

Success Academy Charter Schools - NYC

**Audit of Financial Statements and
Supplementary Information and
Supplemental Schedule of Expenditures
of Federal Awards
Year Ended June 30, 2018**

Success Academy Charter Schools - NYC

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Supplemental Schedule of Expenditures of Federal Awards
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Success Academy Charter Schools - NYC

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Independent Auditor's Report

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

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Success Academy Charter Schools - NYC as of June 30, 2018, 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, 2017, and our report, dated October 31, 2017, 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 basic 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, 2018 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, 2018

Success Academy Charter Schools - NYC

Statement of Financial Position (with comparative totals for 2017)

<i>June 30,</i>	2018	2017
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 91,795	\$ 6,055,520
Grants and contracts receivables (Note 2)	19,520,440	14,017,217
Prepaid expenses and other assets	5,660,659	3,882,364
Total Current Assets	25,272,894	23,613,101
Fixed Assets, net (Notes 2 and 3)	47,203,294	41,916,057
Total Assets	\$ 72,476,188	\$ 65,871,158
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,234,456	\$ 3,709,198
Accrued payroll and payroll taxes	2,470,431	1,769,268
Due to affiliate (Note 4)	39,758,489	31,722,351
Current portion loans payable to affiliated organization (Note 4)	2,950,000	1,950,000
Current portion capital lease payable (Note 5)	667,779	-
Total Current Liabilities	53,081,155	39,150,817
Loans Payable to Affiliated Organization (Note 4), less current portion	4,550,000	5,550,000
Capital Lease Payable (Note 5), less current portion	977,572	-
Deferred Rent Payable (Note 9)	2,173,683	-
Total Liabilities	60,782,410	44,700,817
Commitments and Contingencies (Notes 4, 5, 8, 9 and 10)		
Net Assets (Note 2)		
Unrestricted	11,693,778	21,170,341
Total Net Assets	11,693,778	21,170,341
Total Liabilities and Net Assets	\$ 72,476,188	\$ 65,871,158

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Activities (with comparative totals for 2017)

Year ended June 30,	2018	2017
	Unrestricted	
Revenue and Support (Note 2)		
State and local per pupil operating revenue	\$ 246,468,759	\$ 210,584,340
Government grants	16,704,466	15,202,167
Donated services (Note 8)	467,921	1,025,756
Interest and other income	772,428	744,773
Total Revenue and Support	264,413,574	227,557,036
Expenses		
Program services:		
General education	182,962,855	184,131,784
Special education	67,671,201	25,108,878
Total Program Services	250,634,056	209,240,662
Supporting services:		
General and administrative	23,256,081	18,338,924
Total Expenses	273,890,137	227,579,586
Change in Net Assets, before forgiveness of debt	(9,476,563)	(22,550)
Forgiveness of Debt (Note 4)	-	1,000,000
Change in Net Assets	(9,476,563)	977,450
Net Assets, beginning of year	21,170,341	20,192,891
Net Assets, end of year	\$ 11,693,778	\$ 21,170,341

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses (with comparative totals for 2017)

Year ended June 30,

	FTEs	Program Services			Supporting	Total	
		General Education	Special Education	Total Program Services	Management and General	2018	2017
Salaries and staff:							
Administrative staff personnel	344	\$ 20,524,485	\$ 7,591,248	\$ 28,115,733	\$ 2,444,846	\$ 30,560,579	26,822,673
Instructional personnel	1,361	65,255,179	24,135,477	89,390,656	7,773,101	97,163,757	82,294,708
Total Salaries and Staff		85,779,664	31,726,725	117,506,389	10,217,947	127,724,336	109,117,381
Payroll taxes and employee benefits		18,058,035	6,678,999	24,737,034	2,151,046	26,888,080	22,190,642
Professional development		2,570,077	950,577	3,520,654	-	3,520,654	2,876,125
Legal (Note 8)		-	-	-	467,921	467,921	1,025,756
Audit and accounting		-	-	-	127,469	127,469	113,138
Professional and consulting fees		9,148	3,384	12,532	1,090	13,622	85,459
Transportation		843,539	311,994	1,155,533	100,481	1,256,014	830,063
Scholar food service		5,137,556	1,900,192	7,037,748	-	7,037,748	9,356,643
Instructional supplies and textbooks		9,540,029	3,528,504	13,068,533	-	13,068,533	8,902,568
Management fee		18,510,388	6,846,308	25,356,696	6,339,174	31,695,870	27,172,471
Interest expense		30,049	11,114	41,163	3,579	44,742	105,532
Talent recruitment		1,292,463	478,034	1,770,497	-	1,770,497	1,137,447
Scholar recruitment		922,742	341,288	1,264,030	-	1,264,030	1,724,545
Scholar after school programming		1,497,572	553,897	2,051,469	-	2,051,469	770,490
Parent and community outreach and engagement		1,448,219	535,643	1,983,862	-	1,983,862	1,161,775
Uniforms and backpacks		773,862	286,223	1,060,085	-	1,060,085	801,775
Office expense		7,897,798	2,921,103	10,818,901	940,774	11,759,675	4,454,787
Field studies		2,227,431	823,845	3,051,276	-	3,051,276	2,657,224
School culture		1,482,016	548,143	2,030,159	-	2,030,159	1,530,064
Special events		155,864	57,648	213,512	18,566	232,078	126,388
Equipment lease		1,226,752	453,730	1,680,482	146,129	1,826,611	1,842,204
Student assessments		541,362	200,230	741,592	-	741,592	270,460
Telecommunications and internet		2,242,594	829,452	3,072,046	267,134	3,339,180	2,756,579
Postage and delivery		7,255	2,683	9,938	864	10,802	1,525
Occupancy		2,181,217	806,751	2,987,968	259,823	3,247,791	-
Insurance		1,379,096	510,077	1,889,173	164,276	2,053,449	1,482,784
Facilities expense		2,541,272	939,919	3,481,191	302,711	3,783,902	3,345,421
Information technology		2,019,467	746,926	2,766,393	240,556	3,006,949	4,969,555
Depreciation		12,226,788	4,522,241	16,749,029	1,456,438	18,205,467	16,241,135
Miscellaneous		420,600	155,571	576,171	50,103	626,274	529,650
Total Expenses		\$ 182,962,855	\$ 67,671,201	\$ 250,634,056	\$ 23,256,081	\$ 273,890,137	\$ 227,579,586

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Cash Flows (with comparative totals for 2017)

<i>Year ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (9,476,563)	\$ 977,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,205,467	16,241,135
Forgiveness of debt	-	(1,000,000)
(Increase) decrease in assets:		
Grants and contracts receivables	(5,503,223)	806,692
Prepaid expenses and other assets	(1,778,295)	1,592,219
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,525,258	1,630,428
Accrued payroll and payroll taxes	701,163	1,714,041
Due to affiliates	8,036,138	5,122,312
Deferred rent payable	2,173,683	-
Net Cash Provided by Operating Activities	15,883,628	27,084,277
Cash Flows from Investing Activities		
Purchases of fixed assets	(21,517,470)	(30,360,419)
Repayment of capital leases	(329,883)	-
Net Cash Used in Investing Activities	(21,847,353)	(30,360,419)
Net Decrease in Cash and Cash Equivalents	(5,963,725)	(3,276,142)
Cash and Cash Equivalents, beginning of year	6,055,520	9,331,662
Cash and Cash Equivalents, end of year	\$ 91,795	\$ 6,055,520
Supplemental Disclosure of Cash Flow Information		
Noncash transaction related to capital leases	\$ 1,975,234	\$ -
Cash paid during the year for interest	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. SACS-NYC is dedicated to providing a high-quality education to primarily disadvantaged students to prevent the achievement gap from rising.

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

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

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

SACS-NYC provided education to approximately 14,573 students in grades kindergarten through high school during the 2017-2018 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 three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position, and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

As of June 30, 2018, SACS-NYC had no permanently restricted net assets.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by SACS-NYC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SACS-NYC.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by SACS-NYC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SACS-NYC, pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents

SACS-NYC considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The School has not experienced any losses on these accounts. Under the provisions of its charter, the School 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, 2018, management estimated the allowance for doubtful accounts to be \$0 for government and tuition receivable.

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, 2018, 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—temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. SACS-NYC reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

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 using methodologies developed by management as follows:

Program Services - represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.

Management and General - represents expenses related to the overall administration and operation of SACS-NYC that are not associated with any program services or development.

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, 2018.

Under Accounting Standards Codification (ASC) 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SACS-NYC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SACS-NYC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SACS-NYC has filed Internal Revenue Service (IRS) Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2018, there was no interest and no penalties recorded or included in the statement of activities. SACS-NYC is subject to routine audits by a taxing authority. As of June 30, 2018, SACS-NYC was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2015.

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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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.

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, 2018, from which the summarized information was derived.

Recently Adopted Authoritative Guidance

Presentation of Financial Statements of Not-for-Profit Entities

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

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

Success Academy Charter Schools - NYC

Notes to Financial Statements

effective for non-public business entities for fiscal years beginning after December 15, 2019. SACS-NYC is currently evaluating the impact of the pending adoption of ASU 2016-02.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation.

3. Fixed Assets, Net

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

June 30, 2018

Renovations and improvements	\$	61,436,129
Equipment		15,447,249
Software		15,736,859
Furniture and fixtures		12,175,373
Fixed assets not placed in service		10,287,976
		<hr/>
		115,083,586
Less: accumulated depreciation		(67,880,292)
		<hr/>
Net	\$	47,203,294

Costs incurred to date on projects included in fixed assets not placed in service as of June 30, 2018 represents approximately 41% of the costs.

For the year ended June 30, 2018, depreciation expense was \$18,205,467.

4. 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 "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, 2018, SACS-NYC incurred \$31,695,870 in management fees with a balance due to the Network for \$39,758,489. This balance represents expenses paid by the Network on behalf of SACS-NYC.

Success Academy Charter Schools - NYC

Notes to Financial Statements

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, 2018 are as follows:

June 30, 2018

Employee benefits	\$	5,188,949
School purchases		17,774,785
Medical insurance		16,794,755
	\$	39,758,489

Loans Payable to Affiliated Organization

At various dates from July 2012 through June 2015, SACS-NYC entered into borrowing arrangements with the Network totaling \$8,500,000, with annual interest equal to the prevailing interest rate available to the Network as of the date of each advance, which was 1%. The loans and any accrued unpaid interest are due in full within various dates of the borrowing arrangements. The loans may be prepaid by SACS-NYC at any time, in whole or in part, without penalty. The proceeds were used to finance SACS-NYC's operations. Additionally, SACS-NYC agreed to meet certain milestones within a specific time schedule with the intent that certain of the amounts due under this loan be forgiven. At June 30, 2017, \$1,000,000 was forgiven by the Network and the outstanding principal balance of the loan was \$7,500,000.

Maturities of loans payable are as follows:

Year ending June 30,

2019	\$	2,950,000
2020		1,050,000
Thereafter 2021-2027		2,950,000
	\$	7,500,000

During the year ended June 30, 2018, SACS-NYC recorded interest expense on these loans in the amount of \$44,742.

Loan Guarantee

On June 11, 2018, SACS-NYC renewed and signed a loan guarantee for the Network's non-revolving line of credit in the amount of \$15,000,000 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. 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 March 3, 2019. The balance due to the financial institution owed by the Network at June 30, 2018 was \$10,000,000.

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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

5. 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.

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, 2018.

2019	\$	667,779
2020		667,779
2021		360,147
2022		77,858
Total Minimum Lease Payments		1,773,563
Less: amount representing interest		128,212
Present Value of Net Minimum Lease Payments		1,645,351
Less: current portion		667,779
Long-Term	\$	977,572

6. 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.

7. 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.

8. Donated Services

During the year ended June 30, 2018, SACS-NYC received legal services at no charge with a fair market value of \$467,921 for the year ended June 30, 2018.

Success Academy Charter Schools - NYC

Notes to Financial Statements

9. Commitments and Contingency

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 April 2019 and September 2022.

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

Year ending June 30,

2019	\$	5,780,629
2020		6,818,625
2021		7,927,386
2022		7,107,298
2023		45,017
	\$	27,678,955

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 \$2,173,683 as of June 30, 2018.

Rent expense under the occupancy operating leases for the year ended June 30, 2018 amounted to \$3,247,791.

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 4.

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, 2018, 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.

Success Academy Charter Schools - NYC

Notes to Financial Statements

10. 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 \$2,985,766 for the year ended June 30, 2018.

11. Subsequent Events

SACS-NYC's management has performed subsequent event procedures through October 31, 2018, 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 two new schools in August 2018: Success Academy Middle School-East Flatbush and Success Academy Middle School-Queens 1. Success Academy Charter School-Bronx 3 will be consolidated back into one school, bringing the total number of schools operating under SACS-NYC to 46 schools.

Supplementary Information

Success Academy Charter Schools - NYC

Schedule of Activities

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 Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
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

Schedule of Activities

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 Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
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

Schedule of Activities

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
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
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	-	-	-	-	-	-	-	-	-	-	-
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	-
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
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)
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)

Success Academy Charter Schools - NYC

Schedule of Activities

Year ended June 30, 2018

	Harlem 2 (Upper)	Harlem 6	SA Hudson Yards	MS Myrtle	MS Ditmus Park	MS Hudson Yards	MS Bronx 3	HS Liberal Arts Bronx	Success Academy Charter Schools -NYC
	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted	Total Unrestricted
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	2	214,126	326,630	288,370	247,238	421,297	119,893	257,784	23,256,081
Total Expenses	2	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	(2)	126,416	(1,622,805)	(1,536,755)	(1,071,492)	(1,444,527)	(277,246)	(1,203,719)	(9,476,563)
Net Assets, beginning of year	-	-	-	-	-	-	-	-	21,170,341
Net Assets, end 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

Success Academy Charter Schools - NYC

Schedule of Activities

Year ended June 30, 2017

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

Success Academy Charter Schools - NYC

Schedule of Activities

Year ended June 30, 2017

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

Success Academy Charter Schools - NYC

Schedule of Activities

Year ended June 30, 2017

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

Success Academy Charter Schools - NYC

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through 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) Supporting Effective Instruction State Grants	84.010	Not Available	\$ -	\$ 5,480,170
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA, Part B)	84.367	Not Available	-	1,942,946
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA, Part B)	84.027	Not Available	-	1,427,733
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	-	3,135,846
Total U.S. Department of Education				11,986,695
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	331400861107	-	1,971,007
School Breakfast Program (SBP)	10.553	331400861107	-	553,790
Total U.S. Department of Agriculture				2,524,797
Total Expenditures of Federal Awards			\$ -	\$ 14,511,492

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, 2018

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, 2018. 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*

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

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

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, 2018



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

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

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, 2018. 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, 2018.

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, 2018

Success Academy Charter Schools - NYC

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

Yes No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)
84.367	Supporting Effective Instruction State Grants

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.



**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018**

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

None Noted

Status of Prior Year Findings Under *Uniform Guidance*:

Finding Number: 2017-001

Compliance Requirement: Reporting

Program:

Charter Schools (Public Charter Schools Program-CSP)

CFDA #: 84.282A

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

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

7/01/2016 - 6/30/2017

Government Department/Agency:

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

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

Current Year Status:

This finding has been corrected and is no longer an issue for the year ending June 30, 2018.

Updated Corrective Action:

The New York State Education Department accepted the FS-10s on December 19, 2017 and the grant was paid January 3, 2018.