

**GLOBAL COMMUNITY CHARTER SCHOOL**

**NEW YORK, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**REPORT REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2013**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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## MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Global Community Charter School

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Global Community Charter School, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013, 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 Global Community Charter School as of June 30, 2013, and the changes in its net assets and its cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

**Other Report Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of Global Community Charter School'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 Global Community Charter School's internal control over financial reporting and compliance.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 31, 2013

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 176,883
Prepaid expenses and other current assets	<u>6,815</u>
TOTAL CURRENT ASSETS	183,698

PROPERTY AND EQUIPMENT, net

343,634

TOTAL ASSETS \$ 527,332

LIABILITIES AND DEFICIENCY IN NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 146,692
Accrued payroll and benefits	119,610
Note payable	21,818
Vacation accrual	3,200
Deferred revenue	38,783
Deferred lease liability	<u>91,250</u>

TOTAL CURRENT LIABILITIES 421,353

NET ASSETS, unrestricted

105,979

TOTAL LIABILITIES AND NET ASSETS \$ 527,332

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013

Operating revenue and support:		
State and local per pupil operating revenue		\$ 2,081,804
Government grants		745,287
Individuals and corporations		4,432
Fundraising		6,151
Contributed legal services		81,327
Other income		<u>371</u>
	TOTAL OPERATING REVENUE AND SUPPORT	2,919,372
Expenses:		
Program:		
Regular education		1,728,570
Special education		325,416
Management and general		758,809
Fundraising and special events		<u>598</u>
	TOTAL EXPENSES	2,813,393
	CHANGE IN NET ASSETS	105,979
Net assets at beginning of period		<u>-</u>
	NET ASSETS AT END OF PERIOD	<u>\$ 105,979</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	6	\$ 182,508	\$ 29,711	\$ 212,219	\$ 165,178	\$ -	\$ 165,178	\$ 377,397
Instructional personnel	14	661,964	97,123	759,087	-	-	-	759,087
Non-instructional personnel	6	90,132	54,557	144,689	28,500	-	28,500	173,189
Total personnel services costs	26	934,604	181,391	1,115,995	193,678	-	193,678	1,309,673
Payroll taxes and employee benefits		145,553	28,421	173,974	78,159	-	78,159	252,133
Professional development		2,004	331	2,335	10	-	10	2,345
Legal fees		-	-	-	81,327	-	81,327	81,327
Audit fees		-	-	-	4,697	-	4,697	4,697
Financial management services		-	-	-	119,204	-	119,204	119,204
Professional fees - other		166,940	27,183	194,123	87,688	-	87,688	281,811
Student and staff recruitment		-	-	-	39,318	-	39,318	39,318
Curriculum and classroom expenses		54,871	7,792	62,663	-	-	-	62,663
Supplies and materials		47,950	7,806	55,756	21,866	-	21,866	77,622
Food services		3,734	608	4,342	-	-	-	4,342
Student transportation services		7,979	1,299	9,278	-	-	-	9,278
Postage, printing, and copying		-	-	-	5,625	598	6,223	6,223
Insurance		-	-	-	22,825	-	22,825	22,825
Information technology		-	-	-	6,317	-	6,317	6,317
Non-capitalized equipment and furnishings		35,442	5,770	41,212	-	-	-	41,212
Repairs and maintenance		27,770	-	27,770	-	-	-	27,770
Depreciation and amortization		118,505	-	118,505	-	-	-	118,505
Special events		3,219	-	3,219	3,270	-	3,270	6,489
Occupancy		179,999	64,815	244,814	94,825	-	94,825	339,639
		\$ 1,728,570	\$ 325,416	\$ 2,053,986	\$ 758,809	\$ 598	\$ 759,407	\$ 2,813,393

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 105,979
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	118,505
Changes in certain assets and liabilities affecting operations:	
Prepaid expenses and other current assets	(6,815)
Accounts payable and accrued expenses	146,692
Accrued payroll and benefits	119,610
Vacation accrual	3,200
Deferred revenue	38,783
Deferred lease liability	<u>91,250</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	617,204

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(215,326)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(215,326)</u>

CASH FLOWS - FINANCING ACTIVITIES

Repayments on note payable	<u>(224,995)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(224,995)</u>

NET INCREASE IN CASH 176,883

Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 176,883</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Purchase of leasehold improvements via borrowings on short term notes payable	<u>\$ 246,813</u>
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The accompanying notes are an integral part of the financial statements.



GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Global Community Charter School (the “Charter School”) is an educational corporation that operates as a charter school in New York, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2013.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2013.

*Unrestricted* – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2013

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2013.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Construction in progress represents classroom and office improvements which have not yet been completed and placed into service.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. The Charter School received transportation services, food supplies and services and certain office equipment from the local district. These services are not valued in the financial statements.

The Charter School received contributed legal services which were valued at \$81,327 and are included in legal fees expense in the accompanying statement of activities and changes in net assets for the period from September 13, 2011 (date of inception) to June 30, 2013.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2013

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Tax exempt status

The Charter 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 Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2012 through 2013 are still subject to potential audit by the IRS. Management of the Charter School believes they have no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$39,000 for the period from September 13, 2011 (date of inception) to June 30, 2013.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Note payable

The Charter School has a non-interest bearing short term note payable with a construction company used to finance leasehold improvements which is due July 2013. The Charter School paid this note in full in July 2013.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 31, 2013, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note D.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2013

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 68,750
Computers and equipment	101,150
Leasehold improvements	<u>292,239</u>
	462,139
Less accumulated depreciation and amortization	<u>118,505</u>
	<u><u>\$ 343,634</u></u>

Total depreciation and amortization expense was \$118,505 for the period from September 13, 2011 (date of inception) to June 30, 2013.

NOTE C: SCHOOL FACILITY

The Charter School leases approximately 20,000 square feet of classrooms and office facilities under a non-cancelable lease agreement expiring in July 2015. Current monthly payments are \$40,000, \$25,000 of which is being applied to an alterations fund to be used for future renovations. The lease is currently being renegotiated. The future minimum payments on this agreement for base rent and the alterations fund are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 480,000
2015	340,000
2016	<u>28,333</u>
	<u><u>\$ 848,333</u></u>

Rent expense for the period from September 13, 2011 (date of inception) to June 30, 2013 was \$339,639.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2013

NOTE D: OPERATING LEASE

Subsequent to June 30, 2013, the Charter School entered into a non-cancelable lease agreement for office equipment expiring in November 2016. The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 8,900
2015	10,680
2016	10,680
2017	4,450
	<u>\$ 34,710</u>

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

During the period from September 13, 2011 (date of inception) to June 30, 2013 approximately 71% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: MAJOR GRANTOR

One federal start-up grant accounted for over 18% of total operating revenue and support for the period from September 13, 2011 (date of inception) to June 30, 2013.

**GLOBAL COMMUNITY CHARTER SCHOOL**

**OTHER FINANCIAL INFORMATION**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Global Community Charter School

We have audited the financial statements of Global Community Charter School as of June 30, 2013 and for the period from September 13, 2011 (date of inception) to June 30, 2013, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2013 financial information hereinafter 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.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 31, 2013

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2013 AND THE PERIOD FROM  
SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2012

	Year ended June 30, 2013	Period from September 13, 2011 (date of inception) to June 30, 2012	Total
State and local per pupil operating revenue	\$ 2,081,804	\$ -	\$ 2,081,804
Government grants	485,527	259,760	745,287
Individuals and corporations	4,432	-	4,432
Fundraising	6,131	20	6,151
Contributed legal services	21,996	59,331	81,327
Other income	371	-	371
TOTAL OPERATING REVENUE AND SUPPORT	2,600,261	319,111	2,919,372
Personnel services costs:			
Administrative staff personnel	251,147	126,250	377,397
Instructional personnel	759,087	-	759,087
Non-instructional personnel	173,189	-	173,189
Total personnel services costs	1,183,423	126,250	1,309,673
Payroll taxes and employee benefits	237,120	15,013	252,133
Professional development	2,345	-	2,345
Legal fees	21,996	59,331	81,327
Audit fees	2,197	2,500	4,697
Financial management services	92,612	26,592	119,204
Professional fees - other	261,349	20,462	281,811
Student and staff recruitment	19,481	19,837	39,318
Curriculum and classroom expenses	56,663	6,000	62,663
Supplies and materials	76,827	795	77,622
Food services	4,342	-	4,342
Student transportation services	9,278	-	9,278
Postage, printing, and copying	2,100	4,123	6,223
Insurance	17,570	5,255	22,825
Information technology	6,317	-	6,317
Non-capitalized equipment and furnishings	40,412	800	41,212
Repairs and maintenance	25,870	1,900	27,770
Depreciation and amortization	118,505	-	118,505
Special events	5,689	800	6,489
Occupancy	284,789	54,850	339,639
TOTAL EXPENSES	2,468,885	344,508	2,813,393
CHANGE IN NET ASSETS	\$ 131,376	\$ (25,397)	\$ 105,979



**GLOBAL COMMUNITY CHARTER SCHOOL**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Board of Trustees  
Global Community Charter School

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 Global Community Charter School, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated October 31, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Global Community Charter School'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 Global Community Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Global Community Charter School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2013-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Global Community Charter School's financial statements are free from 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2013-002 and 2013-003.

We noted certain matters that we reported to management of Global Community Charter School in a separate letter dated October 31, 2013.

## **Global Community Charter School's Response to Findings**

Global Community Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Global Community Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **Restricted Use**

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, the New York State Education Department and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

*Mengel, Metzger, Barz & Co. LLP*

Rochester, New York  
October 31, 2013

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE PERIOD FROM SEPTEMBER 13, 2011 (Date of Inception) TO JUNE 30, 2013

**Finding 2013-001**

*Statement of condition*

Material auditor adjustments were necessary to correctly state the Charter School's financial statements for the period ended June 30, 2013.

*Criteria and effect of conditions*

During our audit, we noted various accounts, including accounts payable and accrued expenses, accrued payroll and benefits, deferred lease liability, per pupil operating revenue, government grant revenue, and payroll related expenses were misstated as a result of these accounts not being properly reconciled and adjusted to the correct balance during the year and prior to the commencement of the audit. Furthermore, certain revenues and expenses relating to cost-reimbursement grants were not reconciled appropriately in the accounting system. Those errors resulted in material auditor adjustments.

*Recommendation*

We recommend the Charter School timely record all financial activity, prepare reconciliations of respective balance sheet accounts and adjust general ledger accounts to supporting detail. This will facilitate the presentation of an accurate picture of the financial position of the School throughout the year and greatly improve the internal controls relative to the School. For cost-reimbursement grants, expenditures should be tagged as they are incurred and reconciled to the revenue recorded.

*Management response*

Since the inception of Global Community Charter School, the Finance department has experienced significant turnover; having four different heads of the department in twenty-one months. This caused significant discontinuity in the financial processes and reporting. The Charter School has worked diligently to bring stability to this department by engaging a third party financial consultant to assist the Director of Operations in day to day bookkeeping and preparation of monthly financial statements. Additionally, the Charter School recruited a new board member with significant experience with financial reporting and accounting to provide additional oversight and guidance.

We believe going forward these additions and ongoing discussions to continuously improve our financial processes and reporting procedures will bring resolution to this matter.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

FOR THE PERIOD FROM SEPTEMBER 13, 2011 (Date of Inception) TO JUNE 30, 2013

**Finding 2013-002**

*Statement of condition*

We noted the Charter School is required, per Section 8.5 of their charter agreement with the Board of Regents of the State of New York, to maintain an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur. As of June 30, 2013, the Charter School had not established an escrow account.

*Criteria and effect of conditions*

We noted per review of the Global Community Charter School's Initial Charter agreement dated September 13, 2011 with the Board of Regents of the State of New York, the Charter School is required to maintain \$75,000 in an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur. The School may provide for the full amount in its first-year budget, or provide a minimum of \$25,000 per year by December 31<sup>st</sup> of each of the first three years of its charter term. As of June 30, 2013, the Charter School had not established such an escrow account.

*Recommendation*

We recommend the Charter School set up an escrow account for no less than \$50,000 by December 31, 2013 to maintain compliance with the School's charter agreement.

*Management response*

As of the date of this report, we have established a separate account with the required funds and are in compliance with the School's Charter Agreement.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

FOR THE PERIOD FROM SEPTEMBER 13, 2011 (Date of Inception) TO JUNE 30, 2013

**Finding 2013-003**

*Statement of condition*

We noted the Charter School misstated the amount of funds to be expended in the following 30 days on an FS-25 form filed with respect to the Charter School Program (“CSP”) grant awarded to the Charter School. Funds requested in advance must be used in a timely manner in accordance with the United States Department of Education General Administrative Regulations (EDGAR) Parts 74 and 80.

*Criteria and effect of conditions*

The NYSED Form FS-25 allows the Charter School to request an advance of funds to be spent within the next month on Line 4 of the form. Our audit procedures found that funds requested in advance were not fully utilized within 30 days on one FS-25 filed. The Charter School requested an advance of \$66,500 on the FS-25 form submitted on February 12, 2013. Amounts not expended within the following 30 days amounted to \$11,862.

*Recommendation*

The Charter School should only request reimbursements from CSP after the expense has been incurred, or within 30 days prior to the expenditure.

*Management response*

Since the inception of Global Community Charter School, the Finance department has experienced significant turnover; having four different heads of the department in twenty-one months. This caused significant discontinuity in the financial processes and reporting. The Charter School has worked diligently to bring stability to this department by engaging a third party financial consultant to assist the Director of Operations in day to day bookkeeping and preparation of monthly financial statements. Additionally, the Charter School recruited a new board member with significant experience with financial reporting and accounting to provide additional oversight and guidance.

We believe going forward these additions and ongoing discussions to continuously improve our financial processes and reporting procedures will bring resolution to this matter.