

Sisulu-Walker Charter School of Harlem, Inc.

**Financial Statements
and
Independent Auditors' Report**

June 30, 2018

Sisulu-Walker Charter School of Harlem, Inc.

Financial Statements

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Independent Auditors' Report

To the Board of Trustees of
Sisulu-Walker Charter School of Harlem, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Sisulu-Walker Charter School of Harlem, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sisulu-Walker Charter School of Harlem, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Sisulu-Walker Charter School of Harlem, Inc.'s 2017 financial statements, and our report dated October 27, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 25, 2018, on our consideration of Sisulu-Walker Charter School of Harlem, Inc.'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 Sisulu-Walker Charter School of Harlem, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Vargas & Rivera, LLP". The signature is written in a cursive, flowing style.

New City, New York

October 25, 2018

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Financial Position
June 30, 2018
(With Summarized Comparative Information For June 30, 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash	\$ 728,120	\$ 626,812
Due from Government Agencies (Note 3)	181,326	52,868
Prepaid Expenses	-	39,784
Total Current Assets	909,446	719,464
<u>Fixed Assets</u>		
Leasehold Improvements	118,077	114,387
Equipment, Furniture and Fixtures	715,782	703,748
	833,859	818,135
Less: Accumulated Depreciation	(720,819)	(682,061)
Total Fixed Assets	113,040	136,074
<u>Other Assets</u>		
Security Deposits	37,500	37,500
Total Other Assets	37,500	37,500
Total Assets	<u>\$ 1,059,986</u>	<u>\$ 893,038</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 73,157	\$ 98,558
Accrued Payroll and Related Expenses	236,838	216,004
Total Current Liabilities / Total Liabilities	309,995	314,562
<u>Net Assets</u>	<u>749,991</u>	<u>578,476</u>
Total Liabilities and Net Assets	<u>\$ 1,059,986</u>	<u>\$ 893,038</u>

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Activities
For the year ended June 30, 2018
(With Summarized Comparative Information For The Year Ended June 30, 2017)

<u>PUBLIC SUPPORT AND REVENUE</u>	Unrestricted	Temporarily Restricted	2018	2017
Resident Student Enrollment	\$ 3,507,441	\$ -	\$ 3,507,441	\$ 3,211,712
Federal Funding	-	155,592	155,592	122,175
State Funding	-	77,834	77,834	95,805
Corporate Contributions	36,209	-	36,209	37,671
Interest Income	2,266	-	2,266	1,017
Total Public Support and Revenue	3,545,916	233,426	3,779,342	3,468,380
Net Assets Released From Restrictions	233,426	(233,426)	-	-
Total Support and Revenue	3,779,342	-	3,779,342	3,468,380
<u>EXPENSES</u>				
<u>Program Services</u>				
Regular Education	2,094,550	-	2,094,550	2,367,736
Special Education	957,364	-	957,364	575,512
	3,051,914	-	3,051,914	2,943,248
<u>Supporting Services</u>				
Management and General	555,913	-	555,913	489,712
Total Expenses	3,607,827	-	3,607,827	3,432,960
Change in Unrestricted Net Assets	171,515	-	171,515	35,420
Net Asset Adjustment (Note 9)	-	-	-	(27,654)
Net Assets at Beginning of Year	578,476	-	578,476	570,710
Net Assets at End of Year	\$ 749,991	\$ -	\$ 749,991	\$ 578,476

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Cash Flows
For the year ended June 30, 2018
(With Summarized Comparative Information For The Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Resident Student Enrollment	\$ 3,375,126	\$ 3,261,405
Receipts from Grants and Contributions	273,492	238,686
Receipts from Other Revenue	2,266	1,017
Payments to Employees	(2,455,000)	(2,293,575)
Payments to Vendors and Suppliers	<u>(1,078,852)</u>	<u>(1,235,040)</u>
Net Cash (Used In) Provided by Operating Activities	<u>117,032</u>	<u>(27,507)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments for Leasehold Improvements	(3,690)	(7,952)
Purchases of Equipment, Furniture and Fixtures	<u>(12,034)</u>	<u>(18,027)</u>
Net Cash Used In Investing Activities	<u>(15,724)</u>	<u>(25,979)</u>
NET INCREASE IN CASH	101,308	(53,486)
CASH AT BEGINNING OF YEAR	<u>626,812</u>	<u>680,298</u>
CASH AT END OF YEAR	<u><u>\$ 728,120</u></u>	<u><u>\$ 626,812</u></u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Unrestricted Net Assets	<u>\$ 171,515</u>	<u>\$ 35,420</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	38,758	37,713
Net Asset Adjustment	-	(27,654)
Changes in Assets and Liabilities		
(Increase) / Decrease in:		
Due from Government Agencies	(128,458)	60,381
Prepaid Expenses	39,784	(13,701)
Increase / (Decrease) in:		
Accounts Payable and Accrued Expenses	(25,401)	(118,910)
Accrued Payroll and Related Expenses	<u>20,834</u>	<u>(756)</u>
Total Adjustments	<u>(54,483)</u>	<u>(62,927)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 117,032</u></u>	<u><u>\$ (27,507)</u></u>

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2018

NOTE 1 - ORGANIZATION

Sisulu-Walker Charter School of Harlem, Inc. (the "School") is a charter school for children located in Harlem, New York. In fiscal year 2014, the School operated grades kindergarten through fifth. It educates children in a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The School was chartered during August 1999 and the first classes were offered during the 1999-2000 school year. Charter was renewed in 2016 and extended thru 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time.

Use of Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The School records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulation time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions received in the year ended 2018 were unrestricted.

Recognition of Revenue

Government contract revenue is recognized as earned in the period services are provided and costs are incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid investments available for current use with an initial period of three months or less to be cash equivalents.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status

The School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The School files the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2018, the School is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to June 30, 2015. The tax returns for the years ended June 30, 2015 through June 30, 2017 are still subject to potential audit by the IRS. Management of the School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Leasehold Improvements Furniture and Fixtures, and Equipment

Leasehold improvements, furniture and equipment are valued at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets or the term of the lease agreement. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period. The School capitalizes assets with cost of \$500 and over. Depreciation is calculated based on the useful lives of the assets as follows: Leasehold Improvements 5 Years, Equipment and Furniture 3 - 7 Years.

Functional Allocation of Expenses

Expenses relating to more than one function are allocated to program service and management and general based on employee time estimates or other appropriate usage factors.

Contributed Services

Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

Comparative Financial Information

The June 30, 2017 financial statements include certain prior year summarized comparative information in total but not by net asset class. As a result, the June 30, 2017 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2017 information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2018

NOTE 3 – DUE FROM GOVERNMENT AGENCIES

Under the School's Charter School Agreement and the Charter School Act, the School is entitled to receive funding from both State and Federal sources that are available to public schools. These funds include State pupil enrollment funds and Federal food subsidies and Title I, IIA, IID, IV and V funds. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school district of the children enrolled in the school. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly. As of June 30, 2018, \$181,326 is due from government agencies.

NOTE 4 – DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the Plan is voluntary. Employees may contribute up to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was \$40,362 for 2018. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NOTE 5 – CONSULTANTS - EDUCATION

In January 2007, the School entered into an agreement with Victory Schools, Inc. (VSI) d/b/a Victory Education Partners (VEP) to provide services related to certain education and operational aspects of the School. Victory serves as an advisor regarding functions associated with the educational services to be provided to the students at the School and consults with the School with respect to its legal and operational compliance in accordance with the terms of the charter and the Charter School Act. In providing the above services, VEP is paid a service fee in the amount equal to the product of the total full-time equivalent enrollment of students in the Charter School as defined under Section 119.1 of the New York State Commissioner of Education Regulations multiplied by one thousand four hundred seventy-nine dollars (\$1,511) (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 Per Pupil for charter schools in the New York City school district as calculated by the New York State Education Department annually. As of fiscal year end June 30, 2017, the School pays a flat annual fee of \$200,000.

NOTE 6 – COMMITMENTS

Occupancy Lease

The School is paying rent for space for classroom instruction and administration activity under a month-to-month lease. Monthly rental payments total \$39,784. For the fiscal year ended June 30, 2018, rent expense paid was \$477,405.

Operating Lease

The School entered into an operating lease agreement for equipment on August 22, 2017. The lease begins on September 1, 2017 and calls for monthly payments of \$2,550 and expires on November 30, 2021. Future minimum rental payments under the terms of this lease are as follows:

Year Ending June 30,	Amount
2019	\$ 30,600
2020	30,600
2021	12,750
	<u>\$ 73,950</u>

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2018

NOTE 7 – CONTINGENCY

The School participates in a number of Federal and State programs. These programs require the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the program in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for such liability that may result has been made in the accompanying financial statements.

NOTE 8 – CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at major financial institutions which, at times may exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 and Due from Government Agencies. Management believes that there is little risk in any losses and has not experienced any losses in such accounts. Management also believes that credit risk with respect to Due from Government Agencies is limited since the amounts are due from local and federal government programs.

The School is dependent on various government agencies for funding, and is responsible for meeting the requirements of such agencies. If the school was to lose students or the related government funding, it could have a substantial effect on its ability to continue operations.

NOTE 9 – NET ASSET ADJUSTMENT

For the fiscal years ended June 30, 2016 and 2015, the School overstated the resident student enrollment by \$27,654. The overstatement was due to improper billing of a student who was discharged.

NOTE 10 – SUBSEQUENT EVENTS

The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 25, 2018, for these financial statements.

Supplemental Information

Sisulu-Walker Charter School of Harlem, Inc.
Schedule of Functional Expenses
For the year ended June 30, 2018
(With Summarized Comparative Information For The Year Ended June 30, 2017)

	Regular Education	Special Education	Total Programs	Support Services	2018	2017
<u>Personnel Service Costs</u>						
Salaries						
Administrative Staff Personnel	\$ 150,336	\$ 93,960	244,296	\$ 131,544	\$ 375,840	370,151
Instructional Personnel	1,000,002	438,482	1,438,484	-	1,438,484	1,324,933
Non-Instructional Personnel	-	-	-	192,926	192,926	189,149
Total Personnel Costs	1,150,338	532,442	1,682,780	324,470	2,007,250	1,884,233
Fringe Benefits	176,126	81,521	257,647	20,140	277,787	217,042
Payroll Taxes	95,380	44,148	139,528	10,907	150,435	159,343
Retirement Benefits	25,591	11,845	37,436	2,926	40,362	32,201
Total Personnel and Related Expenses	297,097	137,514	434,611	33,973	468,584	408,586
<u>Operating Expenses</u>						
Consultants - Education (Note 5)	89,045	41,215	130,260	10,182	140,442	55,737
Legal	-	-	-	3,901	3,901	6,625
Food	-	-	-	-	-	6,773
Insurance	28,675	13,273	41,948	3,279	45,227	60,695
Supplies and Materials	31,016	9,247	40,263	1,248	41,511	100,558
Technology	15,859	7,340	23,199	1,814	25,013	18,883
Occupancy	304,605	140,989	445,594	34,832	480,426	480,176
Utilities	33,623	15,563	49,186	3,845	53,031	65,390
Student Services	32,555	11,646	44,201	-	44,201	90,707
Staff Development	5,919	1,962	7,881	327	8,208	28,547
Marketing and Recruitment	22,497	7,608	30,105	1,310	31,415	24,808
Accounting and Audit Fees	-	-	-	127,209	127,209	68,076
Office Expenses	32,379	14,987	47,366	3,703	51,069	53,565
Maintenance and Repairs	15,623	7,231	22,854	1,786	24,640	22,534
Equipment and Furnishings	4,027	1,864	5,891	460	6,351	117
Depreciation	24,574	11,374	35,948	2,810	38,758	37,712
Other Expenses	6,718	3,109	9,827	764	10,591	19,238
Total Operating Expenses	647,115	287,408	934,523	197,470	1,131,993	1,140,141
TOTAL EXPENSES	\$ 2,094,550	\$ 957,364	\$ 3,051,914	\$ 555,913	\$ 3,607,827	\$ 3,432,960



**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
Sisulu-Walker Charter School of Harlem, Inc.
New York, New York

We have audited, 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, the financial statements of Sisulu-Walker Charter School of Harlem, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018 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 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sisulu-Walker Charter School of Harlem, Inc.'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 Sisulu-Walker Charter School of Harlem, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sisulu-Walker Charter School of Harlem, Inc.'s financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Vargas & Rivera, LLP". The signature is written in a cursive, flowing style.

New City, New York

October 25, 2018



**VARGAS &
RIVERA, LLP**
Certified Public Accountants and Consultants

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To the Board of Trustees of
Sisulu-Walker Charter School of Harlem, Inc.
New York, New York

In planning and performing our audit of the financial statements of Sisulu-Walker Charter School of Harlem, Inc. as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Sisulu-Walker Charter School of Harlem, Inc.'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 the Organization'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We have other observations and recommendations that are opportunities for strengthening internal control and/or operating efficiency, presented in Addendum A to this letter.

This communication is intended solely for the information and use of management, Board of Trustees, The Charter Schools Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

Vargas & Rivera, LLP

New City, New York
October 25, 2018

Addendum A

Other Observations and Recommendations for Strengthening Internal Control and/or Operating Efficiency

1. Maintenance of Student Records

We noted the following exceptions during our test of 40 student files:

- a) Six student files did not have a proof of parents identification
- b) Two student files did not contain birth certificate
- c) Two student files did not contain proof of residency

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized periodically to insure that information is complete and updated for each student file. Even though the School was able to provide us with some of the missing documentation, management should follow up to obtain the missing information for student files. All current and new student files should be annually reviewed by the School to ensure that adequate follow-up with the student's parent or guardian can be made to obtain missing student records.

2. Debit Card

During our audit, we noted the School is using a debit card. While the debit cards provide benefits to the School, they can also provide significant opportunity for fraud if not properly monitored. Upon review of 105 debit card and electronic withdrawals, we noted that eight (8) did not have proper documentation to support the transactions.

In an effort to ensure that all debit card purchases and electronic withdrawals are valid and properly documented, we recommend that management establish a written policy in the Accounting and Finance Procedures Manual. The procedures the School determines are necessary to monitor debit card charges and electronic withdrawals should be documented and then strictly followed. Strong controls over debit card charges and electronic withdrawals will protect the School from unauthorized or fraudulent transactions.



THE SISULU-WALKER

CHARTER SCHOOL OF HARLEM

New York State's First Charter School

October 30, 2018

Subject: Management Response to Vargas & Rivera, LLP Audit Letter Dated October 25, 2018

Finding: Maintenance of Student Records

We noted the following exceptions during our test of 40 student files:

- a) Six student files note not have a proof of parent identification
- b) Two student files did not contain birth certificate
- c) Two student files did not contain proof of residency

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized periodically to ensure that information is complete and updated for each student file. Even though the School was able to provide us with some of the missing documentation, management should follow up to obtain the missing information for student files. All current and new student files should be annually reviewed by the School to ensure that adequate follow-up with the student's parent or guardian can be made to obtain missing student records.

Management Response: We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new procedures have already been implemented to review all student files to make sure all required documents are present in the files.

Finding: Debit Card

During our audit, we noted the School is using a debit card. While the debit card provides benefits to the School, they can also provide significant opportunity for fraud if not properly monitored. Upon review of 105 debit card and electronic withdrawals, we noted that eight (8) did not have proper documentation to support the transactions.

In an effort to ensure that all debit card purchases and electronic withdrawals are valid and properly documented, we recommend that management establish a written policy in the Accounting and Finance Procedures Manual. The procedures the School determines are necessary to monitor debit card charges and electronic withdrawals should be documented and then strictly followed. Strong controls over debit card charges and electronic withdrawals will protect the School from unauthorized or fraudulent transactions.

Management Response: We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new

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procedures have been added to the manual and implemented concerning use of the debit card and electronic withdrawals.



Michelle Haynes, Principal