligible employee's annual compensation not to exceed the employee's annual salary deferral amount. SACS-NYC made contributions totaling \$2,994,130 for the year ended June 30, 2019.

Success Academy Charter Schools - NYC

Notes to Financial Statements

12. Subsequent Events

SACS-NYC's management has performed subsequent event procedures through October 31, 2019, 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 a new school in August 2019: Success Academy Middle School-Lafayette. Success Academy Charter School-Bronx 1 (Middle) will be consolidated into Success Academy Charter School-Bronx 3 (Middle), the total number of schools operating under SACS-NYC will remain at 46 schools.

Supplementary Information

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2019

	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	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Revenue and Support																
State and local per pupil operating revenue	\$ -	\$ 8,406,724	\$ 7,466,918	\$ 7,045,899	\$ -	\$ 6,751,592	\$ 7,094,300	\$ 6,800,579	\$ 8,499,577	\$ 8,110,493	\$ -	\$ 8,576,291	\$ 7,874,348	\$ 6,773,656	\$ 8,003,012	\$ 8,523,301
Government grants	-	881,063	339,229	384,680	-	312,761	411,486	382,678	664,744	403,470	-	454,788	359,012	391,968	412,409	530,337
Donated services	121,952	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	279	17,741	7,948	11,549	-	15,801	10,567	13,761	7,226	10,750	-	16,577	39,278	16,433	25,447	35,043
Total Revenue and Support	122,231	9,305,528	7,814,095	7,442,128	-	7,080,154	7,516,353	7,197,018	9,171,547	8,524,713	-	9,047,656	8,272,638	7,182,057	8,440,868	9,088,681
Expenses																
Program services:																
General education	6,606,180	5,285,044	4,485,219	3,975,653	-	3,868,039	4,333,756	4,301,530	4,613,979	1,940,642	2,355,216	4,454,155	4,036,141	3,732,412	4,681,811	5,027,869
Special education	2,698,299	2,158,680	1,831,991	1,623,858	-	1,579,903	1,770,126	1,756,963	1,884,583	792,656	961,990	1,819,303	1,648,565	1,524,507	1,912,289	2,053,637
Total Program Services	9,304,479	7,443,724	6,317,210	5,599,511	-	5,447,942	6,103,882	6,058,493	6,498,562	2,733,298	3,317,206	6,273,458	5,684,706	5,256,919	6,594,100	7,081,506
Supporting services:																
General and administrative	597,466	691,400	614,492	531,613	-	543,862	587,921	592,683	627,357	322,375	276,342	638,431	558,162	520,099	632,291	675,809
Total Expenses	9,901,945	8,135,124	6,931,702	6,131,124	-	5,991,804	6,691,803	6,651,176	7,125,919	3,055,673	3,593,548	6,911,889	6,242,868	5,777,018	7,226,391	7,757,315
Change in Net Assets	(9,779,714)	1,170,404	882,393	1,311,004	-	1,088,350	824,550	545,842	2,045,628	5,469,040	(3,593,548)	2,135,767	2,029,770	1,405,039	1,214,477	1,331,366
Net Assets (Deficit), beginning of year	(5,205,657)	7,812,938	7,893,797	3,805,412	(14,834)	4,636,791	4,964,550	4,406,705	7,286,976	1,181,767	(1,284,711)	3,645,267	3,755,194	1,619,500	720,732	2,422,559
Net Assets (Deficit), end of year	\$ (14,985,371)	\$ 8,983,342	\$ 8,776,190	\$ 5,116,416	\$ (14,834)	\$ 5,725,141	\$ 5,789,100	\$ 4,952,547	\$ 9,332,604	\$ 6,650,807	\$ (4,878,259)	\$ 5,781,034	\$ 5,784,964	\$ 3,024,539	\$ 1,935,209	\$ 3,753,925

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2019

	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
Revenue and Support																	
State and local per pupil operating revenue	\$ 6,932,834	\$ 6,032,901	\$ -	\$ 5,604,720	\$ 6,778,314	\$ 7,254,149	\$ 4,870,601	\$ 6,228,446	\$ 8,421,829	\$ 7,520,580	\$ 7,379,194	\$ 8,212,113	\$ -	\$ 5,080,645	\$ 5,193,210	\$ 4,315,045	\$ 9,016,168
Government grants	443,412	229,106	-	493,470	415,852	226,996	206,537	178,132	360,645	408,660	363,198	241,773	-	279,663	268,995	203,537	550,493
Donated services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	18,941	20,266	-	21,058	30,251	13,528	15,392	9,232	31,366	17,428	18,139	20,069	-	4,932	3,562	3,645	5,579
Total Revenue and Support	7,395,187	6,282,273	-	6,119,248	7,224,417	7,494,673	5,092,530	6,415,810	8,813,840	7,946,668	7,760,531	8,473,955	-	5,365,240	5,465,767	4,522,227	9,572,240
Expenses																	
Program services:																	
General education	4,322,554	3,994,550	-	3,607,258	4,207,159	3,968,876	3,391,256	3,772,091	4,101,308	3,872,744	3,958,666	4,204,314	-	4,141,674	4,119,077	3,828,677	6,080,963
Special education	1,765,550	1,631,577	-	1,473,387	1,718,417	1,621,090	1,385,161	1,540,713	1,675,182	1,581,825	1,616,920	1,717,255	-	1,691,670	1,682,440	1,563,826	2,483,773
Total Program Services	6,088,104	5,626,127	-	5,080,645	5,925,576	5,589,966	4,776,417	5,312,804	5,776,490	5,454,569	5,575,586	5,921,569	-	5,833,344	5,801,517	5,392,503	8,564,736
Supporting services:																	
General and administrative	574,058	527,074	-	480,977	584,231	568,712	459,201	512,469	576,667	540,215	541,463	598,352	-	533,184	532,689	490,851	794,483
Total Expenses	6,662,162	6,153,201	-	5,561,622	6,509,807	6,158,678	5,235,618	5,825,273	6,353,157	5,994,784	6,117,049	6,519,921	-	6,366,528	6,334,206	5,883,354	9,359,219
Change in Net Assets	733,025	129,072	-	557,626	714,610	1,335,995	(143,088)	590,537	2,460,683	1,951,884	1,643,482	1,954,034	-	(1,001,288)	(868,439)	(1,361,127)	213,021
Net Assets (Deficit), beginning of year	(1,123,494)	(485,223)	(921,797)	(1,482,433)	1,538,451	2,921,899	(599,720)	1,500,145	2,477,118	689,286	2,441,225	2,539,466	(5,452,285)	(2,661,589)	(3,514,867)	(4,483,016)	(990,256)
Net Assets (Deficit), end of year	\$ (390,469)	\$ (356,151)	\$ (921,797)	\$ (924,807)	\$ 2,253,061	\$ 4,257,894	\$ (742,808)	\$ 2,090,682	\$ 4,937,801	\$ 2,641,170	\$ 4,084,707	\$ 4,493,500	\$ (5,452,285)	\$ (3,662,877)	\$ (4,383,306)	\$ (5,844,143)	\$ (777,235)

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2019

	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
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Revenue and Support											
State and local per pupil operating revenue	\$ 3,092,307	\$ 4,637,554	\$ 6,128,150	\$ 5,701,942	\$ -	\$ 5,627,379	\$ 7,016,078	\$ 5,483,709	\$ 4,918,288	\$ 6,543,953	\$ -
Government grants	218,811	424,943	187,315	365,285	-	312,703	241,369	312,564	288,630	284,695	-
Donated services	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	4,456	2,179	17,656	5,841	-	12,070	12,307	16,888	11,278	63,143	-
Total Revenue and Support	3,315,574	5,064,676	6,333,121	6,073,068	-	5,952,152	7,269,754	5,813,161	5,218,196	6,891,791	-
Expenses											
Program services:											
General education	2,506,969	3,302,983	4,386,828	4,296,141	-	3,368,818	3,550,574	3,602,431	2,986,077	7,602,821	-
Special education	1,023,973	1,349,106	1,791,803	1,754,762	-	1,375,996	1,450,235	1,471,416	1,219,665	3,105,378	-
Total Program Services	3,530,942	4,652,089	6,178,631	6,050,903	-	4,744,814	5,000,809	5,073,847	4,205,742	10,708,199	-
Supporting services:											
General and administrative	316,419	402,093	569,802	523,693	-	448,038	497,155	484,126	401,379	887,818	-
Total Expenses	3,847,361	5,054,182	6,748,433	6,574,596	-	5,192,852	5,497,964	5,557,973	4,607,121	11,596,017	-
Change in Unrestricted Net Assets	(531,787)	10,494	(415,312)	(501,528)	-	759,300	1,771,790	255,188	611,075	(4,704,226)	-
Net Assets (Deficit), beginning of year	(3,361,206)	(2,500,060)	(1,962,927)	(2,458,175)	(423,640)	695,265	708,957	(156,094)	(7,225)	(11,573,667)	(277,203)
Net Assets (Deficit), end of year	\$ (3,892,993)	\$ (2,489,566)	\$ (2,378,239)	\$ (2,959,703)	\$ (423,640)	\$ 1,454,565	\$ 2,480,747	\$ 99,094	\$ 603,850	\$ (16,277,893)	\$ (277,203)

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2019

	Harlem 2 (Upper)	Harlem 6	SA Hudson Yards	MS Myrtle	MS Ditmus Park	MS Hudson Yards	MS Bronx 3	HS Liberal Arts Bronx	Queens 1	LaFayette	E. Flatbush	Success Academy Charter Schools - NYC	Total
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Revenue and Support													
State and local per pupil operating revenue	\$ -	\$ 3,792,696	\$ 3,706,403	\$ 4,187,135	\$ 3,434,718	\$ 4,520,834	\$ 3,239,460	\$ 3,873,626	\$ 1,867,288	\$ -	\$ 1,704,208	\$ 278,243,167	\$ 278,243,167
Government grants	-	548,604	935,462	590,149	340,284	983,915	583,269	314,844	227,518	-	463,532	18,422,986	18,422,986
Donated services (Note 8)	-	-	-	-	-	-	-	-	-	-	-	121,952	121,952
Interest and other income	-	6,340	3,684	9,987	5,171	20,459	5,355	-	4,751	-	8,362	671,715	671,715
Total Revenue and Support	-	4,347,640	4,645,549	4,787,271	3,780,173	5,525,208	3,828,084	4,188,470	2,099,557	-	2,176,102	297,459,820	297,459,820
Expenses													
Program services:													
General education	-	2,768,895	3,668,161	4,167,137	2,986,970	4,184,319	2,727,462	1,134,083	1,389,596	126,875	2,006,709	186,032,664	186,032,664
Special education	-	1,130,957	1,498,263	1,702,070	1,220,030	1,709,088	1,114,034	463,217	567,581	51,822	819,642	75,985,176	75,985,176
Total Program Services	-	3,899,852	5,166,424	5,869,207	4,207,000	5,893,407	3,841,496	1,597,300	1,957,177	178,697	2,826,351	262,017,840	262,017,840
Supporting services:													
General and administrative	-	354,026	461,547	498,214	371,586	515,917	344,302	183,297	171,312	15,539	227,754	24,398,942	24,398,942
Total Expenses	-	4,253,878	5,627,971	6,367,421	4,578,586	6,409,324	4,185,798	1,780,597	2,128,489	194,236	3,054,105	286,416,782	286,416,782
Change in Unrestricted Net Assets	-	93,762	(982,422)	(1,580,150)	(798,413)	(884,116)	(357,714)	2,407,873	(28,932)	(194,236)	(878,003)	11,043,038	11,043,038
Net Assets (Deficit), beginning of year	(2)	126,416	(1,622,805)	(1,536,755)	(1,071,492)	(1,444,527)	(277,246)	(1,203,719)	-	-	-	11,693,778	11,693,778
Net Assets (Deficit), end of year	\$ (2)	\$ 220,178	\$ (2,605,227)	\$ (3,116,905)	\$ (1,869,905)	\$ (2,328,643)	\$ (634,960)	\$ 1,204,154	\$ (28,932)	\$ (194,236)	\$ (878,003)	\$ 22,736,816	\$ 22,736,816

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2018

	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	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Revenue and Support																
State and local per pupil operating revenue	\$ -	\$ 7,926,873	\$ 7,692,345	\$ 7,050,884	\$ -	\$ 6,822,463	\$ 7,042,643	\$ 6,229,958	\$ 8,103,153	\$ 4,076,376	\$ 2,893,332	\$ 8,324,059	\$ 7,381,651	\$ 7,185,198	\$ 7,992,402	\$ 8,520,083
Government grants	-	440,192	233,839	313,842	-	273,143	306,636	285,951	448,522	209,841	180,416	529,276	323,494	387,860	320,843	343,444
Donated services	467,921	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	222,422	16,844	16,771	12,264	-	14,634	13,498	14,842	14,042	6,382	13,072	14,788	14,796	14,580	15,219	13,502
Total Revenue and Support	690,343	8,383,909	7,942,955	7,376,990	-	7,110,240	7,362,777	6,530,751	8,565,717	4,292,599	3,086,820	8,868,123	7,719,941	7,587,638	8,328,464	8,877,029
Expenses																
Program services:																
General education	2,531,299	5,864,996	5,013,777	4,148,231	-	4,263,315	4,408,503	4,402,580	5,212,223	2,688,941	2,468,634	4,442,242	4,427,556	4,140,966	4,991,761	4,965,794
Special education	936,234	2,169,245	1,854,411	1,534,277	-	1,576,843	1,630,542	1,628,351	1,927,808	994,540	913,056	1,643,021	1,637,589	1,531,590	1,846,268	1,836,664
Total Program Services	3,467,533	8,034,241	6,868,188	5,682,508	-	5,840,158	6,039,045	6,030,931	7,140,031	3,683,481	3,381,690	6,085,263	6,065,145	5,672,556	6,838,029	6,802,458
Supporting services:																
General and administrative	761,450	715,230	657,574	532,120	1	564,563	575,096	575,698	653,529	336,347	297,243	610,280	583,392	548,073	632,085	644,186
Total Expenses	4,228,983	8,749,471	7,525,762	6,214,628	1	6,404,721	6,614,141	6,606,629	7,793,560	4,019,828	3,678,933	6,695,543	6,648,537	6,220,629	7,470,114	7,446,644
Change in Net Assets	(3,538,640)	(365,562)	417,192	1,162,362	(1)	705,519	748,636	(75,878)	772,157	272,771	(592,113)	2,172,580	1,071,404	1,367,009	858,350	1,430,385
Net Assets (Deficit), beginning of year	(1,667,017)	8,178,500	7,476,605	2,643,050	(14,833)	3,931,272	4,215,914	4,482,583	6,514,819	908,996	(692,598)	1,472,687	2,683,790	252,491	(137,618)	992,174
Net Assets (Deficit), end of year	\$ (5,205,657)	\$ 7,812,938	\$ 7,893,797	\$ 3,805,412	\$ (14,834)	\$ 4,636,791	\$ 4,964,550	\$ 4,406,705	\$ 7,286,976	\$ 1,181,767	\$ (1,284,711)	\$ 3,645,267	\$ 3,755,194	\$ 1,619,500	\$ 720,732	\$ 2,422,559

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2018

	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
Revenue and Support																	
State and local per pupil operating revenue	\$ 6,492,175	\$ 5,072,063	\$ 2,946,019	\$ 5,278,558	\$ 7,039,076	\$ 7,018,499	\$ 5,474,882	\$ 6,333,899	\$ 7,529,525	\$ 6,265,080	\$ 7,506,945	\$ 7,527,977	\$ 2,360,807	\$ 5,517,368	\$ 5,750,286	\$ 4,126,053	\$ 6,933,490
Government grants	394,718	276,367	83,480	378,108	336,888	270,793	218,288	203,135	476,117	444,616	384,233	327,618	207,016	216,974	386,685	164,986	244,769
Donated services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	13,825	12,856	6,282	12,640	12,317	13,933	10,593	15,334	14,903	11,454	12,209	12,301	19,069	11,600	16,910	17,671	16,603
Total Revenue and Support	6,900,718	5,361,286	3,035,781	5,669,306	7,388,281	7,303,225	5,703,763	6,552,368	8,020,545	6,721,150	7,903,387	7,867,896	2,586,892	5,745,942	6,153,881	4,308,710	7,194,862
Expenses																	
Program services:																	
General education	4,857,923	3,708,766	2,519,016	3,842,304	4,615,522	4,067,608	3,850,036	4,020,728	4,188,472	4,222,816	4,129,844	4,070,018	2,459,986	4,393,307	4,523,408	4,045,795	5,189,071
Special education	1,796,766	1,371,735	931,691	1,421,126	1,707,111	1,504,458	1,423,986	1,487,119	1,549,161	1,561,863	1,527,477	1,505,349	909,858	1,624,922	1,673,041	1,496,390	1,919,245
Total Program Services	6,654,689	5,080,501	3,450,707	5,263,430	6,322,633	5,572,066	5,274,022	5,507,847	5,737,633	5,784,679	5,657,321	5,575,367	3,369,844	6,018,229	6,196,449	5,542,185	7,108,316
Supporting services:																	
General and administrative	603,039	464,009	299,847	490,236	613,572	553,404	499,152	534,197	557,571	522,708	534,970	554,055	272,993	550,160	562,508	495,601	633,240
Total Expenses	7,257,728	5,544,510	3,750,554	5,753,666	6,936,205	6,125,470	5,773,174	6,042,044	6,295,204	6,307,387	6,192,291	6,129,422	3,642,837	6,568,389	6,758,957	6,037,786	7,741,556
Change in Net Assets	(357,010)	(183,224)	(714,773)	(84,360)	452,076	1,177,755	(69,411)	510,324	1,725,341	413,763	1,711,096	1,738,474	(1,055,945)	(822,447)	(605,076)	(1,729,076)	(546,694)
Net Assets (Deficit), beginning of year	(766,484)	(301,999)	(207,024)	(1,398,073)	1,086,375	1,744,144	(530,309)	989,821	751,777	275,523	730,129	800,992	(4,396,340)	(1,839,142)	(2,909,791)	(2,753,940)	(443,562)
Net Assets (Deficit), end of year	\$ (1,123,494)	\$ (485,223)	\$ (921,797)	\$ (1,482,433)	\$ 1,538,451	\$ 2,921,899	\$ (599,720)	\$ 1,500,145	\$ 2,477,118	\$ 689,286	\$ 2,441,225	\$ 2,539,466	\$ (5,452,285)	\$ (2,661,589)	\$ (3,514,867)	\$ (4,483,016)	\$ (990,256)

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2018

	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	Harlem 2 (Upper)
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Revenue and Support												
State and local per pupil operating revenue	\$ 4,200,485	\$ 4,006,133	\$ 4,512,303	\$ 4,430,055	\$ -	\$ 3,973,388	\$ 4,048,706	\$ 3,175,085	\$ 3,414,976	\$ 5,336,098	\$ -	\$ -
Government grants	323,391	369,832	268,777	420,724	-	216,183	147,432	118,827	173,549	274,886	-	-
Donated services (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	13,438	12,274	7,571	6,390	-	6,382	6,282	6,282	6,282	7,898	-	-
Total Revenue and Support	4,537,314	4,388,239	4,788,651	4,857,169	-	4,195,953	4,202,420	3,300,194	3,594,807	5,618,882	-	-
Expenses												
Program services:												
General education	3,912,720	3,646,544	3,738,362	4,072,944	-	2,644,349	2,722,182	2,719,252	2,683,289	7,399,806	-	-
Special education	1,447,170	1,348,722	1,382,682	1,506,431	-	978,047	1,006,834	1,005,751	992,449	2,736,914	-	-
Total Program Services	5,359,890	4,995,265	5,121,044	5,579,375	-	3,622,396	3,729,017	3,725,003	3,675,738	10,136,720	-	-
Supporting services:												
General and administrative	484,014	429,665	454,780	477,153	-	322,039	350,689	329,727	311,317	793,212	1	2
Total Expenses	5,843,904	5,424,931	5,575,824	6,056,528	-	3,944,435	4,079,705	4,054,730	3,987,055	10,929,932	1	2
Change in Unrestricted Net Assets	(1,306,590)	(1,036,692)	(787,173)	(1,199,359)	-	251,518	122,715	(754,536)	(392,248)	(5,311,050)	(1)	(2)
Net Assets (Deficit), beginning of year	(2,054,616)	(1,463,368)	(1,175,754)	(1,258,816)	(423,640)	443,747	586,242	598,442	385,023	(6,262,617)	(277,203)	-
Net Assets (Deficit), end of year	\$ (3,361,206)	\$ (2,500,060)	\$ (1,962,927)	\$ (2,458,175)	\$ (423,640)	\$ 695,265	\$ 708,957	\$ (156,094)	\$ (7,225)	\$ (11,573,667)	\$ (277,204)	\$ (2)

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2018

	Harlem 6 Total	SA Hudson Yards Total	MS Myrtle Total	MS Ditmus Park Total	MS Hudson Yards Total	MS Bronx 3 Total	HS Liberal Arts Bronx Total	Success Academy Charter Schools -NYC 2018
Revenue and Support								
State and local per pupil operating revenue	\$ 2,213,663	\$ 1,559,848	\$ 1,789,614	\$ 1,705,027	\$ 3,098,312	\$ 1,007,760	\$ 1,583,184	246,468,759
Government grants	721,731	1,230,624	589,457	550,686	862,834	340,645	482,798	16,704,466
Donated services (Note 8)	-	-	-	-	-	-	-	467,921
Interest and other income	6,282	6,284	6,282	6,392	6,390	6,390	13,453	772,428
Total Revenue and Support	2,941,676	2,796,756	2,385,353	2,262,105	3,967,536	1,354,795	2,079,435	264,413,574
Expenses								
Program services:								
General education	1,898,828	2,987,840	2,652,629	2,253,042	3,643,259	1,103,868	2,208,520	182,962,855
Special education	702,306	1,105,091	981,109	833,317	1,347,507	408,280	816,850	67,671,201
Total Program Services	2,601,134	4,092,931	3,633,738	3,086,359	4,990,766	1,512,148	3,025,369	250,634,056
Supporting services:								
General and administrative	214,126	326,630	288,370	247,238	421,297	119,893	257,784	23,256,081
Total Expenses	2,815,260	4,419,561	3,922,108	3,333,597	5,412,063	1,632,041	3,283,154	273,890,137
Change in Unrestricted Net Assets	126,416	(1,622,805)	(1,536,755)	(1,071,492)	(1,444,527)	(277,246)	(1,203,719)	(9,476,563)
Net Assets (Deficit), beginning of year	-	-	-	-	-	-	-	21,170,341
Net Assets (Deficit), end of year	\$ 126,416	\$ (1,622,805)	\$ (1,536,755)	\$ (1,071,492)	\$ (1,444,527)	\$ (277,246)	\$ (1,203,719)	11,693,778

Success Academy Charter Schools - NYC

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed through the New York State Education Department:				
Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)				
	84.010	Not Available	\$ -	\$ 6,311,839
Supporting Effective Instruction State Grants				
	84.367	Not Available		890,684
Student Support and Academic Enrichment Program				
	84.424	Not Available	-	257,798
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA, Part B)				
	84.027	Not Available	-	2,232,567
Passed through the New York State Education Department:				
Passed through Success Academy Charter Schools, Inc.:				
Charter Schools - Grants for Replication and Expansion of High-Quality Charter Schools Program-CSP				
	84.282M	Not Available	-	2,172,683
Total U.S. Department of Education				11,865,571
U.S. Department of Agriculture				
Passed through the New York State Education Department:				
Child Nutrition Program Administration:				
Child Nutrition Cluster:				
National School Lunch Program (NSLP)				
	10.555	331400861007	-	2,743,958
School Breakfast Program (SBP)				
	10.553	331400861007	-	708,003
Total U.S. Department of Agriculture				3,451,961
Total Expenditures of Federal Awards			\$ -	\$ 15,317,532

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, 2019

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, 2019. 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 the SACS-NYC, it is not intended to and does not present the financial position, changes in net assets or cash flows of SACS-NYC.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Success Academy Charter Schools - NYC (SACS-NYC), which comprise the statement of financial position as of June 30, 2019, 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, 2019.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether SACS-NYC's financial statements are free 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, 2019



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

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

Report on Compliance 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, 2019. 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 the 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 the 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, 2019.

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 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 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, 2019

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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
84.424	Student Support and Academic Enrichment Program Child Nutrition Cluster:
10.555	National School Lunch Program
10.553	School Breakfast Program

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section 2. Financial Statement Findings

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

Section 3. Federal Award Findings and Questioned Costs

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