

Sisulu-Walker Charter School of Harlem, Inc.

**Financial Statements
and
Independent Auditors' Report**

June 30, 2022

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sisulu-Walker Charter School of Harlem, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sisulu-Walker Charter School of Harlem, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- * Exercise professional judgment and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit 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 Sisulu-Walker Charter School of Harlem, Inc's internal control. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sisulu-Walker Charter School of Harlem, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Sisulu-Walker Charter School of Harlem, Inc.'s 2021 financial statements, and our report dated October 27, 2021, 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, 2021, 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, 2022, 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.



New City, New York

October 25, 2022

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Financial Position
June 30, 2022
(With Summarized Comparative Information For June 30, 2021)

ASSETS	2022	2021
Current Assets		
Cash and Cash Equivalents	\$ 341,913	\$ 810,997
Due from Government Agencies (Note 3)	334,923	209,151
Prepaid Expenses	-	17,900
Total Current Assets	676,836	1,038,048
Fixed Assets		
Leasehold Improvements	220,692	218,912
Equipment, Furniture and Fixtures	996,720	950,502
	1,217,412	1,169,414
Less: Accumulated Depreciation	(923,944)	(845,619)
Total Fixed Assets	293,468	323,795
Other Assets		
Security Deposits	37,500	37,500
Total Other Assets	37,500	37,500
Total Assets	\$ 1,007,804	\$ 1,399,343
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 130,627	\$ 121,438
Accrued Payroll and Related Expenses	247,706	348,929
Total Liabilities	378,333	470,367
Net Assets		
Net Assets Without Donor Restrictions	629,471	928,976
Total Liabilities and Net Assets	\$ 1,007,804	\$ 1,399,343

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Activities
For the year ended June 30, 2022
(With Summarized Comparative Information For The Year Ended June 30, 2021)

NET ASSETS WITHOUT DONOR RESTRICTIONS

PUBLIC SUPPORT AND REVENUE

	2022	2021
Resident Student Enrollment	\$ 3,263,593	\$ 3,632,551
Grants and Contracts		
Federal Funding	606,524	260,313
PPP Loan Forgiveness	-	456,000
Corporate Contributions	19,038	114,947
Interest Income	1,701	4,716
Total Public Support and Revenue	3,890,856	4,468,527

EXPENSES

Program Services		
Regular Education	2,049,006	2,053,797
Special Education	1,433,913	1,604,614
Total Program Expenses	3,482,919	3,658,411
Supporting Services		
Management and General	707,442	571,878
Total Expenses	4,190,361	4,230,289
Total Change in Net Assets	(299,505)	238,238
Net Assets, Beginning of Year	928,976	690,738
Net Assets, End of Year	\$ 629,471	\$ 928,976

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Functional Expenses
For the year ended June 30, 2022
(With Summarized Comparative Information For The Year Ended June 30, 2021)

	<u>Regular Education</u>	<u>Special Education</u>	<u>Total Programs</u>	<u>Support Services</u>	<u>2022</u>	<u>2021</u>
<u>Personnel Service Costs</u>						
Salaries						
Administrative Staff Personnel	\$ 205,235	\$ 128,272	333,507	\$ 179,580	\$ 513,087	409,508
Instructional Personnel	879,311	635,809	1,515,120	-	1,515,120	1,754,203
Non-Instructional Personnel	-	-	-	220,040	220,040	170,874
Total Personnel Costs	<u>1,084,546</u>	<u>764,081</u>	<u>1,848,627</u>	<u>399,620</u>	<u>2,248,247</u>	<u>2,334,585</u>
Fringe Benefits	177,789	125,255	303,044	29,438	332,482	304,829
Payroll Taxes	100,371	70,713	171,084	16,620	187,704	186,893
Retirement Benefits	34,899	24,587	59,486	5,779	65,265	60,108
Total Personnel and Related Expenses	<u>313,059</u>	<u>220,555</u>	<u>533,614</u>	<u>51,837</u>	<u>585,451</u>	<u>551,830</u>
<u>Operating Expenses</u>						
Consultants - Education (Note 6)	97,634	68,785	166,419	16,166	182,585	154,410
Insurance	33,601	23,673	57,274	5,564	62,838	59,564
Supplies and Materials	5,402	5,712	11,114	1,579	12,693	77,133
Technology	15,423	10,866	26,289	2,554	28,843	56,441
Occupancy	257,340	181,301	438,641	42,611	481,252	480,517
Utilities	43,166	30,411	73,577	7,148	80,725	46,196
Student Services	14,213	3,465	17,678	-	17,678	3,538
Staff Development	24,433	17,214	41,647	4,046	45,693	79,534
Marketing and Recruitment	11,863	3,350	15,213	165	15,378	17,347
Accounting and Audit Fees	-	-	-	151,596	151,596	145,617
Office Expenses	58,251	41,039	99,290	9,645	108,935	101,395
Maintenance and Repairs	36,084	25,422	61,506	5,975	67,481	36,342
Equipment and Furnishings	2,519	1,775	4,294	417	4,711	2,369
Depreciation	41,883	29,508	71,391	6,935	78,326	54,479
Other Expenses	9,589	6,756	16,345	1,584	17,929	28,992
Total Operating Expenses	<u>651,401</u>	<u>449,277</u>	<u>1,100,678</u>	<u>255,985</u>	<u>1,356,663</u>	<u>1,343,874</u>
TOTAL EXPENSES	<u>\$ 2,049,006</u>	<u>\$ 1,433,913</u>	<u>\$ 3,482,919</u>	<u>\$ 707,442</u>	<u>\$ 4,190,361</u>	<u>\$ 4,230,289</u>

Sisulu-Walker Charter School of Harlem, Inc.
Statement of Cash Flows
For the year ended June 30, 2022
(With Summarized Comparative Information For The Year Ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Resident Student Enrollment	\$ 3,258,998	\$ 3,624,003
Receipts from Grants and Contributions	504,384	738,074
Receipts from Other Revenue	1,701	4,716
Payments to Employees	(2,934,921)	(2,840,815)
Payments to Vendors and Suppliers	(1,251,248)	(1,274,935)
	<u>(421,086)</u>	<u>251,043</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Leasehold Improvements	(1,780)	(84,395)
Purchases of Equipment, Furniture and Fixtures	(46,218)	(190,489)
	<u>(47,998)</u>	<u>(274,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Payable - Proceeds (Forgiveness)	-	(456,000)
	<u>-</u>	<u>(456,000)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(469,084)	(479,841)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	810,997	1,290,838
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 341,913	\$ 810,997
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and Cash Equivalents	\$ 265,751	\$ 734,883
Cash in Escrow	76,162	76,114
	<u>\$ 341,913</u>	<u>\$ 810,997</u>

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2022

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 2021 and extended thru August 9, 2026.

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.

Basis of Presentation

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. The School's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

All net assets of the School at June 30, 2022 were considered to be net assets without donor restrictions.

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.

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.

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur. As of June 30, 2022, the escrow account amounted to \$76,162.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2022

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, 2022, the School is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to June 30, 2019. The tax returns for the years ended June 30, 2019 through June 30, 2021 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.

Revenue Recognition and Receivables

The School recognizes revenue from grants, contracts and gifts in accordance with guidance under which the School evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the School applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the School evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of return.

The School's significant sources of revenue are contracts and grants from government agencies, and contributions. Grants and contributions received are recorded as without donor restrictions or with donor restrictions based on the nature of donor restrictions. Grants are recognized when the School incurs expenses related to the contract. Generally, the funds are not remitted until a voucher for the services provided or expenses incurred has been submitted for reimbursement. Funds received in advance of services provided or expenses incurred are recorded as deferred revenue.

Contributions are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restriction. Donor restricted contributions and grants whose restrictions are met within the same year as received are reflected as contributions and grants without donor restrictions.

The School considers receivables to be fully collectible based on management's review of individual accounts outstanding. If collection becomes doubtful, an allowance for doubtful accounts will be established when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting in use of cash.

Comparative Financial Information

The June 30, 2021 financial statements include certain prior year summarized comparative information in total but not by net asset class. As a result, the June 30, 2021 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2021 information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

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, 2022, \$329,011 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 \$60,265 for 2022. 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, 2022

NOTE 5 – CONSULTANTS - EDUCATION

In January 2007, the School entered into a Second Charter School Management 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. VSI d/b/a BoostEd Finance and the School replaced that certain agreement with another agreement, effective July 1, 2020,. BoostEd shall provide the School with the services outlined on Statement of Work of the agreement. In exchange for the services, the School shall pay to BoostEd the service fee outlined on the Statement of Work.

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, 2022, 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, 2020. The School entered into a new operating lease agreement for equipment on August 21, 2020. The lease begins on September 1, 2020 and calls for monthly payments of \$2,000 and expires on November 30, 2023.

Future minimum rental payments under the terms of this lease are as follows:

Year Ending June 30,	Amount
2023	\$ 24,000
2024	16,000
	\$ 40,000

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.

Sisulu-Walker Charter School of Harlem, Inc.
Notes to the Financial Statements
June 30, 2022

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 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

At June 30, 2022, the School has \$600,674 of financial assets to meet needs for general expenditures consisting of cash of \$265,751 and due from government agencies of \$334,923. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the School in the next 12 months.

In addition to financial assets available to meet general expenditures over the year, the School operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient tuition and other revenues.

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, 2022, for these financial statements.

**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, 2022 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, 2022.

Report on 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) 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 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

October 25, 2022