

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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, 2015, and the related statements of activities and changes in net assets (deficiency), functional expenses, 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 Global Community Charter School as of June 30, 2015, and the changes in its net assets (deficiency) and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Global Community Charter School's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 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 28, 2015

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 105,505	\$ 51,085
Grants and other receivables	314,593	95,400
Prepaid expenses and other current assets	-	830
TOTAL CURRENT ASSETS	420,098	147,315
<u>PROPERTY AND EQUIPMENT, net</u>	173,107	250,610
TOTAL ASSETS	\$ 593,205	\$ 397,925
 <u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 146,170	\$ 110,055
Accrued payroll and benefits	172,712	156,239
Accrued rent liability	53,216	86,000
Vacation accrual	24,750	6,059
Deferred revenue	11,729	13,527
Deferred lease liability	-	48,588
TOTAL CURRENT LIABILITIES	408,577	420,468
<u>DEFERRED LEASE LIABILITY</u>	90,000	-
<u>NET ASSETS (DEFICIENCY), unrestricted</u>	94,628	(22,543)
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	\$ 593,205	\$ 397,925

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY)

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for June 30, 2014)

	Year ended June 30,	
	2015	2014
Operating revenue and support:		
State and local per pupil operating revenue	\$ 4,529,462	\$ 3,205,090
Government grants	361,324	142,800
Individuals and corporations	-	4,253
Fundraising	6,639	-
Contributed legal services	155,567	11,641
Interest income	636	42
Other income	2,905	1
TOTAL OPERATING REVENUE AND SUPPORT	5,056,533	3,363,827
Expenses:		
Program:		
Regular education	3,184,538	2,234,582
Special education	812,673	611,588
Management and general	918,446	630,361
Fundraising and special events	23,705	15,818
TOTAL EXPENSES	4,939,362	3,492,349
CHANGE IN NET ASSETS (DEFICIENCY)	117,171	(128,522)
Net (deficiency) assets at beginning of year	(22,543)	105,979
NET ASSETS (DEFICIENCY) AT END OF YEAR	<u>\$ 94,628</u>	<u>\$ (22,543)</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
 (With Comparative Totals for June 30, 2014)

	Year Ended June 30, 2015							Year ended June 30, 2014	
	Program Services			Supporting Services			Total		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events			Sub-total
Personnel services costs:									
Administrative staff personnel	9	\$ 176,250	\$ 76,791	\$ 253,041	\$ 324,114	\$ 13,542	\$ 337,656	\$ 590,697	\$ 508,148
Instructional personnel	49	1,419,368	421,086	1,840,454	-	-	-	1,840,454	1,352,443
Non-instructional personnel	9	75,891	13,604	89,495	14,240	4,747	18,987	108,482	136,215
Total personnel services costs	67	1,671,509	511,481	2,182,990	338,354	18,289	356,643	2,539,633	1,996,806
Fringe benefits & payroll taxes		396,819	122,337	519,156	80,928	4,374	85,302	604,458	454,642
Staff development		32,015	5,335	37,350	3,686	-	3,686	41,036	32,712
Legal service		-	-	-	155,567	-	155,567	155,567	11,641
Accounting / audit services		-	-	-	32,912	-	32,912	32,912	20,600
Other purchased/professional/ consulting services		-	-	-	46,790	-	46,790	46,790	22,520
Other professional services		24,660	10,819	35,479	47,745	-	47,745	83,224	81,082
Marketing / recruitment		-	316	316	3,077	-	3,077	3,393	21,059
Supplies and materials		129,409	17,133	146,542	8,987	-	8,987	155,529	154,638
Food service		12,960	1,936	14,896	-	-	-	14,896	11,905
Student services		1,109	166	1,275	-	-	-	1,275	8,843
Office expense		27,070	5,253	32,323	8,081	-	8,081	40,404	16,199
Insurance		-	-	-	31,018	-	31,018	31,018	26,620
Technology		-	-	-	73,712	-	73,712	73,712	6,214
Equipment / furnishings		-	-	-	25,701	-	25,701	25,701	1,138
Repairs and maintenance		171,492	25,625	197,117	-	-	-	197,117	177,878
Depreciation and amortization		109,944	16,428	126,372	-	-	-	126,372	145,241
Building and Land Rent / Lease		552,767	86,794	639,561	55,413	-	55,413	694,974	289,854
Other		54,784	9,050	63,834	6,475	1,042	7,517	71,351	12,757
		<u>\$ 3,184,538</u>	<u>\$ 812,673</u>	<u>\$ 3,997,211</u>	<u>\$ 918,446</u>	<u>\$ 23,705</u>	<u>\$ 942,151</u>	<u>\$ 4,939,362</u>	<u>\$ 3,492,349</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets (deficiency)	\$ 117,171	\$ (128,522)
Adjustments to reconcile change in net assets (deficiency) to net cash provided from (used for) operating activities:		
Loss on disposal of leasehold improvements	41,426	-
Depreciation and amortization	126,372	145,241
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(219,193)	(95,400)
Prepaid expenses and other current assets	830	5,985
Accounts payable and accrued expenses	36,115	(36,637)
Accrued payroll and benefits	16,473	36,629
Accrued rent liability	(32,784)	86,000
Vacation accrual	18,691	2,859
Deferred revenue	(1,798)	(25,256)
Deferred lease liability	41,412	(42,662)
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	144,715	(51,763)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(90,295)	(52,217)
NET CASH USED FOR INVESTING ACTIVITIES	(90,295)	(52,217)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on note payable	-	(21,818)
NET CASH USED FOR FINANCING ACTIVITIES	-	(21,818)
NET INCREASE (DECREASE) IN CASH	54,420	(125,798)
Cash at beginning of year	51,085	176,883
CASH AT END OF YEAR	<u>\$ 105,505</u>	<u>\$ 51,085</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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, 2015 and 2014.

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, 2015 or 2014.

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, 2015 AND 2014

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 FDIC 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 were no allowance for doubtful accounts at June 30, 2015 and 2014.

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 two to seven years. Leasehold improvements are being amortized with a useful life that is the same as the term of the building lease ranging from two to three years.

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 \$155,567 and \$11,641, respectively, and are included in legal fees expense in the accompanying statement of functional expenses for the years ended June 30, 2015 and 2014.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

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 2015 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 \$3,000 and \$21,000 for the years ended June 30, 2015 and 2014, respectively.

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.

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.

Comparatives for the year ended June 30, 2014

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Reclassifications

Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

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

Cont'd

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 28, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 126,604	\$ 100,155
Computers and equipment	154,010	117,692
Leasehold improvements	<u>27,527</u>	<u>296,509</u>
	308,141	514,356
Less accumulated depreciation and amortization	<u>135,034</u>	<u>263,746</u>
	<u>\$ 173,107</u>	<u>\$ 250,610</u>

Total depreciation and amortization expense was \$126,372 and \$145,241 for the years ended June 30, 2015 and 2014, respectively.

NOTE C: SCHOOL FACILITY

The Charter School leased approximately 20,000 square feet of classrooms and office facilities under a non-cancelable lease agreement expiring in July 2015. Monthly payments were \$9,000 per month through June 2013, increasing to \$22,167 per month in July 2013 through June 2014, at which point, rent increased to \$28,333 per month. The Charter School has negotiated a lease termination with the landlord effective July 2015 as the school relocated and as a result leased space at a different location. Due to the lease termination, all related leasehold improvements were disposed of and the resulting loss on disposal of leasehold improvements is included in the accompanying statement of functional expenses for the year ended June 30, 2015.

In July 2014, the Charter School entered into a new lease for different facilities. The Charter School moved into the new building during February 2015. The lease goes from February 1, 2015 through July 31, 2017 with the option to renew for an additional five years and then for another additional five years in August 2022. Monthly rental payments will be \$45,000. As of August 1, 2015, base monthly rent will increase every year by \$15,000. The Charter School is required to maintain general liability insurance in case of an incident that causes the demise of the premises. The Charter School will also pay additional expenses for utilities, maintenance, improvements, and real estate taxes.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

NOTE C: SCHOOL FACILITY, Cont'd

The future minimum payments on these agreements for base rent are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 705,000
2017	885,000
2018	<u>75,000</u>
	<u>\$ 1,665,000</u>

Rent expense for the years ended June 30, 2015 and 2014 was \$694,974 and \$289,854, respectively.

NOTE D: OPERATING LEASE

The Charter School entered into non-cancelable lease agreements for office equipment and furniture expiring at various dates through August 2018. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 66,689
2017	66,689
2018	45,553
2019	<u>5,076</u>
	<u>\$ 184,007</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.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

NOTE F: CONCENTRATIONS

At June 30, 2015, approximately 85% of grants and other receivables are due from the New York City Department of Education. As of June 30, 2014, approximately 100% of grants and other receivables were due from the New York State Department of Education relating to certain grants.

During the years ended June 30, 2015 and 2014 approximately 92% and 95% 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.

GLOBAL COMMUNITY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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, 2015, and the related statements of activities and changes in net (deficiency) assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 28, 2015.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 that we consider to be a material weakness and a significant deficiency.

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 item 2015-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-002 to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Global Community Charter School in a separate letter dated October 28, 2015.

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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 28, 2015

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

Finding 2015-001

Statement of condition

Material auditor adjustments were necessary to correctly state the Charter School's financial statements for the year ended June 30, 2015.

Criteria and effect of conditions

During fiscal year 2015, the Charter School experienced high turnover in financial consultants. Due in part to this transition, we noted various accounts, including grants and other receivables, property and equipment and loss on disposal of leasehold improvements, accounts payable and accrued expenses, deferred lease liability, rent expense, and per pupil operating revenue were misstated as a result of these accounts not being properly adjusted to the correct balance during the year and prior to the commencement of the audit. These 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 Charter School throughout the year and greatly improve the internal controls relative to the Charter School.

Management response

Our bookkeeper will record and reconcile all financial activity and perform bank and general ledger reconciliations on a monthly basis, which will be reviewed and discussed with the Chief Operating Officer as part of our monthly closing process, making adjustments to general ledger accounts as necessary to present an accurate picture of GCCS's financial position.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2015

Finding 2015-002

Statement of condition

During the period of our audit, we noted in multiple instances the Charter School did not retain supporting documentation for cash receipts.

Criteria and effect of conditions

As stated in the Charter School's Fiscal Policies and Procedures Manual, the Charter School must maintain a full cash receipts packet that includes copies of any checks received, copy of the deposit slip, cash receipts journal maintained in Excel, deposit receipt, and a cash receipts form totaling any cash received. Upon request for the support of certain cash deposits, management was unable to provide copies of checks, deposit slips, cash receipts journal, approved cash receipt forms, and approved cash receipts packets.

Recommendation

We recommend the Charter School adhere to their cash receipt procedures as documented in their policies and procedures manual. This will reduce opportunities for fraud and also provide a clear picture of all revenues and expenses of the Charter School.

Management response

As described in our Fiscal Policies and Procedures Manual, upon receipt of a check the school will make a photo copy, assign the check a reference number and enter it into a check log. Upon deposit into the bank, the deposit slip will be filed with the check copies and stored by the bookkeeper. Cash received throughout the year will be delivered to the bookkeeper with a Cash Receipt Form, counted for verification, deposited in our bank account, and the deposit slip will be filed with the Cash Receipt Form by our bookkeeper.