

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

(With Comparative Totals for 2020)



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, 2021, and the related statements of activities and changes in net assets, 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Global Community Charter School's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 26, 2021 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 solely 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 effectiveness of 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, Baw & Co. LLP

Rochester, New York
October 26, 2021

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,902,066	\$ 1,874,843
Grants and other receivables	454,768	410,462
Prepaid expenses and other current assets	235,095	91,990
TOTAL CURRENT ASSETS	<u>2,591,929</u>	<u>2,377,295</u>
<u>OTHER ASSETS</u>		
Property and equipment, net	1,301,037	540,396
Cash in escrow	100,023	100,455
Due from Friends of GCCS, Inc.	379,680	-
Security deposits	381,250	180,000
TOTAL ASSETS	<u>\$ 4,753,919</u>	<u>\$ 3,198,146</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 203,594	\$ 329,942
Accrued payroll and benefits	351,321	553,111
Vacation accrual	43,313	38,469
Current portion of capital lease liability	19,532	39,894
Deferred revenue	10,000	-
Current portion of Paycheck Protection Program note payable	-	35,994
TOTAL CURRENT LIABILITIES	<u>627,760</u>	<u>997,410</u>
<u>OTHER LIABILITIES</u>		
Capital lease liability, net of current portion	20,615	40,134
Paycheck Protection Program note payable, net of current portion	-	1,118,806
TOTAL LIABILITIES	<u>648,375</u>	<u>2,156,350</u>
<u>NET ASSETS</u>		
Without donor restrictions	3,888,877	1,041,796
With donor restrictions	216,667	-
TOTAL NET ASSETS	<u>4,105,544</u>	<u>1,041,796</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,753,919</u>	<u>\$ 3,198,146</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Year ended June 30,			
	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue - Regular education	\$ 7,426,754	\$ -	\$ 7,426,754	\$ 6,925,999
State and local per pupil operating revenue - Special education	1,204,865	-	1,204,865	1,045,702
State and local per pupil facilities revenue	1,080,000	-	1,080,000	863,379
Federal grants and contracts	468,835	-	468,835	461,953
State and city grants and contracts	246,281	-	246,281	245,062
Food service/Child Nutrition income	433,519	-	433,519	418,796
Private grants	48,564	325,000	373,564	44,014
Interest income	3,907	-	3,907	10,891
Other income	4,519	-	4,519	52,422
Net assets released from restriction	108,333	(108,333)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	11,025,577	216,667	11,242,244	10,068,218
Expenses:				
Program:				
Regular education	6,565,940	-	6,565,940	5,657,571
Special education	1,065,210	-	1,065,210	2,454,402
Pre-K	209,240	-	209,240	208,130
Management and general	1,408,658	-	1,408,658	1,527,396
Fundraising	84,248	-	84,248	95,118
TOTAL EXPENSES	9,333,296	-	9,333,296	9,942,617
SURPLUS FROM OPERATIONS	1,692,281	216,667	1,908,948	125,601
Other revenue:				
Forgiveness of Paycheck Protection Program note payable	1,154,800	-	1,154,800	-
CHANGE IN NET ASSETS	2,847,081	216,667	3,063,748	125,601
Net assets at beginning of year	1,041,796	-	1,041,796	916,195
NET ASSETS AT END OF YEAR	\$ 3,888,877	\$ 216,667	\$ 4,105,544	\$ 1,041,796

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Year ended June 30,									
	2021						2020			
	No. of Positions	Program Services				Supporting Services			Total	Total
Regular Education		Special Education	Pre-K	Sub-total	Management and general	Fundraising	Sub-total			
Personnel services costs:										
Administrative staff personnel	15	\$ 393,859	\$ 63,897	\$ 44,480	\$ 502,236	\$ 519,737	\$ 44,954	\$ 564,691	\$ 1,066,927	\$ 1,255,609
Instructional personnel	54	3,042,670	493,622	113,501	\$ 3,649,793	79,036	-	79,036	3,728,829	3,855,115
Non-instructional personnel	2	17,797	2,888	2,838	23,523	54,091	-	54,091	77,614	76,208
Total personnel services costs	71	3,454,326	560,407	160,819	4,175,552	652,864	44,954	697,818	4,873,370	5,186,932
Fringe benefits and payroll taxes		721,663	117,077	12,303	851,043	177,749	9,810	187,559	1,038,602	1,121,376
Retirement		55,428	8,992	-	64,420	13,454	742	14,196	78,616	49,652
Legal service		-	-	-	-	16,849	-	16,849	16,849	9,156
Accounting / audit services		-	-	-	-	51,025	-	51,025	51,025	36,375
Other purchased/professional/ consulting services		308,002	49,968	750	358,720	74,922	4,134	79,056	437,776	646,310
Building and Land Rent / Lease		843,965	136,919	19,449	1,000,333	208,824	12,023	220,847	1,221,180	1,156,970
Repairs and maintenance		66,794	10,836	-	77,630	16,035	1,720	17,755	95,385	132,432
Insurance		62,704	10,173	1,251	74,128	15,483	853	16,336	90,464	88,385
Utilities		79,738	12,936	-	92,674	19,356	1,068	20,424	113,098	96,266
Supplies and materials		102,930	16,699	10,000	129,629	27,074	1,495	28,569	158,198	263,432
Equipment / furnishings		18,026	2,924	1,998	22,948	4,793	264	5,057	28,005	74,909
Staff development		54,078	8,773	-	62,851	13,127	724	13,851	76,702	92,964
Marketing / recruitment		76,020	12,333	1,000	89,353	18,663	1,029	19,692	109,045	72,166
Technology		54,487	8,840	-	63,327	13,226	730	13,956	77,283	52,039
Food service		316,738	51,386	1,670	369,794	-	-	-	369,794	409,898
Student services		13,545	2,197	-	15,742	3,288	182	3,470	19,212	52,814
Office expense		172,006	27,901	-	199,907	41,752	2,304	44,056	243,963	226,356
Depreciation and amortization		160,670	26,066	-	186,736	39,001	2,152	41,153	227,889	164,414
Other		4,820	783	-	5,603	1,173	64	1,237	6,840	9,771
		\$ 6,565,940	\$ 1,065,210	\$ 209,240	\$ 7,840,390	\$ 1,408,658	\$ 84,248	\$ 1,492,906	\$ 9,333,296	\$ 9,942,617

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,063,748	\$ 125,601
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	227,889	164,414
Forgiveness of Paycheck Protection Program note payable	(1,154,800)	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(44,306)	(235,157)
Prepaid expenses and other current assets	(143,105)	(88,130)
Security deposits	(201,250)	-
Accounts payable and accrued expenses	(126,348)	44,312
Accrued payroll and benefits	(201,790)	254,537
Vacation accrual	4,844	(13,476)
Deferred revenue	<u>10,000</u>	<u>(26,546)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,434,882	225,555
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Increase in amount due from Friends of GCCS, Inc.	(379,680)	-
Purchases of property and equipment	<u>(988,530)</u>	<u>(345,000)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,368,210)</u>	<u>(345,000)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Proceeds from Paycheck Protection Program loan	-	1,154,800
Payments on capital leases	<u>(39,881)</u>	<u>(37,002)</u>
NET CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	<u>(39,881)</u>	<u>1,117,798</u>
NET INCREASE IN CASH AND RESTRICTED CASH	26,791	998,353
Cash and restricted cash at beginning of year	<u>1,975,298</u>	<u>976,945</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,002,089</u>	<u>\$ 1,975,298</u>

GLOBAL COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 4,940</u>	<u>\$ 8,619</u>
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 1,902,066	\$ 1,874,843
Cash in escrow	<u>100,023</u>	<u>100,455</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,002,089</u>	<u>\$ 1,975,298</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

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. The Charter received its second renewal on April 9, 2019 for a term of three years through June 30, 2022. The Charter School also received approval from the New York City Department of Education to operate a Pre-K program beginning in Fall 2019 through June 2021. The Charter School is currently in the process of renewing the Pre-K contract.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School has \$216,667 of net assets with donor restrictions at June 30, 2021, which are restricted for the support of the middle school. The Charter School had no net assets with donor restrictions at June 30, 2020.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment. Board designated net assets are as follows:

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Without donor restrictions</u>	
General reserve	\$ 100,000	\$ 100,000
Staff retention	10,375	10,375
Media center	37,970	37,970
	<u>148,345</u>	<u>148,345</u>
Undesignated	2,479,642	433,083
Invested in property and equipment, net of related debt	<u>1,260,890</u>	<u>460,368</u>
	<u>\$ 3,888,877</u>	<u>\$ 1,041,796</u>

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Universal Pre-Kindergarten (Pre-K)

Similar to state and local per pupil revenue, the Charter School recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. The revenue earned for both years ended June 30, 2021 and 2020 was approximately \$212,000.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2021	2020	2019
Grants and other receivables	\$ 86,917	\$ 108,648	\$ 1,165

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. There were no deferred revenues at June 30, 2020. Deferred revenue at June 30, 2021 was approximately \$10,000. The Charter School received cost-reimbursement grants of approximately \$116,000 and \$19,800 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

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.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. Cash in escrow was \$100,023 and \$100,455 at June 30, 2021 and 2020, respectively.

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, 2021 and 2020.

Due from Friends of GCCS, Inc.

Amounts due from Friends of GCCS, Inc. represent non-interest bearing advances provided to Friends of GCCS, Inc. The Charter School expects repayment of these amounts in future years. Friends of GCCS, Inc. is a separate not-for-profit with no board members in common with the Charter School.

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 eight years. Leasehold improvements are being amortized with a useful life that is the same as the term of the building lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. The Charter School received transportation services, nursing services, speech and language consulting and certain office equipment from the local district. The Charter School was unable to determine a value for these services.

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 files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2018 through June 30, 2021 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$109,000 and \$72,000 for the years ended June 30, 2021 and 2020, 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.

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, 2020

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, 2020, from which the summarized information was derived.

New accounting pronouncements

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School's financial statements.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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 26, 2021, which is the date the financial statements are available to be issued. See Note M.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal years 2021 and 2020.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 1,902,066	\$ 1,874,843
Grants and other receivables	<u>454,768</u>	<u>410,462</u>
Total financial assets available within one year	2,356,834	2,285,305
Less:		
Amounts unavailable for general expenditures within one year, due to		
Amounts unavailable to management without Board approval:		
Board designated for general reserve	(100,000)	(100,000)
Board designated for staff retention	(10,375)	(10,375)
Board designated for media center	<u>(37,970)</u>	<u>(37,970)</u>
Total amounts unavailable to management without Board approval	(148,345)	(148,345)
Restricted by donors with purpose restrictions	<u>(216,667)</u>	<u>-</u>
	<u>(365,012)</u>	<u>(148,345)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,991,822</u>	<u>\$ 2,136,960</u>

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 469,345	\$ 437,340
Computers and equipment	569,606	459,521
Leasehold improvements	974,983	606,125
Construction in progress	<u>537,919</u>	<u>60,337</u>
	2,551,853	1,563,323
Less accumulated depreciation and amortization	<u>1,250,816</u>	<u>1,022,927</u>
	<u>\$ 1,301,037</u>	<u>\$ 540,396</u>

Total depreciation and amortization expense was \$227,889 and \$164,414 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021, a portion of the Charter School's construction of leasehold improvements was in progress. Construction in progress is stated at cost. No provision for amortization is made on construction in progress until such time as the relevant assets are completed and put into use. Management does not anticipate incurring any significant additional costs to complete the construction in progress.

NOTE D: SCHOOL FACILITY

The Charter School leases its facilities located at 2350 Fifth Avenue. The original lease term was from February 1, 2015 through July 31, 2017 with two options to renew, each for an additional five years. During the year ended June 30, 2017, the Charter School exercised the first option to renew their lease through July 2022. Monthly rental payments are \$90,000 through July 2022. The Charter School was required to deposit \$180,000 with the landlord to be held as a security deposit as part of the renewal option. 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.

On June 30, 2021, the Charter School entered into a thirty-three year sublease agreement for space located at 218 West 147th Street effective July 1, 2021 through June 30, 2054 with Friends of GCCS, Inc. The lease calls for base monthly rent of \$57,500 at the beginning of the lease increasing to \$149,500 over the thirty-three year lease term. The Charter School was required to pay a security deposit of \$201,250 for the lease.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: SCHOOL FACILITY, Cont'd

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

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 1,770,000
2023	1,033,000
2024	1,127,000
2025	1,357,000
2026	1,357,000
Thereafter	<u>45,908,000</u>
	<u>\$ 52,552,000</u>

Rent expense for the years ended June 30, 2021 and 2020 was \$1,221,180 and \$1,156,970, respectively.

NOTE E: LEASES AND COMMITMENTS

The Charter School entered into non-cancelable lease agreements for office equipment and furniture expiring at various dates through July 2023.

During August 2016 the Charter School entered into a capital lease for furniture and computer equipment. The lease requires monthly payments of \$1,350 through July 2021, with interest at 7%. The furniture and computer equipment under capital lease is included in property and equipment on the accompanying statement of financial position with a net book value of \$14,299 and \$21,163 at June 30, 2021 and 2020, respectively. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2021 and 2020 was \$1,342 and \$16,853, respectively.

In July 2018 the Charter School entered into two additional capital leases, one for furniture and the other for computer equipment. The leases require monthly payments of \$1,663 through July 2023, with interest at 8.2%, and monthly payments of \$723 through July 2021, with interest at 7.5%, respectively. The furniture and computer equipment under capital lease is included in property and equipment on the accompanying statement of financial position with a net book value of \$39,156 and \$63,375 at June 30, 2021 and 2020, respectively. The balance of these capital leases payable at June 30, 2021 and 2020 was \$38,805 and \$63,175, respectively.

In August 2018 the Charter School entered into an operating lease for equipment. The lease requires monthly payments of \$3,398 through August 2021.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE E: LEASES AND COMMITMENTS, Cont'd

Annual estimated future minimum rental payments required under the aforementioned operating and capital leases for the next three years are as follows:

<u>Year ending June 30,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2022	\$ 22,029	\$ 3,398
2023	19,956	-
2024	<u>1,663</u>	<u>-</u>
		3,398
Net minimum lease payments	43,648	
Less amount representing interest	<u>3,501</u>	
Present value of net minimum lease payments included in capital lease liability	40,147	
Less current maturities of capital lease obligations included in current portion of capital lease liability	<u>19,532</u>	
Long-term capital lease obligations	<u>\$ 20,615</u>	

NOTE F: 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 G: CONCENTRATIONS

At June 30, 2021 and 2020, approximately 81% and 91%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants.

During the years ended June 30, 2021 and 2020 approximately 70% and 80%, respectively, of total operating revenue and support came from per-pupil funding. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students reside.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE H: RETIREMENT PLAN

The Charter School has established a 403(b) retirement plan for employees. The Plan began operations effective September 15, 2016. All full time employees are automatically enrolled at a base contribution of 2% of compensation unless they make an alternative election. The Plan also provides for a discretionary employer match. The employer match for the years ended June 30, 2021 and 2020 was approximately \$78,620 and \$49,650, respectively.

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including but not limited to salaries, benefits, payroll taxes, purchased services, occupancy costs, and supplies and materials) which are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

NOTE J: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020 the Charter School applied for and was approved by a bank for a loan of \$1,154,800 through the Paycheck Protection Program (“PPP”) established by the Small Business Administration. The loan has a maturity of 5 years and an interest rate of 1%. The loan was funded on June 17, 2020. PPP loans can be forgiven by SBA if at least 60% of the funds are expended for payroll and related benefits, while the remaining balance can be used for mortgage interest, rent, utilities, and lease payments made during the covered period, as defined in the loan. Employment levels are also required to be maintained in accordance with the PPP guidelines. The Charter School met the requirements for forgiveness and on January 25, 2021 the loan was forgiven in full by the SBA.

NOTE K: FINANCIAL IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$125,566 of revenue relative to ESSER grants during the year ended June 30, 2021.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE L: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The Charter currently expires June 30, 2022. The renewal process includes review by NYSED of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application for renewal and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

NOTE M: SUBSEQUENT EVENT

On July 13, 2021 the Charter School became the guarantor of a loan that Friends of GCCS, Inc. obtained in conjunction with making improvements to the building the Charter School began leasing on June 30, 2021 (see Note D). The principal balance of the loan is \$5,000,000 which is fully guaranteed by the Charter School. The loan bears interest at 5%. The maximum potential amount of future payments of principal and interest (undiscounted) the Charter School could be required to make under the guarantee is approximately \$6,625,000. The guaranty shall continue in effect until all obligations are fully paid, which is expected to be July 1, 2028.