

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

**Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2013**

**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, 2013, 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 10 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 September 27, 2013, 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  
September 27, 2013

Sisulu-Walker Charter School of Harlem, Inc.  
Statement of Financial Position  
June 30, 2013

**ASSETS**

Current Assets

|                                       |                |
|---------------------------------------|----------------|
| Cash and Cash Equivalents             | \$ 219,467     |
| Due from Government Agencies (Note 3) | 53,081         |
| Prepaid Expenses                      | <u>58,440</u>  |
| Total Current Assets                  | <u>330,988</u> |

Fixed Assets

|                                   |                  |
|-----------------------------------|------------------|
| Leasehold Improvements            | 77,145           |
| Equipment, Furniture and Fixtures | <u>576,067</u>   |
|                                   | 653,212          |
| Less: Accumulated Depreciation    | <u>(564,846)</u> |
| Total Fixed Assets                | <u>88,366</u>    |

Other Assets

|                    |               |
|--------------------|---------------|
| Security Deposits  | <u>37,500</u> |
| Total Other Assets | <u>37,500</u> |

|              |                          |
|--------------|--------------------------|
| Total Assets | <u><u>\$ 456,854</u></u> |
|--------------|--------------------------|

**LIABILITIES AND NET ASSETS**

Current Liabilities

|   |                |
|---|----------------|
| Accounts Payable and Accrued Expenses         | \$ 131,280     |
| Accrued Payroll and Related Expenses          | 198,019        |
| Deferred Revenue                              | 27,054         |
| Management Fee Payable (Note 5)               | <u>56,611</u>  |
| Total Current Liabilities / Total Liabilities | <u>412,964</u> |

Net Assets

|                                  |                          |
|----------------------------------|--------------------------|
| Net Deficit                      | <u>43,890</u>            |
| Total Net Assets                 | <u>43,890</u>            |
| Total Liabilities and Net Assets | <u><u>\$ 456,854</u></u> |

Sisulu-Walker Charter School of Harlem, Inc.  
Statement of Activities  
For the year ended June 30, 2013

| <b><u>PUBLIC SUPPORT AND REVENUE</u></b> | Unrestricted     | Temporarily<br>Restricted | Total            |
|--|------------------|---------------------------|------------------|
| Resident Student Enrollment              | \$ 3,333,346     | \$ -                      | \$ 3,333,346     |
| Food Service                             | -                | 93,244                    | 93,244           |
| Federal Funding                          | -                | 154,009                   | 154,009          |
| State Funding                            | -                | 22,095                    | 22,095           |
| Corporate Contributions                  | 25,877           | -                         | 25,877           |
| Interest Income                          | 211              | -                         | 211              |
|  | <hr/>            | <hr/>                     | <hr/>            |
| Total Public Support and Revenue         | 3,359,434        | 269,348                   | 3,628,782        |
|  | <hr/>            | <hr/>                     | <hr/>            |
| Net Assets Released From Restrictions    | 269,348          | (269,348)                 | -                |
|  | <hr/>            | <hr/>                     | <hr/>            |
| Total Support and Revenue                | 3,628,782        | -                         | 3,628,782        |
|  | <hr/>            | <hr/>                     | <hr/>            |
| <b><u>EXPENSES</u></b>                   |                  |                           |                  |
| <u>Program Services</u>                  |                  |                           |                  |
| Regular Education                        | 2,531,875        | -                         | 2,531,875        |
| Special Education                        | 276,787          | -                         | 276,787          |
|  | <hr/>            | <hr/>                     | <hr/>            |
|  | 2,808,662        | -                         | 2,808,662        |
|  | <hr/>            | <hr/>                     | <hr/>            |
| <u>Supporting Services</u>               |                  |                           |                  |
| Management and General                   | 771,976          | -                         | 771,976          |
|  | <hr/>            | <hr/>                     | <hr/>            |
| Total Expenses                           | 3,580,638        | -                         | 3,580,638        |
|  | <hr/>            | <hr/>                     | <hr/>            |
| <b>Change in Unrestricted Net Assets</b> | 48,144           | -                         | 48,144           |
|  | <hr/>            | <hr/>                     | <hr/>            |
| Net Assets, Beginning of Year            | (4,254)          | -                         | (4,254)          |
|  | <hr/>            | <hr/>                     | <hr/>            |
| <b>Net Deficit, End of Year</b>          | <u>\$ 43,890</u> | <u>\$ -</u>               | <u>\$ 43,890</u> |

Sisulu-Walker Charter School of Harlem, Inc.  
Statement of Cash Flows  
For the year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

|  |           |
|--|-----------|
| Change in Unrestricted Net Assets                | \$ 48,144 |
| Adjustments to Reconcile Change in Net Assets to |           |
| Net Cash Provided by Operating Activities:       |           |
| Depreciation                                     | 34,234    |
| Changes in Assets and Liabilities                |           |
| (Increase) / Decrease in:                        |           |
| Due from Government Agencies                     | 75,725    |
| Accounts Receivable                              | 1,115     |
| Prepaid Expenses                                 | (17,904)  |
| Increase / (Decrease) in:                        |           |
| Accounts Payable and Accrued Expenses            | 65,520    |
| Accrued Payroll and Related Expenses             | (7,269)   |
| Deferred Revenue                                 | 27,054    |
| Management Fee Payable                           | (3,389)   |
| Total Adjustments                                | 175,086   |
| Net Cash Provided by Operating Activities        | 223,230   |

CASH FLOWS FROM INVESTING ACTIVITIES

|  |          |
|--|----------|
| Purchases of Equipment, Furniture and Fixtures | (38,899) |
| Net Cash Used In Investing Activities          | (38,899) |

CASH FLOWS FROM FINANCING ACTIVITIES:

|                                       |         |
|---------------------------------------|---------|
| Capital Lease Obligation              | (9,872) |
| Net Cash Used In Financing Activities | (9,872) |

|                          |            |
|--------------------------|------------|
| NET INCREASE IN CASH     | 174,459    |
| CASH - BEGINNING OF YEAR | 45,008     |
| CASH - END OF YEAR       | \$ 219,467 |

Sisulu-Walker Charter School of Harlem, Inc.  
Notes to the Financial Statements  
June 30, 2013

**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 2013, 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 2013 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, 2013

**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, 2013, \$53,081 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 \$44,205 for 2013. 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, 2013

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<br/>June 30,</u> | <u>Amount</u>           |
|---------------------------------|-------------------------|
| 2014                            | \$ 21,234               |
| 2015                            | 21,234                  |
| 2016                            | <u>10,617</u>           |
|                                 | <u><u>\$ 53,085</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, 2013

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 September 27, 2013, for these financial statements.

## Supplemental Information

Sisulu-Walker Charter School of Harlem, Inc.  
Schedule of Functional Expenses  
For the year ended June 30, 2013

|                                       | Regular<br>Education           | Special<br>Education         | Total<br>Programs              | Support<br>Services          | Total                          |
|---------------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| <b><u>Personnel Service Costs</u></b> |                                |                              |                                |                              |                                |
| Salaries                              |                                |                              |                                |                              |                                |
| Administrative Staff Personnel        | \$ 287,912                     | \$ 31,126                    | \$ 319,038                     | \$ 70,033                    | \$ 389,071                     |
| Instructional Personnel               | 989,313                        | 109,536                      | 1,098,849                      | -                            | 1,098,849                      |
| Non-Instructional Personnel           | 21,047                         | 1,266                        | 22,313                         | 113,114                      | 135,427                        |
| Total Personnel Costs                 | <u>1,298,272</u>               | <u>141,928</u>               | <u>1,440,200</u>               | <u>183,147</u>               | <u>1,623,347</u>               |
| <br>Fringe Benefits                   | <br>121,501                    | <br>13,283                   | <br>134,784                    | <br>17,140                   | <br>151,924                    |
| Payroll Taxes                         | 188,707                        | 20,629                       | 209,336                        | 26,621                       | 235,957                        |
| Retirement Benefits                   | 35,353                         | 3,865                        | 39,218                         | 4,987                        | 44,205                         |
| Total Personnel and Related Expenses  | <u>1,643,833</u>               | <u>179,705</u>               | <u>1,823,538</u>               | <u>231,895</u>               | <u>2,055,433</u>               |
| <br><b><u>Operating Expenses</u></b>  |                                |                              |                                |                              |                                |
| Management Fee (Note 5)               | -                              | -                            | -                              | 348,443                      | 348,443                        |
| Consultants - Education               | 30,311                         | 3,314                        | 33,625                         | 4,276                        | 37,901                         |
| Legal                                 | -                              | -                            | -                              | 38,225                       | 38,225                         |
| Food                                  | 81,473                         | 8,907                        | 90,380                         | 11,493                       | 101,873                        |
| Insurance                             | 28,546                         | 3,121                        | 31,667                         | 20,282                       | 51,949                         |
| Supplies and Materials                | 140,331                        | 15,341                       | 155,672                        | 19,797                       | 175,469                        |
| Technology                            | 29,697                         | 3,246                        | 32,943                         | 4,189                        | 37,132                         |
| Occupancy                             | 384,825                        | 42,069                       | 426,894                        | 54,287                       | 481,181                        |
| Utilities                             | 53,677                         | 5,868                        | 59,545                         | 7,572                        | 67,117                         |
| Student Services                      | 7,168                          | 784                          | 7,952                          | 1,011                        | 8,963                          |
| Staff Development                     | 16,438                         | 1,797                        | 18,235                         | 2,319                        | 20,554                         |
| Marketing and Recruitment             | 6,264                          | 685                          | 6,949                          | 884                          | 7,833                          |
| Auditing Fees                         | -                              | -                            | -                              | 11,882                       | 11,882                         |
| Office Expenses                       | 15,039                         | 1,644                        | 16,683                         | 2,122                        | 18,805                         |
| Maintenance and Repairs               | 35,846                         | 3,919                        | 39,765                         | 5,057                        | 44,822                         |
| Equipment and Furnishings             | 13,885                         | 1,518                        | 15,403                         | 1,959                        | 17,362                         |
| Depreciation                          | 27,379                         | 2,993                        | 30,372                         | 3,862                        | 34,234                         |
| Other Expenses                        | 17,163                         | 1,876                        | 19,039                         | 2,421                        | 21,460                         |
| Total Operating Expenses              | <u>888,042</u>                 | <u>97,082</u>                | <u>985,124</u>                 | <u>540,081</u>               | <u>1,525,205</u>               |
| <br><b>TOTAL EXPENSES</b>             | <br><u><u>\$ 2,531,875</u></u> | <br><u><u>\$ 276,787</u></u> | <br><u><u>\$ 2,808,662</u></u> | <br><u><u>\$ 771,976</u></u> | <br><u><u>\$ 3,580,638</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, 2013 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

**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.

*Vargas & Rivera, LLP*

New City, New York  
September 27, 2013