

**GLOBAL COMMUNITY CHARTER SCHOOL**

**NEW YORK, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023**

**(With Comparative Totals for 2022)**



BUSINESS  
ADVISORS  
AND CPAS

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BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Global Community Charter School

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Global Community Charter School, which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Global Community Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Global Community Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, during the year ended June 30, 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Global Community Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Community Charter School's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

We have previously audited Global Community Charter School's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 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 31, 2023

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,342,222	\$ 2,225,643
Grants and other receivables	304,011	775,276
Employee Retention Credits receivable, net	1,072,450	-
Prepaid expenses and other current assets	<u>36,820</u>	<u>201,565</u>
TOTAL CURRENT ASSETS	3,755,503	3,202,484
<u>OTHER ASSETS</u>		
Property and equipment, net	1,746,554	1,809,644
Due from Friends of GCCS, Inc.	538,906	647,025
Cash in escrow	100,122	100,073
Security deposits	250,000	451,250
Right-of-use assets	<u>46,231,205</u>	<u>-</u>
	48,866,787	3,007,992
TOTAL ASSETS	<u>\$ 52,622,290</u>	<u>\$ 6,210,476</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 347,370	\$ 355,469
Accrued payroll and benefits	471,854	388,356
Vacation accrual	70,296	56,154
Other current liabilities	-	20,616
Current portion of lease liabilities	1,500,176	-
Deferred revenue	<u>172,181</u>	<u>296,032</u>
TOTAL CURRENT LIABILITIES	2,561,877	1,116,627
<u>OTHER LIABILITIES</u>		
Deferred lease liability	-	867,030
Long-term lease liabilities	<u>46,013,272</u>	<u>-</u>
TOTAL LIABILITIES	48,575,149	1,983,657
<u>NET ASSETS</u>		
Without donor restrictions	4,047,141	4,068,485
With donor restrictions	<u>-</u>	<u>158,334</u>
TOTAL NET ASSETS	<u>4,047,141</u>	<u>4,226,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,622,290</u>	<u>\$ 6,210,476</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, 2023  
(With Comparative Totals for 2022)

	Year ended June 30,			2022
	2023		Total	
	Without Donor Restrictions	With Donor Restrictions		Total
Operating revenue and support:				
State and local per pupil operating revenue -				
Regular education	\$ 8,793,110	\$ -	\$ 8,793,110	\$ 8,000,260
State and local per pupil operating revenue -				
Special education	1,301,300	-	1,301,300	1,261,694
State and local per pupil facilities revenue	1,611,285	-	1,611,285	1,366,714
Federal grants and contracts	2,193,295	-	2,193,295	993,728
State and city grants and contracts	378,317	-	378,317	226,717
Food service/Child Nutrition income	506,268	-	506,268	429,713
Private grants	327,174	-	327,174	166,976
Interest income	6,490	-	6,490	1,452
Other income	4,207	-	4,207	3,156
Net assets released from restriction	158,334	(158,334)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	15,279,780	(158,334)	15,121,446	12,450,410
Expenses:				
Program:				
Regular education	10,993,294	-	10,993,294	8,356,314
Special education	2,168,225	-	2,168,225	1,632,895
Pre-K	389,889	-	389,889	206,720
Management and general	2,657,559	-	2,657,559	1,996,674
Fundraising	164,607	-	164,607	136,532
TOTAL EXPENSES	16,373,574	-	16,373,574	12,329,135
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(1,093,794)	(158,334)	(1,252,128)	121,275
Other revenue:				
Employee Retention Credit income (net of fees of \$268,113)	1,072,450	-	1,072,450	-
CHANGE IN NET ASSETS	(21,344)	(158,334)	(179,678)	121,275
Net assets at beginning of year	4,068,485	158,334	4,226,819	4,105,544
NET ASSETS AT END OF YEAR	\$ 4,047,141	\$ -	\$ 4,047,141	\$ 4,226,819

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30,									
	2023						2022			
	No. of Positions	Program Services			Sub-total	Supporting Services			Total	Total
Regular Education		Special Education	Pre-K	Management and general		Fundraising	Sub-total			
Personnel services costs:										
Administrative staff personnel	19	\$ 654,256	\$ 140,328	\$ 82,462	\$ 877,046	\$ 907,604	\$ 78,503	\$ 986,107	\$ 1,863,153	\$ 1,323,859
Instructional personnel	67	3,976,730	794,999	197,013	\$ 4,968,742	107,598	-	107,598	5,076,340	3,739,149
Non-instructional personnel	3	27,245	6,267	5,659	39,171	90,068	-	90,068	129,239	115,251
Total personnel services costs	89	4,658,231	941,594	285,134	5,884,959	1,105,270	78,503	1,183,773	7,068,732	5,178,259
Fringe benefits and payroll taxes		1,308,326	253,429	22,176	1,583,931	330,821	18,257	349,078	1,933,009	1,234,471
Retirement		87,149	16,600	-	103,749	21,668	1,195	22,863	126,612	97,301
Legal service		-	-	-	-	13,874	-	13,874	13,874	28,191
Accounting / audit services		-	-	-	-	38,700	-	38,700	38,700	24,600
Other purchased/professional/ consulting services		610,828	117,233	4,647	732,708	153,033	8,444	161,477	894,185	842,934
Building and Land Rent / Lease		2,233,584	433,987	44,847	2,712,418	566,227	32,600	598,827	3,311,245	2,751,984
Repairs and maintenance		151,013	29,619	4,489	185,121	38,238	4,102	42,340	227,461	136,788
Insurance		89,732	18,839	9,174	117,745	24,593	1,355	25,948	143,693	122,092
Utilities		61,707	12,836	5,681	80,224	16,756	925	17,681	97,905	117,222
Supplies and materials		161,021	32,565	9,942	203,528	42,509	2,347	44,856	248,384	286,569
Equipment / furnishings		22,826	4,348	-	27,174	5,675	313	5,988	33,162	50,115
Staff development		103,125	19,643	-	122,768	25,642	1,415	27,057	149,825	133,882
Marketing / recruitment		150,928	28,939	1,000	180,867	37,778	2,083	39,861	220,728	141,590
Technology		85,898	16,362	-	102,260	21,358	1,179	22,537	124,797	82,309
Food service		405,397	77,218	-	482,615	-	-	-	482,615	303,001
Student services		210,112	40,021	-	250,133	52,244	2,885	55,129	305,262	35,844
Office expense		361,985	69,482	2,799	434,266	90,709	5,006	95,715	529,981	452,875
Depreciation and amortization		274,909	52,364	-	327,273	68,352	3,772	72,124	399,397	304,330
Other		16,523	3,146	-	19,669	4,112	226	4,338	24,007	4,778
		\$ 10,993,294	\$ 2,168,225	\$ 389,889	\$ 13,551,408	\$ 2,657,559	\$ 164,607	\$ 2,822,166	\$ 16,373,574	\$ 12,329,135

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (179,678)	\$ 121,275
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	399,397	304,330
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	471,265	(320,508)
Employee Retention Credits receivable	(1,072,450)	-
Prepaid expenses and other current assets	164,745	33,530
Security deposits	201,250	(70,000)
Accounts payable and accrued expenses	(8,099)	151,875
Accrued payroll and benefits	83,498	37,035
Vacation accrual	14,142	12,841
Other current liabilities	(20,616)	-
Deferred revenue	(123,851)	286,032
Deferred lease liability	(867,030)	867,030
Operating lease liabilities, net of right of use assets	1,282,243	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	344,816	1,423,440
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Decrease (increase) in amount due from Friends of GCCS, Inc.	108,119	(267,345)
Purchases of property and equipment	(336,307)	(812,937)
NET CASH USED FOR INVESTING ACTIVITIES	(228,188)	(1,080,282)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital leases	-	(19,531)
NET CASH USED FOR FINANCING ACTIVITIES	-	(19,531)
NET INCREASE IN CASH AND RESTRICTED CASH	116,628	323,627
Cash and restricted cash at beginning of year	2,325,716	2,002,089
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,442,344</u>	<u>\$ 2,325,716</u>



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

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 3,145</u>	<u>\$ 2,497</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	\$ 2,342,222	\$ 2,225,643
Cash in escrow	<u>100,122</u>	<u>100,073</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,442,344</u>	<u>\$ 2,325,716</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

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 School received its third renewal on March 15, 2022 for a term of five years through June 30, 2027. 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 2024.

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 had \$108,334 of net assets with donor restrictions at June 30, 2022, which were restricted for the support of the middle school. The Charter School also had \$50,000 of net assets with donor restrictions at June 30, 2022 restricted for after-school programs. The Charter School had no net assets with donor restrictions at June 30, 2023.

*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, 2023

(With Comparative Totals for 2022)

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

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Without donor restrictions</u>	
Staff retention	\$ 10,375	\$ 10,375
Media center	<u>37,970</u>	<u>37,970</u>
	48,345	48,345
Undesignated	2,252,242	2,231,112
Invested in property and equipment, net of related debt	<u>1,746,554</u>	<u>1,789,028</u>
	<u>\$ 4,047,141</u>	<u>\$ 4,068,485</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 Charter 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 the years ended June 30, 2023 and 2022 was approximately \$378,000 and \$210,000, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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:

	<u>June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Grants and other receivables	\$ 57,857	\$ 54,777	\$ 86,917

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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Deferred revenue at June 30, 2023 and 2022 was approximately \$172,000 and \$296,000, respectively. The Charter School was awarded cost-reimbursement grants of approximately \$10,100 and \$1,590,000 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures had not yet been incurred.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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 \$100,122 and \$100,073 at June 30, 2023 and 2022, 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, 2023 and 2022.

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 three to seven 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, 2020 through June 30, 2023 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, 2023

(With Comparative Totals for 2022)

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 \$221,000 and \$142,000 for the years ended June 30, 2023 and 2022, 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 facilities. One of its leases contains pre-determined fixed escalations of the base rent. In accordance with ASC 840, 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. For the year ended June 30, 2022, the rent expense recognized in excess of amounts payable under the lease was \$867,030. As further described below, effective July 1, 2022, the Charter School adopted ASC 842, *Leases*.

Leases

The Charter School leases its school facilities and certain equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the accompanying statement of financial position. There were no finance leases at June 30, 2023.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as the school facilities, the Company accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of utilities and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class or 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, 2022, from which the summarized information was derived.

Adoption of new accounting standard – 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 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 adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for any existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 a lease liability of \$49,019,763, which represents the present value of the remaining operating lease payments of \$87,684,149, discounted using risk-free rates ranging from 2.84% and 2.92%, and a right-of-use asset of \$48,152,733, adjusted for the deferred lease liability of \$867,030.

The standard had a material impact on the accompanying statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 31, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

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 2023 and 2022.



GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

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>2023</u>	<u>2022</u>
Cash	\$ 2,342,222	\$ 2,225,643
Grants and other receivables	304,011	775,276
Employee Retention Credits receivable	<u>1,072,450</u>	<u>-</u>
Total financial assets available within one year	3,718,683	3,000,919
Less:		
Amounts unavailable for general expenditures within one year, due to		
Amounts unavailable to management without Board approval:		
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	(48,345)	(48,345)
Restricted by donors with purpose restrictions	<u>-</u>	<u>(158,334)</u>
	<u>(48,345)</u>	<u>(206,679)</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 3,670,338</u>	 <u>\$ 2,794,240</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 438,644	\$ 562,922
Computers and equipment	556,017	528,718
Leasehold improvements	2,073,473	1,664,089
Construction in progress	<u>-</u>	<u>156,655</u>
	3,068,134	2,912,384
Less accumulated depreciation and amortization	<u>1,321,580</u>	<u>1,102,740</u>
	<u>\$ 1,746,554</u>	<u>\$ 1,809,644</u>

Total depreciation and amortization expense was \$399,397 and \$304,330 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2022, 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. Construction was completed during the year ended June 30, 2023 and all amounts were placed into service.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES

The Charter School leases its facility 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, 2022, the Charter School exercised the second option to renew their lease through July 2027. Monthly rental payments are \$125,000 beginning August 2022 through July 2027. The Charter School was required to deposit an additional \$70,000, for a total of \$250,000, 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 147<sup>th</sup> Street effective July 1, 2021 through June 20, 2054 with Friends of GCCS, Inc. Effective August 18, 2022, a subsidiary of Friends of GCCS, Inc. obtained long-term bond financing and purchased the building. The Charter School obtained a rating from S&P of BB+ in connection with the bond financing. This rating is subject to change. In connection with the purchase of the building, the previous lease agreement between the Charter School and Friends of GCCS, Inc. was canceled and replaced with a new agreement. The lease agreement calls for a lease term from August 18, 2022 through June 30, 2070 and requires monthly rental payments beginning at \$103,487 per month and increasing to \$162,470 per month over the lease term. The lease includes all utilities and security services. In connection with this financing, the Charter School, together with Friends of GCCS, Inc., is required to comply with certain financial and operating covenants, including a days cash on hand covenant and a debt service ratio covenant. At June 30, 2023, the Charter School, together with Friends of GCCS, Inc., was not in compliance with the days cash on hand covenant. As a result, in accordance with the bond document, the Charter School, together with Friends of GCCS, Inc. must retain, on a total basis, a minimum of 50% of the Excess Net Revenues, as defined in the agreement, until such time as they are in compliance. The Charter School is the sole tenant of the facility purchased by Friends of GCCS, Inc. Should the Charter School or Friends of GCCS, Inc. be unable to meet their obligations under the lease agreement or the bond financing agreement, this could have an adverse impact on the ability of the Charter School to operate in the facility.

In August 2021 the Charter School entered into an operating lease for equipment. The lease requires monthly payments of \$5,545 through August 2024.

Total lease expense under the above leases was \$3,226,917 and \$2,697,509 for the years ended June 30, 2023 and 2022, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

<u>Statement of Financial Position Classification</u>		
<u>Assets</u>		
Other assets	Right-of-use assets	\$ 46,231,205
		<u>\$ 46,231,205</u>
 <u>Liabilities</u>		
Current liabilities	Current portion of lease liabilities	\$ 1,500,176
Other liabilities	Long-term lease liabilities	<u>46,013,272</u>
		<u>\$ 47,513,448</u>

The components of lease expense for the year ended June 30, 2023 were as follows:

Operating lease cost:	<u>\$ 3,226,917</u>
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As of June 30, 2023, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	2,865,504
2025	3,059,724
2026	3,066,864
2027	3,070,164
2028	1,678,628
Thereafter	<u>71,131,560</u>
Total lease payments	84,872,444
Less: Interest	<u>(37,358,996)</u>
Present value of lease liabilities	<u>\$ 47,513,448</u>

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows paid for operating leases	\$ 2,811,705
Weighted-average remaining lease term:	
Operating leases	41.72 years
Weighted-average discount rate:	
Operating leases	2.92%

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

At both June 30, 2023 and 2022, approximately 79% 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, 2023 and 2022 approximately 67% and 75%, 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.

NOTE G: 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, 2023 and 2022 was approximately \$126,600 and \$97,300, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE H: 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 I: FINANCIAL IMPACT OF COVID-19 OUTBREAK

On March 27, 2020, the CARES Act was enacted. Under the CARES Act, the Employee Retention Credit, a refundable, wage-related tax credit, was made available to eligible employers. The Charter School recognized a benefit of approximately \$1,340,500, recorded as Employee Retention Credit income related to this credit during the year ended June 30, 2023. The Charter School incurred expenses related to the application for the credit of approximately \$268,100. These expenses have been netted against the income on the accompanying statement of activities. There were no benefits from the Employee Retention Credit recorded during the year ended June 30, 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 \$1,546,529 and \$348,155 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. The Charter School has fully utilized all allocated grants as of June 30, 2023.