Success Academy Charter Schools - NYC

Audit of Financial Statements and Supplementary Information and Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Success Academy Charter Schools - NYC

Audit of Financial Statements and Supplementary Information and
Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Success Academy Charter Schools - NYC

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Success Academy Charter Schools - NYC (SACS-NYC), which comprise the statement of financial position as of June 30, 2020, 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.

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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, 2020, 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 financial statements of SACS-NYC as of and for the year ended June 30, 2019, and our report, dated October 31, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented 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 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 other records used to prepare the financial statements, or to the financial statements themselves, and to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 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 27, 2020

Success Academy Charter Schools – NYC

Statement of Financial Position
(with comparative totals for 2019)

June 30,	**2020**	2019
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 33,408,593**	$ 11,088,935
Grants and contracts receivables (Note 2)	**10,730,964**	8,522,230
Prepaid expenses and other assets	**1,583,551**	2,740,043
Total Current Assets	**45,723,108**	22,351,208
Fixed Assets, Net (Notes 2 and 4)	**41,880,440**	52,562,867
Total Assets	**$ 87,603,548**	$ 74,914,075
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 7,430,623**	$ 14,038,360
Accrued payroll and payroll taxes	**4,962,899**	2,990,511
Due to affiliate (Note 5)	**5,321,513**	20,642,777
Current portion loans payable to affiliated organization (Note 5)	**129,663**	4,000,000
Current portion capital lease payable (Note 6)	**3,485,789**	1,887,957
Total Current Liabilities	**21,330,487**	43,559,605
Loans Payable to Affiliated Organization (Note 5), less current portion	**3,500,000**	3,500,000
Capital Lease Payable (Note 6), less current portion	**3,764,171**	1,866,156
Deferred Rent Payable (Note 10)	**3,114,496**	3,251,498
Total Liabilities	**31,709,154**	52,177,259
Commitments and Contingencies (Notes 5, 8, 9, 10 and 11)		
Net Assets (Note 2)		
Without donor restrictions	**55,894,394**	22,736,816
Total Net Assets	**55,894,394**	22,736,816
Total Liabilities and Net Assets	**$ 87,603,548**	$ 74,914,075

See accompanying notes to financial statements.

Success Academy Charter Schools – NYC

Statement of Activities
(with comparative totals for 2019)

Year ended June 30,	**2020**	2019
Revenue and Support (Note 2)		
State and local per-pupil operating revenue	**$ 318,255,006**	$ 278,243,167
Government grants	**14,097,855**	18,422,986
Donated services (Note 9)	**-**	121,952
Interest and other income	**451,520**	671,715
Total Revenue and Support	**332,804,381**	297,459,820
Expenses		
Program services:		
General education	**191,074,432**	186,032,664
Special education	**78,044,485**	75,985,176
Total Program Services	**269,118,917**	262,017,840
Supporting services:		
General and administrative	**30,527,886**	24,398,942
Total Expenses	**299,646,803**	286,416,782
Change in Net Assets	**33,157,578**	11,043,038
Net Assets, beginning of year	**22,736,816**	11,693,778
Net Assets, end of year	**$ 55,894,394**	$ 22,736,816

See accompanying notes to financial statements.

Success Academy Charter Schools - NYC

Statement of Functional Expenses
(with comparative totals for 2019)

Year ended June 30,

	FTEs	Program Services: General Education	Program Services: Special Education	Program Services: Total Program Services	Supporting Services: General and Administrative	Total: 2020	Total: 2019
Salaries and staff:							
Administrative staff personnel	487	$ 25,197,093	$ 10,291,770	$ 35,488,863	$ 3,085,988	**$ 38,574,851**	$ 34,154,025
Instructional personnel	1,927	73,792,316	30,140,524	103,932,840	9,037,638	**112,970,478**	99,602,578
Total Salaries and Staff		98,989,409	40,432,294	139,421,703	12,123,626	**151,545,329**	133,756,603
Payroll taxes and employee benefits		19,837,442	8,102,617	27,940,059	2,429,570	**30,369,629**	28,775,864
Professional development		2,139,669	873,949	3,013,618	-	**3,013,618**	3,017,574
Legal (Note 8)		-	-	-	3,330,546	**3,330,546**	121,952
Audit and accounting		-	-	-	123,184	**123,184**	42,293
Professional and consulting Fees		738,531	301,653	1,040,184	90,451	**1,130,635**	4,055
Transportation		572,472	233,827	806,299	40,722	**847,021**	2,587,697
Scholar food service		505,281	206,382	711,663	-	**711,663**	7,640,204
Instructional supplies and textbooks		5,198,729	2,123,425	7,322,154	-	**7,322,154**	10,742,427
Management fee		24,241,156	9,901,317	34,142,473	8,535,618	**42,678,091**	36,035,414
Interest expense		235,598	96,230	331,828	28,855	**360,683**	302,747
Office expense		2,130,809	870,330	3,001,139	260,969	**3,262,108**	10,172,620
Equipment lease		1,869,838	763,737	2,633,575	229,006	**2,862,581**	2,660,401
Telecommunications and internet		2,767,578	1,130,419	3,897,997	338,956	**4,236,953**	3,497,010
Insurance		1,272,089	519,586	1,791,675	155,798	**1,947,473**	1,879,722
Information technology		5,697,981	2,327,344	8,025,325	697,854	**8,723,179**	2,615,848
Marketing/recruitment		3,626,770	1,481,357	5,108,127	-	**5,108,127**	5,594,568
Student Services		3,766,777	1,538,542	5,305,319	1,351	**5,306,670**	7,957,513
Facility		4,661,757	1,904,098	6,565,855	570,944	**7,136,799**	7,228,372
Depreciation		12,648,258	5,166,190	17,814,448	1,549,083	**19,363,531**	20,112,694
Miscellaneous		174,288	71,188	245,476	21,353	**266,829**	1,671,204
Total Expenses		$ 191,074,432	$ 78,044,485	$ 269,118,917	$ 30,527,886	**$ 299,646,803**	$ 286,416,782

See accompanying notes to financial statements.

Success Academy Charter Schools – NYC

Statement of Cash Flows
(with comparative totals for 2019)

Year ended June 30,	**2020**	2019
Cash Flows from Operating Activities		
Change in net assets	**$ 33,157,578**	$ 11,043,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**19,363,531**	20,112,694
Increase (decrease) in assets:		
Grants and contracts receivables	**(2,208,734)**	10,998,210
Prepaid expenses and other assets	**1,156,492**	2,920,616
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(6,607,737)**	6,803,904
Accrued payroll and payroll taxes	**1,972,388**	520,080
Due to affiliates	**(15,321,264)**	(19,115,712)
Deferred rent payable	**(137,002)**	1,077,815
Net Cash Provided by Operating Activities	**31,375,252**	34,360,645
Cash Flows from Investing Activities		
Purchases of fixed assets	**(2,717,258)**	(22,052,040)
Net Cash Used in Investing Activities	**(2,717,258)**	(22,052,040)
Cash Flows from Financing Activities		
Repayment from loans payable	**(3,870,337)**	-
Repayment of capital leases	**(2,467,999)**	(1,311,465)
Net Cash Used in Financing Activities	**(6,338,336)**	(1,311,465)
Net Increase in Cash and Cash Equivalents	**22,319,658**	10,997,140
Cash and Cash Equivalents, beginning of year	**11,088,935**	91,795
Cash and Cash Equivalents, end of year	**$ 33,408,593**	$ 11,088,935
Supplemental Disclosure of Cash Flow Information		
Noncash transaction related to capital leases	**$ 5,963,846**	$ 3,420,227
Cash paid during the year for interest	**256,280**	227,747

See accompanying notes to financial statements.

1. Description of School

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

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

Success Academy Charter School - Bronx 1, Success Academy Charter School - Bronx 2, Success Academy Charter School - Upper West, Success Academy Charter School - Bed Stuy, Success Academy Charter School - Bed Stuy 2, Success Academy Charter School - Cobble Hill and Success Academy Charter School - Williamsburg merged into SACS-NYC, which serves as the sole surviving education corporation. The plan of merger, dated September 20, 2013, was approved by SACS-NYC's 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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The financial statements of SACS-NYC include the following schools that all form a single legal entity:

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

SACS–NYC provided education to 17,617 full-time equivalent (FTE) in grades kindergarten through high school during the 2019-2020 academic year.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Statement Presentation

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

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

These classes are defined as follows:

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

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

As of June 30, 2020, the SACS-NYC had no assets with donor restrictions.

Cash and Cash Equivalents

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

Receivables

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

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, 2020, management determined that no estimated allowance would be recorded. All of the SACS- NYC's short-term receivables are expected to be collected within one year.

Fixed Assets

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

	Years
Equipment	3
Furniture and fixtures	3
Software	3
Renovations and improvements	Useful life or lease term, whichever is shorter

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, 2020, there was no such loss.

Revenue Recognition

Per-pupil Revenue

SACS-NYC recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of FTE students and the basic charter school tuition rate for the school district of residence of the students attending SACS-NYC in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with SACS-NYC as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). SACS-NYC's total student population includes general education and special education students. SACS-NYC has determined that revenue from its students has the same performance obligations, types of contract and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. SACS-NYC uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. SACS-NYC believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, SACS-NYC submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to SACS-NYC, and included in the reconciliation will be any amounts due from the funding source included in accounts receivable at year end or any amounts payable to the funding source included in accounts payable at year end as amounts are trued up to actual based on actual numbers submitted at year end. This year-end FTE reconciliation will be prepared subsequent to the year-end date and any payable or receivable created as a result of the FTE reconciliation is incorporated into the next years' payment schedule to achieve a final settlement for the year.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program (IEP), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service; 0-20% service, 20-60% service, or 60% or more service required and provided by SACS-NYC. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as SACS-NYC is providing them, SACS-NYC recognizes per-pupil revenue from these services over time. SACS-NYC believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. SACS-NYC measures the performance obligation from admission or enrollment into the school to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All these services are bundled and considered a single-performance obligation, as such, SACS-NYC accounts for these bundled-performance obligations under state and local per-pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

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.

Contract Assets and Contract Liabilities

In accordance with Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. SACS-NYC does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. SACS-NYC does not receive

consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Functional Allocation of Expenses

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

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

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

Income Taxes

SACS-NYC is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, SACS-NYC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2020.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. SACS-NYC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SACS-NYC is subject to routine audits by a taxing authority. As of June 30, 2020, SACS-NYC was not subject to any examination by a taxing authority.

Use of Estimates

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

Concentration of Credit Risk

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

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

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

SACS-NYC adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of July 1, 2019 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and 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. SACS-NYC revenue is derived primarily from per-pupil revenue for services provided to students. Per-pupil revenues are recognized as revenue over the course of the academic school year or program for which it is earned. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether SACS-NYC follows contribution guidance or exchange-transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the SACS-NYC's fiscal year 2020, and the adoption of this update did not have a material impact on the SACS-NYC's financial statements.

Recent Accounting Pronouncements Issued but Not Yet Adopted

Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. SACS-NYC is currently evaluating the impact of the adoption of ASU 2016-02.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2020 presentation.

3. Liquidity and Availability of Resources

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

June 30, 2020		
Cash and cash equivalents	$	33,408,593
Grants and contracts receivables, net		10,730,964
		44,139,557
Less: amounts unavailable for general expenditures within one year		(352,884)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$	43,786,673

Liquidity Management

SACS-NYC has $43,786,673 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

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

4. Fixed Assets, Net

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

June 30, 2020		
Renovations and improvements	$	91,012,244
Equipment		27,760,846
Software		17,308,939
Furniture and fixtures		12,309,391
Fixed assets not placed in service		845,538
Fixed Assets		149,236,958
Less: accumulated depreciation		(107,356,518)
Fixed Assets, Net	$	41,880,440

For the year ended June 30, 2020, depreciation expense was $19,363,531.

5. Related-Party Transactions

Due to Affiliate

Success Academy Charter Schools, Inc. (the Network), a not-for-profit organization dedicated to helping start and manage charter schools, provides curriculum development, teacher leader training, and school operations management to SACS-NYC. Pursuant to the terms of the Academic and Business Service Agreement with an effective date of July 1, 2016, SACS-NYC pays the Network an annual fee equal to the total general full-time equivalent enrollment of students in SACS–NYC multiplied by the "per-pupil fee." The per-pupil fee shall be equal to 15% of the final and adjusted expense per-pupil for charter schools in the New York City school district as calculated by the New York State Education Department annually. For operational efficiency and purchasing power, SACS-NYC also shares common expenses with the Network.

For the year ended June 30, 2020, SACS-NYC incurred $42,678,091 in management fees with a balance due to the Network for $5,321,513. This balance represents expenses paid by the Network on behalf of SACS-NYC.

Amounts due to the Network, which included expenses paid on behalf of SACS-NYC that are included in other current liabilities as of June 30, 2020, are as follows:

June 30, 2020		
Employee benefits	$	426,539
School purchases		3,637,020
Medical insurance		1,257,954
	$	5,321,513

Loans Payable to Affiliated Organization

At various dates from July 2012 through June 2015, SACS–NYC entered into borrowing arrangements with the Network totaling $8,500,000 with annual interest equal to the prevailing interest rate available to the Network as of the date of each advance, which was 1%. The loans and any accrued unpaid interest are due in full within various dates of the borrowing arrangements. The loans may be prepaid by SACS–NYC at any time, in whole or in part, without penalty. The proceeds were used to finance SACS–NYC's operations. Additionally, SACS-NYC agreed to meet certain milestones within a specific-time schedule with the intent that certain of the amounts due under this loan be forgiven. The outstanding principal balance of the loan was $3,500,000 of which the entire balance is due in 2022. At June 30, 2020, interest expense on the loan during the period was $54,458 and at June 30, 2020, the total outstanding interest balance was $129,663.

Loan Guarantee

On January 29, 2020, SACS-NYC entered and signed a loan guarantee for the Network's revolving line of credit in the amount of $30,000,000 with a financial institution, whereby SACS-NYC, identified as a guarantor, guarantees the obligation of the Network under the respective financing arrangement. The line of credit has a sub-limit of $4,935,886 for purposes of issuing letters of credit. At June 30, 2020, the outstanding balance for the line of credit was $0. A letter of credit has been allocated in the amount of $4,935,886 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 January 30, 2021.

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 site.

6. Capital Lease Payable

SACS-NYC leases equipment under multiple capital leases that expire on various dates between November 2020 and April 2023. The leases are secured by the equipment and require monthly payments of principal and interest, with rates ranging from 4.46% to 6.18% 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, 2020.

Year ending June 30,		
2021	$	3,757,133
2022		2,650,502
2023		1,296,538
Total Minimum Lease Payments		7,704,173
Less: amount representing interest		(454,213)
Present Value of Net Minimum Lease Payments		7,249,960
Less: current portion		(3,485,789)
Long-Term	$	3,764,171

7. Revenue Concentrations

SACS-NYC receives substantially all of its support and revenue from the New York City Department of Education. If the funding from the Department of Education were to be reduced or eliminated, SACS-NYC's finances could be materially adversely affected.

8. Shared Space of Facilities

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

9. Donated Services

During the year ended June 30, 2020, SACS-NYC received legal services at no charge with a fair market value of $0 for the year ended June 30, 2020.

10. Commitments and Contingencies

Commitments

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

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

Year ending June 30,	
2021	$ 8,266,414
2022	7,433,668
2023	237,416
2024	7,656
	$ 15,945,154

The aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent on the SACS-NYC's statement of financial position, which will reverse over the lease terms. Deferred rent payable amounted to $3,114,496 as of June 30, 2020.

Rent expense under the occupancy operating leases for the year ended June 30, 2020 amounted to $3,518,524 included in total facility expense in the statement of functional expenses.

Contingencies

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

From time-to-time, SACS-NYC is involved in claims, lawsuits, and proceedings that arise in the ordinary course of business. Such matters include, but are not limited to, claims involving particular students, employment law, and personal injury. Management believes that SACS-NYC has strong defenses with respect to these matters, and SACS-NYC intends to vigorously defend its positions. SACS-NYC evaluates estimated contingencies or losses related to these matters on an on-going basis, in conjunction with internal and external counsel. Should any matter, based on applicable accounting standards, be determined to likely result in adverse financial impact, SACS-NYC accrues a contingency accordingly. As of June 30, 2020, there are no matters for which SACS-NYC believes the ultimate outcome would have a material adverse effect on SACS-NYC's financial position.

11. Employee Benefit Plan

SACS-NYC maintains a deferred compensation plan qualified under Section 403(b) of the IRC. SACS-NYC matches up to 3% of eligible employee's annual compensation not to exceed the employee's annual salary deferral amount. SACS-NYC made contributions totaling $4,014,165 for the year ended June 30, 2020.

12. Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

SAC-NYC is dependent on its workforce to support the overall operation of SACS-NYC. Despite directives, such as shelter-in-place and social distancing, SACS-NYC's workforce is fully operational without significant disruptions.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act contains measures designed to bring some economic and fiscal relief to companies, small businesses and individuals facing financial difficulties due to the COVID-19 crisis. The CARES Act appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of June 30, 2020, SACS-NYC has not applied for any of the aforementioned programs.

In addition, under the CARES Act, organizations are allowed to defer payment due on its share of an employee's payroll taxes otherwise due between March 27, 2020 and December 31, 2020. 50% of the deferred taxes are due December 31, 2021 and 50% of the deferred taxes are due December 31, 2022. As of June 30, 2020, SACS-NYC deferred payroll taxes in the amount of $2,200,000, which is included in accrued payroll and payroll taxes in the statement of financial position.

While the full impact of the COVID-19 outbreak continues to evolve as of the date of this report, it is uncertain as to the full impact that the pandemic will have on SACS-NYC's financial condition, liquidity and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry and workforce.

13. Subsequent Events

CARES Act and Elementary and Secondary School Emergency Relief (ESSER) Fund

Under the CARES Act, the Local Education Agencies (LEAs) received funds from the ESSER fund to provide equitable services to students and teachers in non-public schools. On August 31, 2020, SACS-NYC applied to defray the COVID-19 outbreak costs under the aforementioned ESSER fund.

Additional Openings of Schools

SACS-NYC is in the process of opening two new schools for the new school year 2021, Success Academy Middle School–Hollis and Success Academy Middle School–Far Rockaway. The total number of schools operating under SACS-NYC will increase to 48 schools.

SACS-NYC's management has performed subsequent event procedures through October 27, 2020, 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.

Supplementary Information

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2020

	Ed Corp	Harlem 1	Harlem 2	Harlem 3	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3	Bronx 4	Upper West	Hell's Kitchen
Revenue and Support												
State and local per-pupil operating revenue	$ (295,703)	$ 8,160,359	$ 7,983,501	$ 7,091,801	$ 6,806,586	$ 7,698,254	$ 9,295,072	$ 9,390,402	$ 10,278,065	$ 10,227,694	$ 7,713,626	$ 7,565,544
Government grants	716,053	214,880	238,547	197,184	235,997	226,287	519,836	373,945	293,899	381,879	141,838	197,562
Interest and other income	(1,626)	4,547	5,344	3,605	4,787	4,548	4,910	6,240	4,837	6,093	6,701	5,223
Total Revenue and Support	418,724	8,379,786	8,227,392	7,292,590	7,047,370	7,929,089	9,819,818	9,770,587	10,576,801	10,615,666	7,862,165	7,768,329
Expenses												
Program services:												
General education	473,620	4,693,303	4,336,086	3,770,929	3,984,828	4,414,664	4,802,158	4,436,550	4,720,228	5,084,311	4,250,916	3,826,718
Special education	193,448	1,916,983	1,771,077	1,540,239	1,627,606	1,803,173	1,961,445	1,812,112	1,927,980	2,076,690	1,736,290	1,563,026
Total Program Services	667,068	6,610,286	6,107,163	5,311,168	5,612,434	6,217,837	6,763,603	6,248,662	6,648,208	7,161,001	5,987,206	5,389,744
Supporting services:												
General and administrative	58,018	679,204	636,173	549,155	715,917	638,499	708,596	965,916	711,093	749,540	616,387	593,509
Total Expenses	725,086	7,289,490	6,743,336	5,860,323	6,328,351	6,856,336	7,472,199	7,214,578	7,359,301	7,910,541	6,603,593	5,983,253
Change in Net Assets	(306,362)	1,090,296	1,484,056	1,432,267	719,019	1,072,753	2,347,619	2,556,009	3,217,500	2,705,125	1,258,572	1,785,076
Net Assets (Deficit), beginning of year	(14,985,377)	8,983,342	8,776,188	5,101,582	5,725,141	5,789,100	4,952,547	9,332,604	1,772,548	5,781,034	5,784,964	3,024,539
Net Assets (Deficit), end of year	$ (15,291,739)	$ 10,073,638	$ 10,260,244	$ 6,533,849	$ 6,444,160	$ 6,861,853	$ 7,300,166	$ 11,888,613	$ 4,990,048	$ 8,486,159	$ 7,043,536	$ 4,809,615

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	Union Square	Washington Heights	Bed Stuy 1	Bed Stuy 2	Bed Stuy 3	Cobble Hill	Williamsburg	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens
Revenue and Support														
State and local per-pupil operating revenue	$ 7,953,011	$ 8,824,581	$ 6,712,042	$ 5,387,844	$ -	$ 6,747,071	$ 7,221,784	$ 7,308,552	$ 4,915,298	$ 6,332,406	$ 9,727,240	$ 9,151,399	$ 9,447,610	$ 8,487,539
Government grants	155,534	222,193	220,948	203,730	-	174,782	231,530	193,135	185,232	182,209	190,513	175,603	141,267	144,012
Interest and other income	6,674	5,948	3,845	4,040	-	5,830	4,838	5,657	3,844	5,562	6,070	5,585	5,440	5,368
Total Revenue and Support	8,115,219	9,052,722	6,936,835	5,595,614	-	6,927,683	7,458,152	7,507,344	5,104,374	6,520,177	9,923,823	9,332,587	9,594,317	8,636,919
Expenses														
Program services:														
General education	4,499,452	5,045,930	4,195,282	3,865,401	-	3,897,618	4,349,876	4,452,900	3,394,276	3,819,364	4,703,437	4,791,558	4,308,717	4,275,921
Special education	1,837,804	2,061,014	1,713,566	1,578,826	-	1,591,985	1,776,710	1,818,790	1,386,394	1,560,022	1,921,122	1,957,115	1,759,898	1,746,503
Total Program Services	6,337,256	7,106,944	5,908,848	5,444,227	-	5,489,603	6,126,586	6,271,690	4,780,670	5,379,386	6,624,559	6,748,673	6,068,615	6,022,424
Supporting services:														
General and administrative	653,827	742,710	737,427	526,798	-	828,683	621,715	657,007	2,628,165	811,052	706,904	707,430	657,085	639,020
Total Expenses	6,991,083	7,849,654	6,646,275	5,971,025	-	6,318,286	6,748,301	6,928,697	7,408,835	6,190,438	7,331,463	7,456,103	6,725,700	6,661,444
Change in Net Assets	1,124,136	1,203,068	290,560	(375,411)	-	609,397	709,851	578,647	(2,304,461)	329,739	2,592,360	1,876,484	2,868,617	1,975,475
Net Assets (Deficit), beginning of year	1,935,209	3,753,925	(390,469)	(356,151)	(921,797)	(924,807)	2,253,061	4,257,894	(742,808)	2,090,682	4,937,801	2,641,170	4,084,707	4,493,500
Net Assets (Deficit), end of year	$ 3,059,345	$ 4,956,993	$ (99,909)	$ (731,562)	$ (921,797)	$ (315,410)	$ 2,962,912	$ 4,836,541	$ (3,047,269)	$ 2,420,421	$ 7,530,161	$ 4,517,654	$ 6,953,324	$ 6,468,975

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	MS Harlem Central	MS Harlem West	MS Harlem North Central	MS Harlem North West	MS Harlem East	MS Bronx 1	MS Bronx 2	MS Midtown West	MS Bed Stuy	MS Cobble Hill	Bushwick	Far Rockaway	Flatbush	South Jamaica
Revenue and Support														
State and local per-pupil operating revenue	$ -	$ 5,408,102	$ 5,685,480	$ 3,406,883	$ 8,756,120	$ 33,679	$ 5,578,309	$ 7,483,387	$ 6,272,855	$ -	$ 8,222,944	$ 8,674,372	$ 7,566,879	$ 6,436,486
Government grants	-	147,797	165,079	97,699	265,267	13,867	223,827	217,795	242,790	-	295,770	276,586	252,914	177,152
Interest and other income	-	12,769	14,828	10,328	14,729	-	12,118	22,420	15,380	-	3,626	4,641	3,409	3,917
Total Revenue and Support	-	5,568,668	5,865,387	3,514,910	9,036,116	47,546	5,814,254	7,723,602	6,531,025	-	8,522,340	8,955,599	7,823,202	6,617,555
Expenses														
Program services:														
General education	-	3,789,864	3,990,460	3,518,576	5,568,079	356,375	3,512,954	4,768,407	4,444,379	-	4,129,965	4,408,389	4,609,236	3,584,253
Special education	-	1,547,973	1,629,906	1,437,165	2,274,286	145,562	1,434,869	1,947,659	1,815,310	-	1,686,887	1,800,610	1,882,646	1,463,991
Total Program Services	-	5,337,837	5,620,366	4,955,741	7,842,365	501,937	4,947,823	6,716,066	6,259,689	-	5,816,852	6,208,999	6,491,882	5,048,244
Supporting services:														
General and administrative	-	522,304	554,104	471,279	775,445	31,091	499,059	662,222	605,945	-	605,029	648,635	661,087	521,307
Total Expenses	-	5,860,141	6,174,470	5,427,020	8,617,810	533,028	5,446,882	7,378,288	6,865,634	-	6,421,881	6,857,634	7,152,969	5,569,551
Change in Net Assets	-	(291,473)	(309,083)	(1,912,110)	418,306	(485,482)	367,372	345,314	(334,609)	-	2,100,459	2,097,965	670,233	1,048,004
Net Assets (Deficit), beginning of year	(5,452,285)	(3,662,877)	(4,383,306)	(5,844,143)	(777,235)	(3,892,993)	(2,489,566)	(2,378,239)	(2,959,703)	(423,640)	1,454,565	2,480,747	99,094	603,850
Net Assets (Deficit), end of year	$ (5,452,285)	$ (3,954,350)	$ (4,692,389)	$ (7,756,253)	$ (358,929)	$ (4,378,475)	$ (2,122,194)	$ (2,032,925)	$ (3,294,312)	$ (423,640)	$ 3,555,024	$ 4,578,712	$ 769,327	$ 1,651,854

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2020

	HS Liberal Arts	MS Williamsburg	Harlem 6	SA Hudson Yards	MS Myrtle	MS Ditmus Park	MS Hudson Yards	MS Bronx 3	HS Liberal Arts Bronx	Queens 1	LaFayette	E. Flatbush	Success Academy Charter Schools-NYC
Revenue and Support													
State and local per-pupil operating revenue	$ 8,359,098	$ -	$ 5,185,172	$ 5,634,897	$ 3,302,538	$ 5,087,889	$ 5,931,137	$ 7,788,594	$ 4,203,973	$ 4,459,871	$ 1,560,031	$ 3,084,732	$318,255,006
Government grants	210,823	-	333,646	1,667,819	181,886	251,163	1,688,401	386,940	114,829	219,439	227,672	280,099	14,097,855
Interest and other income	99,360	-	-	-	11,827	17,242	20,753	26,048	-	17,385	5,585	11,245	451,520
Total Revenue and Support	8,669,281	-	5,518,818	7,302,716	3,496,251	5,356,294	7,640,291	8,201,582	4,318,802	4,696,695	1,793,288	3,376,076	332,804,381
Expenses													
Program services:													
General education	8,284,906	-	3,152,125	4,307,646	3,230,065	3,652,576	4,905,512	4,405,326	1,016,263	2,693,273	1,758,355	2,593,405	191,074,432
Special education	3,383,976	-	1,287,488	1,759,461	1,319,322	1,491,897	2,003,660	1,799,359	415,093	1,100,069	718,200	1,059,278	78,044,485
Total Program Services	11,668,882	-	4,439,613	6,067,107	4,549,387	5,144,473	6,909,172	6,204,685	1,431,356	3,793,342	2,476,555	3,652,683	269,118,917
Supporting services:													
General and administrative	1,028,675	-	446,630	593,505	424,916	500,360	659,073	640,697	186,402	382,104	221,396	346,791	30,527,886
Total Expenses	12,697,557	-	4,886,243	6,660,612	4,974,303	5,644,833	7,568,245	6,845,382	1,617,758	4,175,446	2,697,951	3,999,474	299,646,803
Change in Net Assets	(4,028,276)	-	632,575	642,104	(1,478,052)	(288,539)	72,046	1,356,200	2,701,044	521,249	(904,663)	(623,398)	33,157,578
Net Assets (Deficit), beginning of year	(16,277,893)	(277,203)	220,178	(2,605,227)	(3,116,905)	(1,869,905)	(2,328,643)	(634,960)	1,204,154	(28,932)	(194,243)	(878,003)	22,736,816
Net Assets (Deficit), end of year	$(20,306,169)	$ (277,203)	$ 852,753	$ (1,963,123)	$ (4,594,957)	$ (2,158,444)	$ (2,256,597)	$ 721,240	$ 3,905,198	$ 492,317	$ (1,098,906)	$ (1,501,401)	$ 55,894,394

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School

Year ended June 30, 2019

	Ed Corp	Harlem 1	Harlem 2	Harlem 3	Harlem 4	Harlem 5	Bronx 1	Bronx 2	Bronx 3	Bronx 4	Upper West	Hell's Kitchen
Revenue and Support												
State and local per-pupil operating revenue	$ -	$ 8,406,724	$ 7,466,918	$ 7,045,899	$ 6,751,592	$ 7,094,300	$ 6,800,579	$ 8,499,577	$ 8,110,493	$ 8,576,291	$ 7,874,348	$ 6,773,656
Government grants	-	881,063	339,229	384,680	312,761	411,486	382,678	664,744	403,470	454,788	359,012	391,968
Donated services (Note 9)	121,952	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	279	17,741	7,948	11,549	15,801	10,567	13,761	7,226	10,750	16,577	39,278	16,433
Total Revenue and Support	122,231	9,305,528	7,814,095	7,442,128	7,080,154	7,516,353	7,197,018	9,171,547	8,524,713	9,047,656	8,272,638	7,182,057
Expenses												
Program services:												
General education	4,250,966	5,285,044	4,485,219	3,975,653	3,868,039	4,333,756	4,301,530	4,613,979	6,651,074	4,454,155	4,036,141	3,732,412
Special education	1,736,311	2,158,680	1,831,991	1,623,858	1,579,903	1,770,126	1,756,963	1,884,583	2,716,636	1,819,303	1,648,565	1,524,507
Total Program Services	5,987,277	7,443,724	6,317,210	5,599,511	5,447,942	6,103,882	6,058,493	6,498,562	9,367,710	6,273,458	5,684,706	5,256,919
Supporting services:												
General and administrative	321,120	691,400	614,492	531,613	543,862	587,921	592,683	627,357	875,059	638,431	558,162	520,099
Total Expenses	6,308,397	8,135,124	6,931,702	6,131,124	5,991,804	6,691,803	6,651,176	7,125,919	10,242,769	6,911,889	6,242,868	5,777,018
Change in Net Assets	(6,186,166)	1,170,404	882,393	1,311,004	1,088,350	824,550	545,842	2,045,628	(1,718,056)	2,135,767	2,029,770	1,405,039
Net Assets (Deficit), beginning of year	(3,920,959)	7,812,938	7,893,795	3,7905,78	4,636,791	4,964,550	4,406,705	7,286,976	(1,387,655)	3,645,267	3,755,194	1,619,500
Net Assets (Deficit), end of year	$ (10,107,125)	$ 8,983,342	$ 8,776,188	$ 5,101,582	$ 5,725,141	$ 5,789,100	$ 4,952,547	$ 9,332,604	$ (3,105,711)	$ 5,781,034	$ 5,784,964	$ 3,024,539

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2019

	Union Square	Washington Heights	Bed Stuy 1	Bed Stuy 2	Bed Stuy 3	Cobble Hill	Williamsburg	Crown Heights	Fort Greene	Prospect Heights	Bensonhurst	Bergen Beach	Rosedale	Springfield Gardens
Revenue and Support														
State and local per-pupil operating revenue	$ 8,003,012	$ 8,523,301	$ 6,932,834	$ 6,032,901	$ -	$ 5,604,720	$ 6,778,314	$ 7,254,149	$ 4,870,601	$ 6,228,446	$ 8,421,829	$ 7,520,580	$ 7,379,194	$ 8,212,113
Government grants	412,409	530,337	443,412	229,106	-	493,470	415,852	226,996	206,537	178,132	360,645	408,660	363,198	241,773
Donated services (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	25,447	35,043	18,941	20,266	-	21,058	30,251	13,528	15,392	9,232	31,366	17,428	18,139	20,069
Total Revenue and Support	8,440,868	9,088,681	7,395,187	6,282,273	-	6,119,248	7,224,417	7,494,673	5,092,530	6,415,810	8,813,840	7,946,668	7,760,531	8,473,955
Expenses														
Program services:														
General education	4,681,811	5,027,869	4,322,554	3,994,550	-	3,607,258	4,207,159	3,968,876	3,391,256	3,772,091	4,101,308	3,872,744	3,958,666	4,204,314
Special education	1,912,289	2,053,637	1,765,550	1,631,577	-	1,473,387	1,718,417	1,621,090	1,385,161	1,540,713	1,675,182	1,581,825	1,616,920	1,717,255
Total Program Services	6,594,100	7,081,506	6,088,104	5,626,127	-	5,080,645	5,925,576	5,589,966	4,776,417	5,312,804	5,776,490	5,454,569	5,575,586	5,921,569
Supporting services:														
General and administrative	632,291	675,809	574,058	527,074	-	480,977	584,231	568,712	459,201	512,469	576,667	540,215	541,463	598,352
Total Expenses	7,226,391	7,757,315	6,662,162	6,153,201	-	5,561,622	6,509,807	6,158,678	5,235,618	5,825,273	6,353,157	5,994,784	6,117,049	6,519,921
Change in Net Assets	1,214,477	1,331,366	733,025	129,072	-	557,626	714,610	1,335,995	(143,088)	590,537	2,460,683	1,951,884	1,643,482	1,954,034
Net Assets (Deficit), beginning of year	720,732	2,422,559	(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
Net Assets (Deficit), end of year	$ 1,935,209	$ 3,753,925	$ (390,469)	$ (356,151)	$ (921,797)	$ (924,807)	$ 2,253,061	$ 4,257,894	$ (742,808)	$ 2,090,682	$ 4,937,801	$ 2,641,170	$ 4,084,707	$ 4,493,500

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2019

	MS Harlem Central	MS Harlem West	MS Harlem North Central	MS Harlem North West	MS Harlem East	MS Bronx 1	MS Bronx 2	MS Midtown West	MS Bed Stuy	MS Cobble Hill	Bushwick	Far Rockaway	Flatbush	South Jamaica
Revenue and Support														
State and local per-pupil operating revenue	$ -	$ 5,080,645	$ 5,193,210	$ 4,315,045	$ 9,016,168	$ 3,092,307	$ 4,637,554	$ 6,128,150	$ 5,701,942	$ -	$ 5,627,379	$ 7,016,078	$ 5,483,709	$ 4,918,288
Government grants	-	279,663	268,995	203,537	550,493	218,811	424,943	187,315	365,285	-	312,703	241,369	312,564	288,630
Donated services (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	-	4,932	3,562	3,645	5,579	4,456	2,179	17,656	5,841	-	12,070	12,307	16,888	11,278
Total Revenue and Support	-	5,365,240	5,465,767	4,522,227	9,572,240	3,315,574	5,064,676	6,333,121	6,073,068	-	5,952,152	7,269,754	5,813,161	5,218,196
Expenses														
Program services:														
General education	-	4,141,674	4,119,077	3,828,677	6,080,963	2,506,969	3,302,983	4,386,828	4,296,141	-	3,368,818	3,550,574	3,602,431	2,986,077
Special education	-	1,691,670	1,682,440	1,563,826	2,483,773	1,023,973	1,349,106	1,791,803	1,754,762	-	1,375,996	1,450,235	1,471,416	1,219,665
Total Program Services	-	5,833,344	5,801,517	5,392,503	8,564,736	3,530,942	4,652,089	6,178,631	6,050,903	-	4,744,814	5,000,809	5,073,847	4,205,742
Supporting services:														
General and administrative	-	533,184	532,689	490,851	794,483	316,419	402,093	569,802	523,693	-	448,038	497,155	484,126	401,379
Total Expenses	-	6,366,528	6,334,206	5,883,354	9,359,219	3,847,361	5,054,182	6,748,433	6,574,596	-	5,192,852	5,497,964	5,557,973	4,607,121
Change in Net Assets	-	(1,001,288)	(868,439)	(1,361,127)	213,021	(531,787)	10,494	(415,312)	(501,528)	-	759,300	1,771,790	255,188	611,075
Net Assets (Deficit), beginning of year	(5,452,285)	(2,661,589)	(3,514,867)	(4,483,016)	(990,256)	(3,361,206)	(2,500,060)	(1,962,927)	(2,458,175)	(423,640)	695,265	708,957	(156,094)	(7,225)
Net Assets (Deficit), end of year	$ (5,452,285)	$ (3,662,877)	$ (4,383,306)	$ (5,844,143)	$ (777,235)	$ (3,892,993)	$ (2,489,566)	$ (2,378,239)	$ (2,959,703)	$ (423,640)	$ 1,454,565	$ 2,480,747	$ 99,094	$ 603,850

Success Academy Charter Schools - NYC

Detailed Schedule of Activities by School (Continued)

Year ended June 30, 2019

	HS Liberal Arts	MS Williamsburg	Harlem 6	SA Hudson Yards	MS Myrtle	MS Ditmus Park	MS Hudson Yards	MS Bronx 3	HS Liberal Arts Bronx	Queens 1	LaFayette	E. Flatbush	Success Academy Charter Schools-NYC
Revenue and Support													
State and local per-pupil operating revenue	$ 6,543,953	$ -	$ 3,792,696	$ 3,706,403	$ 4,187,135	$ 3,434,718	$ 4,520,834	$ 3,239,460	$ 3,873,626	$ 1,867,288	$ -	$ 1,704,208	$ 278,243,167
Government grants	284,695	-	548,604	935,462	590,149	340,284	983,915	583,269	314,844	227,518	-	463,532	18,422,986
Donated services (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	121,952
Interest and other income	63,143	-	6,340	3,684	9,987	5,171	20,459	5,355	-	4,751	-	8,362	671,715
Total Revenue and Support	6,891,791	-	4,347,640	4,645,549	4,787,271	3,780,173	5,525,208	3,828,084	4,188,470	2,099,557	-	2,176,102	297,459,820
Expenses													
Program services:													
General education	7,602,821	-	2,768,895	3,668,161	4,167,137	2,986,970	4,184,319	2,727,462	1,134,083	1,389,596	126,875	2,006,709	186,032,664
Special education	3,105,378	-	1,130,957	1,498,263	1,702,070	1,220,030	1,709,088	1,114,034	463,217	567,581	51,822	819,642	75,985,176
Total Program Services	10,708,199	-	3,899,852	5,166,424	5,869,207	4,207,000	5,893,407	3,841,496	1,597,300	1,957,177	178,697	2,826,351	262,017,840
Supporting services:													
General and administrative	887,818	-	354,026	461,547	498,214	371,586	515,917	344,302	183,297	171,312	15,539	227,754	24,398,942
Total Expenses	11,596,017	-	4,253,878	5,627,971	6,367,421	4,578,586	6,409,324	4,185,798	1,780,597	2,128,489	194,236	3,054,105	286,416,782
Change in Net Assets	(4,704,226)	-	93,762	(982,422)	(1,580,150)	(798,413)	(884,116)	(357,714)	2,407,873	(28,932)	(194,236)	(878,003)	11,043,038
Net Assets (Deficit), beginning of year	(11,573,667)	(277,203)	126,416	(1,622,805)	(1,536,755)	(1,071,492)	(1,444,527)	(277,246)	(1,203,719)	-	-	-	11,693,778
Net Assets (Deficit), end of year	$(16,277,893)	$ (277,203)	$ 220,178	$ (2,605,227)	$ (3,116,905)	$ (1,869,905)	$ (2,328,643)	$ (634,960)	$ 1,204,154	$ (28,932)	$ (194,236)	$ (878,003)	$ 22,736,816

Success Academy Charter Schools - NYC

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed through the New York State Education Department:				
Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)	84.010	Not Applicable	-	$ 5,997,923
Supporting Effective Instruction State Grants	84.367	Not Applicable	-	518,847
Student Support and Academic Enrichment Program	84.424	Not Applicable	-	257,551
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027	Not Applicable	-	2,002,280
Passed through Success Academy Charter Schools, Inc.:				
Charter Schools – Grants for Replication and Expansion of High-Quality Charter Schools Program-CSP	84.282M	Not Applicable	-	1,624,918
Total U.S. Department of Education				10,401,519
Total Expenditures of Federal Awards			-	$ 10,401,519

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, 2020

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, 2020. 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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Success Academy Charter Schools – NYC (SACS-NYC), which comprise the statement of financial position as of June 30, 2020, 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 27, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SACS-NYC's internal control. Accordingly, we do not express an opinion on the effectiveness of SACS-NYC's internal control.

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

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

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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 financial statements. 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 27, 2020

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622 Third Avenue, Suite 3100
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Success Academy Charter Schools – NYC's (SACS-NYC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SACS-NYC's major federal programs for the year ended June 30, 2020. 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.

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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, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

October 27, 2020

Success Academy Charter Schools – NYC

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	☐ Yes	☒ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.027	Special Education - Grants to States (IDEA, Part B)
84.282M	Charter Schools – Grants for Replication and Expansion of High-Quality Charter Schools Program-CSP

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.