

Sisulu-Walker Charter School of Harlem, Inc.

**Financial Statements
and
Independent Auditors' Report**

June 30, 2014

Sisulu-Walker Charter School of Harlem, Inc.

Financial Statements

Table of Contents

Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
Supplemental Information	
Schedule of Functional Expenses	11
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	12 - 13



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, 2014, 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, 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014, 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 purple ink that reads "Vargas & Rivera, LLP". The signature is written in a cursive, flowing style.

New City, New York

October 9, 2014

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Financial Position
June 30, 2014

ASSETS

Current Assets	
Cash	\$ 230,025
Due from Government Agencies (Note 3)	69,829
Prepaid Expenses	<u>41,613</u>
Total Current Assets	<u>341,467</u>
Fixed Assets	
Leasehold Improvements	77,145
Equipment, Furniture and Fixtures	<u>582,139</u>
	659,284
Less: Accumulated Depreciation	<u>(590,753)</u>
Total Fixed Assets	<u>68,531</u>
Other Assets	
Security Deposits	<u>37,500</u>
Total Other Assets	<u>37,500</u>
Total Assets	<u><u>\$ 447,498</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 52,252
Accrued Payroll and Related Expenses	177,909
Management Fee Payable (Note 5)	<u>1,394</u>
Total Current Liabilities / Total Liabilities	<u>231,555</u>
<u>Net Assets</u>	<u>215,943</u>
Total Liabilities and Net Assets	<u><u>\$ 447,498</u></u>

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Activities
For the year ended June 30, 2014

<u>PUBLIC SUPPORT AND REVENUE</u>	Unrestricted	Temporarily Restricted	Total
Resident Student Enrollment	\$ 3,249,175	\$ -	\$ 3,249,175
Food Service	-	95,452	95,452
Federal Funding	-	140,871	140,871
State Funding	-	18,831	18,831
Corporate Contributions	27,593	-	27,593
Interest Income	188	-	188
Total Public Support and Revenue	3,276,956	255,154	3,532,110
Net Assets Released From Restrictions	255,154	(255,154)	-
Total Support and Revenue	3,532,110	-	3,532,110
<u>EXPENSES</u>			
<u>Program Services</u>			
Regular Education	2,303,932	-	2,303,932
Special Education	248,572	-	248,572
	2,552,504	-	2,552,504
<u>Supporting Services</u>			
Management and General	807,553	-	807,553
Total Expenses	3,360,057	-	3,360,057
Change in Unrestricted Net Assets	172,053	-	172,053
Net Assets, Beginning of Year	43,890	-	43,890
Net Assets, End of Year	\$ 215,943	\$ -	\$ 215,943

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Cash Flows
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Unrestricted Net Assets	\$ 172,053
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	25,907
Changes in Assets and Liabilities	
(Increase) / Decrease in:	
Due from Government Agencies	(16,748)
Prepaid Expenses	16,827
Increase / (Decrease) in:	
Accounts Payable and Accrued Expenses	(79,028)
Accrued Payroll and Related Expenses	(20,110)
Deferred Revenue	(27,054)
Management Fee Payable	(55,217)
Total Adjustments	<u>(155,423)</u>
Net Cash Provided by Operating Activities	<u>16,630</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Equipment, Furniture and Fixtures	<u>(6,072)</u>
Net Cash Used In Investing Activities	<u>(6,072)</u>

NET INCREASE IN CASH	10,558
CASH - BEGINNING OF YEAR	<u>219,467</u>
CASH - END OF YEAR	<u><u>\$ 230,025</u></u>

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2014

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 2011 and extended thru 2016.

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 2014 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.

Income Tax Status

The School is a not-for-profit corporation organized under the laws of the State of New York. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2014, \$69,829 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 \$33,352 for 2014. 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.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2014

NOTE 5 – MANAGEMENT FEE

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 (\$1,479) (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.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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.

Operating Lease

The School entered into an operating lease agreement for equipment on September 2, 2012. The lease expires on December 2, 2015, and calls for monthly payments of \$1,769.50 beginning October 2, 2012. Future minimum rental payments under the terms of this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 21,234
2016	<u>10,617</u>
	<u><u>\$ 31,851</u></u>

Audits by Funding Sources

The School participates in a number of Federal and State programs. These programs require that the School complies with certain requirement 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 result of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 7 – CONCENTRATION OF RISK

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.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2014

NOTE 8 – 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 9, 2014, for these financial statements.

Supplemental Information

Sisulu-Walker Charter School of Harlem, Inc.
Schedule of Functional Expenses
For the year ended June 30, 2014

	Regular Education	Special Education	Total Programs	Support Services	Total
<u>Personnel Service Costs</u>					
Salaries					
Administrative Staff Personnel	\$ 259,221	\$ 28,024	\$ 287,245	\$ 63,054	\$ 350,299
Instructional Personnel	910,611	87,123	997,734	-	997,734
Non-Instructional Personnel	4,038	11,502	15,540	115,725	131,265
Total Personnel Costs	<u>1,173,870</u>	<u>126,649</u>	<u>1,300,519</u>	<u>178,779</u>	<u>1,479,298</u>
Fringe Benefits	155,176	16,742	171,918	23,633	195,551
Payroll Taxes	113,695	12,267	125,962	17,316	143,278
Retirement Benefits	26,466	2,855	29,321	4,031	33,352
Total Personnel and Related Expenses	<u>1,469,207</u>	<u>158,513</u>	<u>1,627,720</u>	<u>223,759</u>	<u>1,851,479</u>
<u>Operating Expenses</u>					
Management Fee (Note 5)	-	-	-	338,808	338,808
Consultants - Education	5,652	610	6,262	861	7,123
Legal	-	-	-	81,737	81,737
Food	83,445	9,003	92,448	12,709	105,157
Insurance	31,169	3,363	34,532	28,868	63,400
Supplies and Materials	82,853	8,939	91,792	12,618	104,410
Technology	35,702	3,852	39,554	5,437	44,991
Occupancy	380,533	41,056	421,589	57,955	479,544
Utilities	58,089	6,267	64,356	8,847	73,203
Student Services	44,632	4,815	49,447	6,797	56,244
Staff Development	17,724	1,912	19,636	2,699	22,335
Marketing and Recruitment	9,954	1,074	11,028	1,516	12,544
Auditing Fees	-	-	-	12,000	12,000
Office Expenses	10,320	1,113	11,433	1,572	13,005
Maintenance and Repairs	23,189	2,502	25,691	3,532	29,223
Equipment and Furnishings	21,517	2,322	23,839	3,277	27,116
Depreciation	20,557	2,218	22,775	3,131	25,906
Other Expenses	9,389	1,013	10,402	1,430	11,832
Total Operating Expenses	<u>834,725</u>	<u>90,059</u>	<u>924,784</u>	<u>583,794</u>	<u>1,508,578</u>
TOTAL EXPENSES	<u><u>\$ 2,303,932</u></u>	<u><u>\$ 248,572</u></u>	<u><u>\$ 2,552,504</u></u>	<u><u>\$ 807,553</u></u>	<u><u>\$ 3,360,057</u></u>



**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, 2014 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 9, 2014.

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. 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 9, 2014