

**SISULU-WALKER CHARTER
SCHOOL OF HARLEM, INC.**

**Financial Statements and Supplemental Information
For the Years Ended June 30, 2009 and 2008
With Report of Independent Auditors**

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.
June 30, 2009 and 2008

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Sisulu-Walker Charter School of Harlem, Inc.

We have audited the accompanying statements of financial position of Sisulu-Walker Charter School of Harlem, Inc. (the "School") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the School's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sisulu-Walker Charter School of Harlem, Inc., at June 30, 2009 and 2008, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, 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, 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. .

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 30, 2009

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Statements of Financial Position

As of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
<i>Current Assets:</i>		
Cash and cash equivalents (Note 3)	\$ 631,266	\$ 352,972
Due from government agencies (Note 4)	135,846	472,167
Due from management company (Note 10)	1,100	-
Accounts receivable	495	-
Prepaid expenses	40,216	58,448
	<hr/>	<hr/>
Total current assets	808,923	883,587
Security deposits	37,500	37,500
Property and equipment, net (Note 5)	37,542	59,052
	<hr/>	<hr/>
Total assets	<u>\$ 883,965</u>	<u>\$ 980,139</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts payable and accrued expenses	\$ 308,862	\$ 291,697
Unearned income	-	111,337
Obligation under capital lease	-	151
Due to management company (Note 10)	-	748
	<hr/>	<hr/>
Total liabilities	308,862	403,933
<i>Net Assets:</i>		
Unrestricted	575,103	576,206
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 883,965</u>	<u>\$ 980,139</u>

The accompanying notes are an integral part of these financial statements.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Statements of Activities

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUE AND SUPPORT		
Resident student enrollment	\$ 3,230,701	\$ 2,879,847
Students with disabilities	42,274	20,590
Food service	95,144	99,130
Federal funding	164,083	193,283
Government grants—federal	-	306,676
State funding	19,669	20,111
Private contributions	33,116	3,194
Interest and other income	7,124	32,741
Total revenue and support	<u>3,592,111</u>	<u>3,555,572</u>
EXPENSES		
<i>Program Expenses:</i>		
Regular education	2,915,315	2,942,057
Special education	269,841	192,999
Total program expenses	<u>3,185,156</u>	<u>3,135,056</u>
<i>Supporting Services:</i>		
Management and general	408,058	340,567
Total expenses	<u>3,593,214</u>	<u>3,475,623</u>
Change in net assets	(1,103)	79,949
Unrestricted net assets at beginning of year	<u>576,206</u>	<u>496,257</u>
Unrestricted net assets at end of year	<u><u>\$ 575,103</u></u>	<u><u>\$ 576,206</u></u>

The accompanying notes are an integral part of these financial statements.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Statements of Cash Flows

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,103)	\$ 79,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,752	42,857
Decrease (increase) in due from government agencies	336,321	(36,020)
(Increase) decrease in accounts receivable	(495)	23,723
Decrease (increase) in prepaid expenses	18,232	(3,207)
Increase (decrease) in accounts payable	17,165	(2,637)
(Decrease) increase in unearned income	(111,337)	110,838
Decrease in due to management company	(1,848)	(88,648)
Net cash provided by operating activities	<u>288,687</u>	<u>126,855</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,242)	(34,262)
Net cash used in investing activities	<u>(10,242)</u>	<u>(34,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital lease obligation	(151)	(6,436)
Net cash used in financing activities	<u>(151)</u>	<u>(6,436)</u>
Net increase in cash and cash equivalents	278,294	86,157
Cash and cash equivalents, beginning of year	<u>352,972</u>	<u>266,815</u>
Cash and cash equivalents, end of year	<u><u>\$ 631,266</u></u>	<u><u>\$ 352,972</u></u>

The accompanying notes are an integral part of these financial statements.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 1 ORGANIZATION SUMMARY

Sisulu-Walker Charter School of Harlem, Inc. (the “School”) is a charter school located in Harlem, New York. In fiscal year 2009, the School operated kindergarten and grades one through four. It educates children on 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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for not-for-profit organizations. Accordingly, the School is required to report its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The School’s net assets consist of the following:

Unrestricted—Net assets of the School which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the School.

Cash and Cash Equivalents

The School has defined cash and cash equivalents as cash and short-term, interest-bearing securities with original maturities of three months or less.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Normal replacement and maintenance costs are charged to expense as incurred, and major renewals and improvements are capitalized. Upon disposal, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period is recognized. The School capitalizes assets with a cost of \$500 and over. Depreciation is calculated based on the useful lives of the assets as follows:

	Useful Life (Years)
Furniture and fixtures	7
Office equipment	3
Computer equipment	3
Leasehold improvements	5

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Contributions

The School records contributions of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of donor restrictions. The School records contributions as temporarily restricted support if they are received with donor stipulations that limit their use through purpose or time restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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 fiscal years ended 2009 and 2008 were unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, which includes all expenses incurred for the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on usage or other equitable bases established by management.

Student Enrollment

Enrollment of available class slots is open to all potential student candidates with those residing in the immediate area given first preference. A lottery is held to award these available slots.

Government Grant Income

The School applies for various government grants each year which are based on several factors such as total students enrolled in the School. Reimbursement under per-pupil grants is the result of the calculation of full-time equivalent ("FTE") students attending the School multiplied by a rate determined each year by New York State.

Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income tax.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The School maintains all of its cash in banks. The accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, which is the maximum allowed by law. The School's management monitors the balances in excess of the FDIC coverage to limit exposure to loss.

NOTE 4 PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES

Under the School's charter school agreement and the Charter Schools 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, federal food subsidies, and Titles I, II, IIA, and IV 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 districts 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.

Amounts due from government agencies and included as revenue in the statement of activities consist of the following as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Federal Government	\$ 130,713	\$ 472,167
New York State Department of Education (per pupil enrollment)	<u>5,133</u>	<u>-</u>
	<u>\$ 135,846</u>	<u>\$ 472,167</u>

The amounts are based upon estimates by the management of the School. Management believes these estimates are based upon the best information available at this time. However, actual amounts received, as determined by the state, could vary based on changes in the factors used to calculate the amounts to be received.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 77,145	\$ 77,145
Furniture and fixtures	153,771	151,514
Computer equipment	188,715	185,397
Software	4,667	-
Office equipment	<u>40,345</u>	<u>40,345</u>
	464,643	454,401
Less: Accumulated depreciation	<u>(427,101)</u>	<u>(395,349)</u>
Property and equipment, net	<u><u>\$ 37,542</u></u>	<u><u>\$ 59,052</u></u>

Depreciation expense for the years ended June 30, 2009 and 2008, was \$31,752 and \$42,857, respectively.

NOTE 6 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 can make pretax contributions of up to 100% of their compensation, subject to Internal Revenue Service guidelines. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The employer contributions recognized in the statement of activities were \$46,016 and \$42,222 for 2009 and 2008, respectively. 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 7 COMMITMENTS

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.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 8 MANAGEMENT COMPANY

Under its current agreement, Victory Schools (“Victory”) is paid a management fee in an amount equal to the product of the total full-time equivalent enrollment of students in the School, as defined under Section 119.1 of New York State Commissioner of Education Regulations, multiplied by \$1,000 (the “Per Pupil Fee”). The Per Pupil Fee is adjusted annually based on the percentage change in the full-time equivalent enrollment.

Victory is entitled to receive the service fee on a bi-monthly basis. Any Victory fee, or portion thereof, not paid within 30 days of its due date shall bear interest at an annualized rate of 7.5% per annum on the outstanding past due amount, provided such past due payments are not as a result of the New York City Department of Education’s failure to timely remit the Adjusted Expense Per Pupil to the School.

The management and central services fee expense for the years ended June 30, 2009 and 2008, was \$355,606 and \$316,987, respectively. No interest was charged to the School by Victory during the year.

NOTE 9 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 were to lose students or the related government funding, there could be a substantial effect on its ability to continue operations.

NOTE 10 RELATED-PARTY TRANSACTION

The amount due from the management company is \$1,100 at June 30, 2009, and amount due to the management company is \$748 at June 30, 2008. These relate to management and central services fees discussed in Note 8 above.

NOTE 11 CONTRIBUTIONS IN-KIND

The School is provided legal services as an in-kind contribution. The legal services have a fair value of \$30,000 which is accounted for in the financial statements as other expense and private contributions.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 12 CONTINGENCIES

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs 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 grants 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 changes in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 13 SUBSEQUENT EVENTS

There were no significant subsequent events noted. Subsequent events were reviewed through October 30, 2009, the date at which the financial statements were available for issuance.

SISULU-WALKER CHARTER SCHOOL OF HARLEM, INC.

Schedule of Functional Expenses
For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

EXPENSES	<u>Regular Education</u>	<u>Special Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total 2009</u>	<u>Total 2008</u>
<i>Personnel Expenses:</i>						
Salaries and wages	\$ 1,661,523	\$ 152,224	\$ 1,813,747	\$ -	\$1,813,747	\$ 1,749,051
Fringe benefits	401,911	36,822	438,733	-	438,733	390,147
Total personnel expense	<u>2,063,434</u>	<u>189,046</u>	<u>2,252,480</u>	<u>-</u>	<u>2,252,480</u>	<u>2,139,198</u>
<i>Operating Expenses:</i>						
Contracted services—management company	-	-	-	355,606	355,606	316,987
Contracted services—other	10,270	941	11,211	-	11,211	64,773
Food	104,298	9,555	113,853	-	113,853	108,131
Insurance	24,875	2,279	27,154	-	27,154	34,645
Supplies and materials	38,676	3,543	42,219	-	42,219	36,976
Textbooks	42,640	3,907	46,547	-	46,547	65,245
Telephone	21,102	1,933	23,035	-	23,035	12,337
Occupancy	504,737	46,243	550,980	-	550,980	538,826
Printing	4,344	398	4,742	-	4,742	9,516
Staff development	17,749	1,626	19,375	-	19,375	27,940
Equipment rental/lease	2,076	190	2,266	-	2,266	3,333
Accounting/auditing fees	-	-	-	21,743	21,743	23,500
Maintenance and repairs	10,702	980	11,682	-	11,682	15,193
Transportation (Student)	71	7	78	-	78	4,937
Travel	10,251	939	11,190	-	11,190	6,403
Board expenses	-	-	-	709	709	80
Depreciation	29,087	2,665	31,752	-	31,752	42,857
Other	31,003	5,589	36,592	30,000	66,592	24,746
Total operating expense	<u>851,881</u>	<u>80,795</u>	<u>932,676</u>	<u>408,058</u>	<u>1,340,734</u>	<u>1,336,425</u>
Total expense	<u>\$ 2,915,315</u>	<u>\$ 269,841</u>	<u>\$ 3,185,156</u>	<u>\$ 408,058</u>	<u>\$3,593,214</u>	<u>\$ 3,475,623</u>

**REPORT OF INDEPENDENT AUDITORS 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***

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

We have audited the financial statements of Sisulu-Walker Charter School of Harlem, Inc. (the “School”) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the School’s internal control over financial reporting as a basis for designing our auditing procedures 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 School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the School’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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell & Titus, LLP

October 30, 2009