

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2014

(With Comparatives Totals for 2013)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

| <u>AUDITED FINANCIAL STATEMENTS</u> | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report | 3 |
| Statement of Financial Position | 5 |
| Statement of Activities and Changes in Net (Deficiency) Assets | 6 |
| Statement of Functional Expenses | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| <u>OTHER FINANCIAL INFORMATION</u> | |
| Independent Auditor's Report on Other Financial Information | 16 |
| Schedule of Activities for the years ended June 30, 2014 and 2013, the period from September 13, 2011 (date of inception) to June 30, 2012 and the period from September 13, 2011 (date of inception) to June 30, 2013 | 17 |
| <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u> | |
| 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 <i>Government Auditing Standards</i> | 19 |
| Schedule of Findings and Responses | 21 |

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, 2014, 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.

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, 2014, 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, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2013. In our opinion, the summarized comparative information presented herein as of June 30, 2013 and for the period from September 13, 2011 (date of inception) to June 30, 2013 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 February 10, 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
February 10, 2015

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for 2013)

| <u>ASSETS</u> | <u>June 30,</u> | |
|--|-------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 51,085 | \$ 176,883 |
| Grants and other receivables | 95,400 | - |
| Prepaid expenses and other current assets | 830 | 6,815 |
| TOTAL CURRENT ASSETS | 147,315 | 183,698 |
| <u>PROPERTY AND EQUIPMENT, net</u> | <u>250,610</u> | <u>343,634</u> |
| TOTAL ASSETS | <u>\$ 397,925</u> | <u>\$ 527,332</u> |
| <u>LIABILITIES AND NET (DEFICIENCY) ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 110,055 | \$ 146,692 |
| Accrued payroll and benefits | 156,239 | 119,610 |
| Accrued rent liability | 86,000 | - |
| Note payable | - | 21,818 |
| Vacation accrual | 6,059 | 3,200 |
| Deferred revenue | 13,527 | 38,783 |
| Deferred lease liability | 48,588 | 91,250 |
| TOTAL CURRENT LIABILITIES | 420,468 | 421,353 |
| <u>NET (DEFICIENCY) ASSETS, unrestricted</u> | <u>(22,543)</u> | <u>105,979</u> |
| TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS | <u>\$ 397,925</u> | <u>\$ 527,332</u> |

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

| | Year ended June 30, 2014 | Period from September 13, 2011 (date of inception) to June 30, 2013 |
|---|--------------------------------|--|
| Operating revenue and support: | | |
| State and local per pupil operating revenue | \$ 3,205,090 | \$ 2,081,804 |
| Government grants | 142,800 | 745,287 |
| Individuals and corporations | 4,253 | 4,432 |
| Fundraising | - | 6,151 |
| Contributed legal services | 11,641 | 81,327 |
| Interest income | 42 | - |
| Other income | 1 | 371 |
| TOTAL OPERATING REVENUE AND SUPPORT | <u>3,363,827</u> | <u>2,919,372</u> |
| Expenses: | | |
| Program: | | |
| Regular education | 2,234,582 | 1,728,570 |
| Special education | 611,588 | 325,416 |
| Management and general | 630,361 | 758,809 |
| Fundraising and special events | 15,818 | 598 |
| TOTAL EXPENSES | <u>3,492,349</u> | <u>2,813,393</u> |
| CHANGE IN NET (DEFICIENCY) ASSETS | (128,522) | 105,979 |
| Net assets at beginning of year | 105,979 | - |
| NET (DEFICIENCY) ASSETS AT END OF YEAR | <u>\$ (22,543)</u> | <u>\$ 105,979</u> |

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014
 (With Comparative Totals for June 30, 2013)

| | Year Ended June 30, 2014 | | | | | | | Period from September 13, 2011 (date of inception) to June 30, 2013 | |
|---|--------------------------|----------------------|----------------------|---------------------|------------------------------|--------------------------------------|-------------------|--|---------------------|
| | 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 | 7 | \$ 123,739 | \$ 52,500 | \$ 176,239 | \$ 235,171 | \$ - | \$ 235,171 | \$ 411,410 | \$ 377,397 |
| Instructional personnel | 25 | 952,386 | 349,165 | 1,301,551 | - | - | - | 1,301,551 | 759,087 |
| Non-instructional personnel | 5 | 206,345 | 26,000 | 232,345 | 38,625 | 12,875 | 51,500 | 283,845 | 173,189 |
| Total personnel services costs | 37 | 1,282,470 | 427,665 | 1,710,135 | 273,796 | 12,875 | 286,671 | 1,996,806 | 1,309,673 |
| Payroll taxes and employee benefits | | 291,999 | 97,372 | 389,371 | 65,271 | - | 65,271 | 454,642 | 252,133 |
| Professional development | | 18,464 | 11,310 | 29,774 | 2,938 | - | 2,938 | 32,712 | 2,345 |
| Legal fees | | - | - | - | 11,641 | - | 11,641 | 11,641 | 81,327 |
| Audit fees | | - | - | - | 20,600 | - | 20,600 | 20,600 | 4,697 |
| Financial management services | | - | - | - | 22,520 | - | 22,520 | 22,520 | 119,204 |
| Professional fees - other | | 63,892 | 9,127 | 73,019 | 98,264 | - | 98,264 | 171,283 | 281,811 |
| Student and staff recruitment | | - | - | - | 21,334 | - | 21,334 | 21,334 | 39,318 |
| Curriculum and classroom expenses | | 52,255 | 7,465 | 59,720 | - | - | - | 59,720 | 62,663 |
| Supplies and materials | | 61,714 | 10,047 | 71,761 | 28,143 | - | 28,143 | 99,904 | 77,622 |
| Food services | | 7,842 | 1,120 | 8,962 | - | - | - | 8,962 | 4,342 |
| Student transportation services | | 7,738 | 1,105 | 8,843 | - | - | - | 8,843 | 9,278 |
| Postage, printing, and copying | | - | - | - | 4,471 | - | 4,471 | 4,471 | 6,223 |
| Insurance | | - | - | - | 26,620 | - | 26,620 | 26,620 | 22,825 |
| Information technology | | - | - | - | 6,214 | - | 6,214 | 6,214 | 6,317 |
| Leased equipment | | - | - | - | 11,728 | - | 11,728 | 11,728 | - |
| Non-capitalized equipment and furnishings | | - | - | - | 1,138 | - | 1,138 | 1,138 | 41,212 |
| Repairs and maintenance | | 79,109 | - | 79,109 | - | - | - | 79,109 | 27,770 |
| Depreciation and amortization | | 145,241 | - | 145,241 | - | - | - | 145,241 | 118,505 |
| Special events | | 4,438 | - | 4,438 | 1,920 | 2,943 | 4,863 | 9,301 | 6,489 |
| Occupancy | | 219,420 | 46,377 | 265,797 | 24,057 | - | 24,057 | 289,854 | 339,639 |
| Other | | - | - | - | 9,706 | - | 9,706 | 9,706 | - |
| | | <u>\$ 2,234,582</u> | <u>\$ 611,588</u> | <u>\$ 2,846,170</u> | <u>\$ 630,361</u> | <u>\$ 15,818</u> | <u>\$ 646,179</u> | <u>\$ 3,492,349</u> | <u>\$ 2,813,393</u> |

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

| | Year ended June 30, 2014 | Period from September 13, 2011 (date of inception) to June 30, 2013 |
|--|--------------------------------|--|
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net (deficiency) assets | \$ (128,522) | \$ 105,979 |
| Adjustments to reconcile change in net (deficiency) assets to net cash (used for) provided from operating activities: | | |
| Depreciation and amortization | 145,241 | 118,505 |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and other receivables | (95,400) | - |
| Prepaid expenses and other current assets | 5,985 | (6,815) |
| Accounts payable and accrued expenses | (36,637) | 146,692 |
| Accrued payroll and benefits | 36,629 | 119,610 |
| Accrued rent liability | 86,000 | - |
| Vacation accrual | 2,859 | 3,200 |
| Deferred revenue | (25,256) | 38,783 |
| Deferred lease liability | (42,662) | 91,250 |
| NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES | (51,763) | 617,204 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (52,217) | (215,326) |
| NET CASH USED FOR INVESTING ACTIVITIES | (52,217) | (215,326) |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Repayments on note payable | (21,818) | (224,995) |
| NET CASH USED FOR FINANCING ACTIVITIES | (21,818) | (224,995) |
| NET (DECREASE) INCREASE IN CASH | (125,798) | 176,883 |
| Cash at beginning of year | 176,883 | - |
| CASH AT END OF YEAR | \$ 51,085 | \$ 176,883 |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u> | | |
| Purchase of leasehold improvements via borrowings on short term notes payable | \$ - | \$ 246,813 |

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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

The Charter School

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

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2014 and 2013.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2014 or 2013.

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

Revenue and support recognition

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

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

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

Cont'd

Contributions

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

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the 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, 2014 and 2013.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from 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 \$11,641 and \$81,327, respectively, and are included in legal fees expense in the accompanying statement of activities and changes in net (deficiency) assets for the year ended June 30, 2014 and the period from September 13, 2011 (date of inception) to June 30, 2013.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

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

Cont'd

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2012 through 2014 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 \$21,000 and \$39,000 for the year ended June 30, 2014 and the period from September 13, 2011 (date of inception) to June 30, 2013, 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.

Note payable

The Charter School had a non-interest bearing short term note payable with a construction company used to finance leasehold improvements which was repaid in full in July 2013.

Use of estimates in the preparation of financial statements

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

Comparatives for period ended June 30, 2013

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 period ended June 30, 2013, from which the summarized information was derived.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

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 February 10, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosures were noted, except as disclosed in Note C.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>June 30,</u> | |
|--|-------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Furniture and fixtures | \$ 100,155 | \$ 68,750 |
| Computers and equipment | 117,692 | 101,150 |
| Leasehold improvements | <u>296,509</u> | <u>292,239</u> |
| | 514,356 | 462,139 |
| Less accumulated depreciation and amortization | <u>263,746</u> | <u>118,505</u> |
| | <u>\$ 250,610</u> | <u>\$ 343,634</u> |

Total depreciation and amortization expense was \$145,241 and \$118,505 for the year ended June 30, 2014 and the period from September 13, 2011 (date of inception) to June 30, 2013, respectively.

NOTE C: SCHOOL FACILITY

The Charter School leases approximately 20,000 square feet of classrooms and office facilities under a non-cancelable lease agreement expiring in July 2015. 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 recorded \$86,000 of accrued rent liability in accordance with the signed lease agreement and the Charter School is currently in negotiations regarding payment of this amount.

In July 2014, the Charter School entered into a new lease for different facilities. This lease is contingent on the population that the Charter School will be able to move into the building. The lease goes from January 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, 2014 AND 2013

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> |
|-----------------------------|---------------------|
| 2015 | \$ 536,000 |
| 2016 | 727,000 |
| 2017 | 885,000 |
| 2018 | <u>75,000</u> |
| | <u>\$ 2,223,000</u> |

Rent expense for the year ended June 30, 2014 and the period from September 13, 2011 (date of inception) to June 30, 2013 was \$289,854 and \$339,639, respectively.

NOTE D: OPERATING LEASE

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

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2015 | \$ 10,680 |
| 2016 | 10,680 |
| 2017 | <u>4,450</u> |
| | <u>\$ 25,810</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, 2014 AND 2013

NOTE F: CONCENTRATIONS

At June 30, 2014, approximately 100% of grants and other receivables are due from the New York State Department of Education relating to certain grants. There were no concentrations in grants and other receivables at June 30, 2013.

During the year ended June 30, 2014 and the period from September 13, 2011 (date of inception) to June 30, 2013 approximately 95% and 71% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: MAJOR GRANTOR

One federal start-up grant accounted for over 18% of total operating revenue and support for the period from September 13, 2011 (date of inception) to June 30, 2013. There were no grants in excess of 10% of total operating revenue and support during the year ended June 30, 2014.

NOTE H: MANAGEMENT'S PLANS

At June 30, 2014, the Charter School had a deficiency in net assets of approximately \$22,000, with current liabilities exceeding current assets by approximately \$273,000. For the year ended June 30, 2014, the Charter School had a change in net assets of approximately (\$128,500). Included in the decrease in net assets for the year ended June 30, 2014 is approximately \$145,000 of depreciation and amortization expense, which is a non-cash expense. The Charter School receives the majority of its funding through per-pupil operating revenue which is received in periodic installments throughout the year. The first installment of funding for the 2014-15 school year was received in July 2014 and provided necessary cash flow to meet the Charter School's obligations. Management of the Charter School is currently budgeting a change in net assets of approximately (\$65,000) for the 2014-15 fiscal year, however, management is currently pursuing additional opportunities for increased funding which, if realized, would provide for an increase in net assets for the year ending June 30, 2015.

GLOBAL COMMUNITY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Global Community Charter School

We have audited the financial statements of Global Community Charter School as of and for the year ended June 30, 2014 and have issued our report thereon dated February 10, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2014 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2014, as a whole.

We have also audited the financial statements of Global Community Charter School as of June 30, 2013 and for the period from September 13, 2011 (date of inception) to June 30, 2013, and we have issued our report thereon dated October 31, 2013 which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2011-2013 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2013 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 financial statements or to the 2013 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the period from September 13, 2011 (date of inception) to June 30, 2013, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
February 10, 2015

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

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

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

| | Year ended June 30, | | Period from September 13, 2011 (date of inception) to June 30, 2012 | Period from September 13, 2011 (date of inception) to June 30, 2013 |
|--|---------------------|-------------------|---|---|
| | 2014 | 2013 | | |
| State and local per pupil operating revenue | \$ 3,205,090 | \$ 2,081,804 | \$ - | \$ 2,081,804 |
| Government grants | 142,800 | 485,527 | 259,760 | 745,287 |
| Individuals and corporations | 4,253 | 4,432 | - | 4,432 |
| Fundraising | - | 6,131 | 20 | 6,151 |
| Contributed legal services | 11,641 | 21,996 | 59,331 | 81,327 |
| Interest income | 42 | - | - | - |
| Other income | 1 | 371 | - | 371 |
| TOTAL OPERATING REVENUE AND SUPPORT | 3,363,827 | 2,600,261 | 319,111 | 2,919,372 |
| Personnel services costs: | | | | |
| Administrative staff personnel | 411,410 | 251,147 | 126,250 | 377,397 |
| Instructional personnel | 1,301,551 | 759,087 | - | 759,087 |
| Non-instructional personnel | 283,845 | 173,189 | - | 173,189 |
| Total personnel services costs | 1,996,806 | 1,183,423 | 126,250 | 1,309,673 |
| Payroll taxes and employee benefits | 454,642 | 237,120 | 15,013 | 252,133 |
| Professional development | 32,712 | 2,345 | - | 2,345 |
| Legal fees | 11,641 | 21,996 | 59,331 | 81,327 |
| Audit fees | 20,600 | 2,197 | 2,500 | 4,697 |
| Financial management services | 22,520 | 92,612 | 26,592 | 119,204 |
| Professional fees - other | 171,283 | 261,349 | 20,462 | 281,811 |
| Student and staff recruitment | 21,334 | 19,481 | 19,837 | 39,318 |
| Curriculum and classroom expenses | 59,720 | 56,663 | 6,000 | 62,663 |
| Supplies and materials | 99,904 | 76,827 | 795 | 77,622 |
| Food services | 8,962 | 4,342 | - | 4,342 |
| Student transportation services | 8,843 | 9,278 | - | 9,278 |
| Postage, printing, and copying | 4,471 | 2,100 | 4,123 | 6,223 |
| Insurance | 26,620 | 17,570 | 5,255 | 22,825 |
| Information technology | 6,214 | 6,317 | - | 6,317 |
| Leased equipment | 11,728 | - | - | - |
| Non-capitalized equipment and furnishings | 1,138 | 40,412 | 800 | 41,212 |
| Repairs and maintenance | 79,109 | 25,870 | 1,900 | 27,770 |
| Depreciation and amortization | 145,241 | 118,505 | - | 118,505 |
| Special events | 9,301 | 5,689 | 800 | 6,489 |
| Occupancy | 289,854 | 284,789 | 54,850 | 339,639 |
| Other | 9,706 | - | - | - |
| TOTAL EXPENSES | 3,492,349 | 2,468,885 | 344,508 | 2,813,393 |
| CHANGE IN NET (DEFICIENCY) ASSETS | \$ (128,522) | \$ 131,376 | \$ (25,397) | \$ 105,979 |

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, 2014, 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 February 10, 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and responses as Findings 2014-001 and 2014-002 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses as Findings 2014-003 and 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Global Community Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2014-005 and 2014-006.

We noted certain matters that we reported to management of Global Community Charter School in a separate letter dated February 10, 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.

Restricted Use

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
February 10, 2015

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

Finding 2014-001

Statement of condition

Material auditor adjustments were necessary to correctly state the Charter School's financial statements for the year ended June 30, 2014.

Criteria and effect of conditions

During March 2014 the services of a financial consultant previously utilized by the Charter School were discontinued. The internal staff who assumed the duties previously performed by the consultant do not have the appropriate financial background or skillset required to perform these duties effectively. Due in part to this transition, we noted various accounts, including grants and other receivables, accounts payable and accrued expenses, accrued payroll and benefits, accrued rent liability, deferred lease liability, net assets, per pupil operating revenue, government grant revenue, and payroll related expenses 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. Furthermore, certain revenues and expenses relating to cost-reimbursement grants were not reconciled appropriately in the accounting system. 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 School throughout the year and greatly improve the internal controls relative to the School. For cost-reimbursement grants, expenditures should be tagged as they are incurred and reconciled to the revenue recorded.

Management response

Effective immediately, a bookkeeper will record all financial activity and perform bank and general ledger reconciliations on a monthly basis. In addition, expenditures for cost-reimbursement grants will be tagged as they are incurred and reconciled to the revenue recorded. Revenues and expenses will be recorded with the appropriate cost centers going forward – regular education, special education, management and general and fundraising.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2014

Finding 2014-002

Statement of condition

During the period of our audit the Charter School was not following the appropriate policies and procedures regarding usage of debit cards.

Criteria and effect of conditions

During our audit, we noted the Charter School uses debit cards at certain vendors for normal, recurring expenses. While debit cards do provide benefits to the Charter School, they can also provide a significant opportunity for fraud if not properly monitored. As part of our audit, we reviewed two months of debit card transactions (a total of 140 transactions) for compliance with internal control procedures in this area, including pre-approval of expenses. Of the transactions tested, 14 had appropriate documentation and approval, 9 had support with no approval documentation, and 31 had appropriate approval documentation, but no support. The remaining transactions had no support or approval documentation.

Recommendation

We recommend management review the written debit card policies in the Financial Policies and Procedures Manual ("FPPM") on an annual basis. The procedures the Charter School determines are necessary to monitor debit cards should be documented and then strictly followed. Strong controls over debit card usage will protect the Charter School from unauthorized or fraudulent transactions and ensure expenses are properly recorded in the accounting system.

Management response

Debit card policies and procedures will be reviewed annually. Approvals will be obtained prior to use of the debit card for all purchases. Documentation will be obtained for all purchases and reviewed on a monthly basis by the finance department. If staff do not comply with the approval and documentation procedure for debit cards, they will not be permitted to use the debit card. Instead, they will be asked to purchase items with personal funds and submit receipts for reimbursement. Approvals will always be required.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2014

Finding 2014-003

Statement of condition

During the period of our audit the Charter School did not retain supporting documentation for cash receipts or properly deposit such funds into the bank account.

Criteria and effect of conditions

Upon request for the support of certain cash deposits, management indicated they did not retain any supporting documentation. In addition, we noted the Charter School held a fundraiser in June, however no proceeds were deposited into the bank account from that event. Management was not able to provide proper documentation reconciling the amounts collected for the event, and stated the funds raised were retained in petty cash to be used for small purchases.

Recommendation

We recommend the Charter School adhere to their cash receipts 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

All documentation for cash receipts will be retained and stored. All cash receipts will be photocopied, coded and deposited into the bank account on a timely basis. Specifically, the fundraising account will be the location for all non-grant funds raised.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2014

Finding 2014-004

Statement of condition

During the period of our audit the Charter School had not been performing formal bank reconciliations since the month of February 2014.

Criteria and effect of conditions

We noted during our audit that management had not been performing formal bank reconciliations since the month of February 2014. Management instead was tracing all transactions on the bank statement to be sure they were recorded in the general ledger. In addition, due to the lack of appropriate bank reconciliations, we noted the Head of School did not review or approve the bank reconciliations as documented in the Charter School's policies and procedures.

Recommendation

We recommend the Charter School perform bank reconciliations as stated in its policies and procedures and ensure that the Head of School reviews and approves those reconciliations.

Management response

Bank reconciliations will be performed monthly, shortly after the end of the month. Reconciling items will be investigated on a timely basis. In addition, the bank reconciliations will be reviewed by the Head of School on a monthly basis.

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2014

Finding 2014-005

Statement of condition

During our audit the Charter School was unable to readily locate an up to date Fire Safety Report or Fire Inspection that was filed with the Bureau of Fire Prevention for the year ended June 30, 2014.

Criteria and effect of conditions

The Charter School is required to have a fire inspection which should be performed every school year before December 1st and filed with the Bureau of Fire Prevention before the December 16th due date, per Section 807a of the Education Law. During our audit, we noted the Charter School could not provide a valid fire safety report or fire inspection for the time period being tested of July 1, 2013 through June 30, 2014.

Recommendation

We recommend the Charter School maintain annual documentation of fire inspections which should be performed every school year before December 1st.

Management response

Subsequent to year-end, the Charter School obtained a fire inspection in attempts to obtain a certificate. The Charter School received a Notice of Violation and Hearing from the inspection that was conducted on October 20, 2014. The notice was in regard to the Charter School being unable to produce a Certificate of Fitness. The Charter School was to produce this certificate to the Bureau of Fire Prevention before November 24, 2014. The Charter School did not do so and had to appear for a hearing on December 10, 2014 to answer and defend the allegations. Any penalties that may be assessed are not expected to be material in aggregate, if imposed. The Charter School is moving to a new location in February 2015. The fire inspection will be obtained before moving to the new site.

GLOBAL COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES, Cont'd
YEAR ENDED JUNE 30, 2014

Finding 2014-006

Statement of condition

The Charter School did not meet the requirement to submit its 2014 audited financial statements to NYSED by November 1, 2014.

Criteria and effect of conditions

In accordance with Section 5.3 of the Charter School's charter agreement, the Charter School is required to submit its annual audited financial statements to NYSED by the following November 1st. The Charter School did not submit its financial statements to NYSED by the deadline or within the grace period provided by NYSED.

Recommendation

We recommend the Charter School improve the condition of its financial records to facilitate the timely completion of the annual audit and submission of financial statements to NYSED in accordance with the deadline.

Management response

Starting in February, 2015, the Charter School has retained an accounting firm and financial records will be improved. Profit and Loss, Balance Sheet and Budget Variance reports will be issued on a monthly basis. Bank and general ledger reconciliations will be performed monthly and payroll will be recorded and allocated appropriately. This should facilitate the timely completion of the annual audit.