

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)

(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 12
Independent auditors' report on supplementary information	13
Schedule of functional expenses	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15 - 16

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)

Report on the Financial Statements

We have audited the accompanying financial statements of Success Academy Charter School – Upper West (f/k/a Upper West Success Academy Charter School) (the “School”) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, 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 School'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 School'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 School as of June 30, 2013, 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 the School's 2012 financial statements, and our report dated October 23, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of June 30, 2012 and for the period from November 14, 2010 (inception) to June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


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

New York, New York
October 21, 2013

SUCCESS ACADEMY CHARTER SCHOOL - UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,788	\$ 45,828
Grants and contracts receivable	75,488	136,292
Prepaid expenses and other current assets	<u>136,797</u>	<u>951</u>
Total current assets	220,073	183,071
Property and equipment, net of accumulated depreciation and amortization of \$301,910 and \$112,372, respectively	456,837	335,324
Restricted cash	<u>50,000</u>	<u>25,000</u>
TOTAL ASSETS	<u><u>\$ 726,910</u></u>	<u><u>\$ 543,395</u></u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,590	\$ 22,016
Accrued payroll and payroll taxes	1,092	46,247
Due to related party	<u>174,471</u>	<u>76,404</u>
Total current liabilities	217,153	144,667
Loan payable - related party	<u>750,000</u>	<u>500,000</u>
Total liabilities	967,153	644,667
Unrestricted net assets	<u>(240,243)</u>	<u>(101,272)</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 726,910</u></u>	<u><u>\$ 543,395</u></u>

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

SUCCESS ACADEMY CHARTER SCHOOL - UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES

	For the year ended June 30, 2013	For the period from November 16, 2010 (inception) to June 30, 2012
Revenue and support:		
State and local per pupil operating revenue	\$ 3,551,544	\$ 2,314,821
Federal grants	202,079	490,107
State and city grants	50,000	119,250
Contributions and private grants	-	287,750
Donated services	20,652	804,194
Interest and other income	311	100
	<hr/>	<hr/>
Total revenue and support	3,824,586	4,016,222
	<hr/>	<hr/>
Expenses:		
Program services		
Regular education	2,748,206	2,387,015
Special education	604,082	496,085
Total program services	3,352,288	2,883,100
Supporting service		
Management and general	611,269	1,234,394
	<hr/>	<hr/>
Total expenses	3,963,557	4,117,494
	<hr/>	<hr/>
Changes in unrestricted net assets	(138,971)	(101,272)
Unrestricted net assets - beginning of period	(101,272)	-
	<hr/>	<hr/>
Unrestricted net assets - end of period	\$ (240,243)	\$ (101,272)
	<hr/> <hr/>	<hr/> <hr/>

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

SUCCESS ACADEMY CHARTER SCHOOL - UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS

	For the year ended June 30, 2013	For the period from November 16, 2010 (inception) to June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ (138,971)	\$ (101,272)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	189,538	112,372
Changes in certain assets and liabilities:		
Decrease (Increase) in grants and contracts receivable	60,804	(136,292)
(Increase) in prepaid expenses and other current assets	(135,846)	(951)
(Increase) in restricted cash	(25,000)	(25,000)
Increase in accounts payable and accrued expenses	19,574	22,016
(Decrease) Increase in accrued payroll and payroll taxes	(45,155)	46,247
Increase in due to related party	98,067	76,404
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>23,011</u>	<u>(6,476)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	<u>(311,051)</u>	<u>(447,696)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan payable - related party	<u>250,000</u>	<u>500,000</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,040)	45,828
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>45,828</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 7,788</u></u>	<u><u>\$ 45,828</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u><u>\$ 9,201</u></u>	<u><u>\$ 16,361</u></u>

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

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Nature of Organization

Success Academy Charter School – Upper West (f/k/a Upper West Success Academy Charter School) (the “School”) is a New York State, not-for-profit educational corporation that was incorporated on November 16, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on November 16, 2010 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. The School is dedicated to providing a high quality education to primarily disadvantaged students; to prevent the achievement gap from rising. Classes commenced in Manhattan, New York, in August 2011 and the School provided education to approximately 243 students in grades kindergarten to second during the 2012-2013 academic year.

The School shares space with a New York City public school beginning in August 2011. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School’s programs that take place outside the district’s school day.

Food Service

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

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School did not have net unrelated business income for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012.

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

IRS forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. All Forms 990 filed by the School are subject to examination.

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Basis of Presentation

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

Unrestricted

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

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

Permanently Restricted

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

The School had no temporarily or permanently restricted net assets at June 30, 2013 and 2012.

Revenue and Support

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

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

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
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(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents

Use of Estimates

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

Concentration of Credit Risk

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

Restricted Cash

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

Property and Equipment

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Refundable Advances

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

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statements of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2012 financial statements from which the summarized information was derived.

Reclassifications

Certain 2012 accounts have been reclassified to conform to the 2013 financial statement presentation. The reclassifications have no effect on the 2012 total assets, liabilities, net assets and changes in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal entitlements and grants. The School expects to collect these receivables within one year.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
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(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

The primary uses of fair value measures in the School's financial statements are:

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

The School had no investments at June 30, 2013 and 2012.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ 147,702	\$ 113,169
Furniture and fixtures	176,767	149,023
Software	189,897	1,137
Leasehold improvements	<u>244,381</u>	<u>184,367</u>
	758,747	447,696
Less: Accumulated depreciation and amortization	<u>301,910</u>	<u>112,372</u>
	<u>\$ 456,837</u>	<u>\$ 335,324</u>

Depreciation and amortization expense was \$189,538 and \$112,372 for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

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

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

Pursuant to the terms of the Academic and Business Service Agreement by and between the Network and the School, dated June 2011, the Network shall provide educational management and operational services to the School. As compensation to the Network for these services rendered, the School shall pay to the Network an amount each year equal to the total full-time equivalent enrollment of students in the School multiplied by “the per pupil fee”. The per pupil fee shall be increased or decreased each year by the percentage increase or decrease in the Final Adjusted Expense Per Pupil for charter schools in the New York City school district commencing with and including the 2011-2012 school year. The per pupil fee was \$1,352 for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012. For operational efficiency and purchasing power, the School also shares expenses with the Network and twenty two other charter schools related by common management.

For the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012, the School incurred \$328,049 and \$219,572, respectively, in management fees and there were no material transactions between the School and the related charter schools. The balance due to the Network from the School at June 30, 2013 and 2012 amounted to \$174,471 and \$76,404, respectively. This balance represents expenses paid by the Network on behalf of the School. The School fully repaid this balance prior to the issuance of this report.

For the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012, the School received a grant in the amount of \$-0- and \$37,500, respectively, from the Network to support the School’s operations.

On June 13, 2011, the School signed a loan agreement with the Network in the amount of \$1,300,000 with annual interest of 3.25% on any unpaid balance. According to the loan agreement, the School received \$750,000 from the Network through June 30, 2013 and will receive the remaining \$550,000 during the year ending June 30, 2014. The loan will be repaid in three annual installments starting January, 2016 through January, 2018. The loan may be prepaid by the School, at any time, in whole or in part, without penalty. The proceeds were used to finance the School’s operations. The outstanding principal balance of the loan at June 30, 2013 and 2012 was \$750,000 and \$500,000, respectively. The School paid \$9,201 and \$16,361 in interest expense on this loan for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012, respectively.

NOTE 6 - REVENUE CONCENTRATION

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

SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
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(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSE

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

NOTE 9 - DONATED SERVICES

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

The School received legal services at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$20,652 and \$804,194 for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012, respectively.

NOTE 10 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 3% of annual compensation. Employer match for the year ended June 30, 2013 and for the period from November 16, 2010 (inception) to June 30, 2012 amounted to \$47,182 and \$31,002, respectively.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 21, 2013, the date the financial statements were available to be issued.

FRUCHTER ROSEN & COMPANY, P.C.

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)

We have audited the financial statements of Success Academy Charter School – Upper West (f/k/a Upper West Success Academy Charter School) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 21, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


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

New York, New York
October 21, 2013

SUCCESS ACADEMY CHARTER SCHOOL - UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES

	For the year ended June 30, 2013					For the period from November 16, 2010 (inception) to June 30, 2012
	Regular Education	Special Education	Total Program Service	Management and General	Total	
Salaries	\$ 1,513,236	\$ 332,623	\$ 1,845,859	\$ 162,248	\$ 2,008,107	\$ 1,402,063
Payroll taxes and employee benefits	357,476	78,576	436,052	38,328	474,380	287,348
Professional development	48,500	10,661	59,161	-	59,161	82,722
Legal	-	-	-	20,652	20,652	804,194
Audit and accounting	-	-	-	11,000	11,000	11,750
Professional fees	1,177	259	1,436	126	1,562	3,447
Travel and entertainment	1,604	353	1,957	172	2,129	1,615
Student food service	108,235	23,791	132,026	-	132,026	96,200
Field trips	34,524	7,589	42,113	-	42,113	29,765
Instructional supplies and textbooks	144,895	31,849	176,744	-	176,744	417,726
Management fee	-	-	-	328,049	328,049	219,572
Interest expense	-	-	-	9,201	9,201	16,361
Teacher recruitment	50,378	11,074	61,452	-	61,452	46,709
Student recruitment	85,207	18,729	103,936	-	103,936	223,961
Marketing	1,982	436	2,418	-	2,418	66,315
Consulting	1,013	223	1,236	109	1,345	2,341
Uniforms	2,186	481	2,667	-	2,667	4,141
Office supplies	10,368	2,279	12,647	1,112	13,759	25,131
Computer supplies	-	-	-	-	-	9,505
School culture	9,474	2,082	11,556	-	11,556	12,782
Special events	17,154	3,771	20,925	1,839	22,764	16,512
Equipment rental	3,777	830	4,607	405	5,012	2,735
Student assessments	2,371	521	2,892	-	2,892	12,192
Telephone and internet services	40,185	8,833	49,018	4,130	53,148	51,104
Postage and delivery	8,365	1,839	10,204	897	11,101	18,919
Insurance	24,655	5,420	30,075	2,644	32,719	38,512
Facilities expense	12,508	2,749	15,257	1,341	16,598	31,300
Information technology	111,963	24,610	136,573	12,005	148,578	61,850
Non-capitalized furniture, fixtures and equipment	8,377	1,841	10,218	899	11,117	2,445
Depreciation and amortization	142,829	31,395	174,224	15,314	189,538	112,372
Miscellaneous	5,767	1,268	7,035	798	7,833	5,905
Total	<u>\$ 2,748,206</u>	<u>\$ 604,082</u>	<u>\$ 3,352,288</u>	<u>\$ 611,269</u>	<u>\$ 3,963,557</u>	<u>\$ 4,117,494</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)

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 School – Upper West (f/k/a Upper West Success Academy Charter School) (the “School”), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’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 the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

TO THE BOARD OF TRUSTEES OF
SUCCESS ACADEMY CHARTER SCHOOL – UPPER WEST
(F/K/A UPPER WEST SUCCESS ACADEMY CHARTER SCHOOL)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

New York, New York
October 21, 2013