

**GLOBAL COMMUNITY CHARTER SCHOOL**

**NEW YORK, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2019**

**(With Comparative Totals for 2018)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Global Community Charter School

**Report on the Financial Statements**

We have audited the accompanying financial statements of Global Community Charter School, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Community Charter School as of June 30, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 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 25, 2019

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	June 30,	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 876,903	\$ 748,268
Grants and other receivables	175,305	273,335
Prepaid expenses and other current assets	<u>3,860</u>	<u>2,975</u>
TOTAL CURRENT ASSETS	1,056,068	1,024,578
<u>OTHER ASSETS</u>		
Property and equipment, net	359,810	378,957
Cash in escrow	100,042	101,786
Security deposit	<u>180,000</u>	<u>180,000</u>
	<u>639,852</u>	<u>660,743</u>
TOTAL ASSETS	<u>\$ 1,695,920</u>	<u>\$ 1,685,321</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 253,460	\$ 306,964
Accrued payroll and benefits	298,574	275,422
Vacation accrual	51,945	54,048
Current portion of capital lease liability	36,988	27,137
Deferred revenue	<u>58,716</u>	<u>21,040</u>
TOTAL CURRENT LIABILITIES	699,683	684,611
<u>CAPITAL LEASE LIABILITY</u> , net of current portion	<u>80,042</u>	<u>31,322</u>
TOTAL LIABILITIES	779,725	715,933
<u>NET ASSETS</u> , without donor restrictions		
Undesignated	705,245	460,388
Board designated	<u>210,950</u>	<u>509,000</u>
TOTAL NET ASSETS	<u>916,195</u>	<u>969,388</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,695,920</u>	<u>\$ 1,685,321</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, 2019  
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 7,727,493	\$ 7,200,128
Government grants	1,637,977	1,655,164
Private grants	18,795	-
Interest income	6,937	7,043
Other income	66,118	23,545
TOTAL OPERATING REVENUE AND SUPPORT	<u>9,457,320</u>	<u>8,885,880</u>
Expenses:		
Program:		
Regular education	5,492,396	5,125,201
Special education	2,411,136	2,251,798
Management and general	1,515,070	1,504,323
Fundraising and special events	91,911	92,869
TOTAL EXPENSES	<u>9,510,513</u>	<u>8,974,191</u>
CHANGE IN NET ASSETS	(53,193)	(88,311)
Net assets at beginning of year	<u>969,388</u>	<u>1,057,699</u>
NET ASSETS AT END OF YEAR	<u>\$ 916,195</u>	<u>\$ 969,388</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

	Year ended June 30,								
	2019							2018	
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	14	\$ 454,476	\$ 109,700	\$ 564,176	\$ 617,712	\$ 51,988	\$ 669,700	\$ 1,233,876	\$ 1,320,523
Instructional personnel	56	2,179,924	1,232,718	3,412,642	73,901	-	73,901	3,486,543	3,211,937
Non-instructional personnel	2	31,738	6,941	38,679	88,936	-	88,936	127,615	132,541
Total personnel services costs	72	2,666,138	1,349,359	4,015,497	780,549	51,988	832,537	4,848,034	4,665,001
Fringe benefits and payroll taxes		585,556	269,590	855,146	178,606	9,857	188,463	1,043,609	974,479
Retirement		28,778	13,250	42,028	8,777	484	9,261	51,289	60,817
Legal service		-	-	-	4,461	-	4,461	4,461	-
Accounting / audit services		-	-	-	27,000	-	27,000	27,000	26,200
Other purchased/professional/ consulting services		182,090	83,834	265,924	55,541	3,065	58,606	324,530	395,401
Building and Land Rent / Lease		709,420	326,754	1,036,174	216,306	12,454	228,760	1,264,934	1,227,803
Repairs and maintenance		38,624	17,942	56,566	11,684	1,253	12,937	69,503	56,506
Insurance		20,769	9,562	30,331	6,335	349	6,684	37,015	37,213
Utilities		82,122	37,809	119,931	25,049	1,383	26,432	146,363	120,473
Supplies and materials		150,155	69,132	219,287	45,800	2,528	48,328	267,615	171,056
Equipment / furnishings		35,354	16,277	51,631	10,784	595	11,379	63,010	36,233
Staff development		72,173	33,229	105,402	22,014	1,215	23,229	128,631	130,889
Marketing / recruitment		32,637	15,027	47,664	9,956	549	10,505	58,169	36,558
Technology		40,693	18,735	59,428	12,412	685	13,097	72,525	82,330
Food service		520,735	-	520,735	-	-	-	520,735	444,522
Student services		70,097	32,274	102,371	21,382	1,180	22,562	124,933	88,674
Office expense		133,906	61,659	195,565	40,850	2,254	43,104	238,669	204,234
Depreciation and amortization		117,353	54,030	171,383	35,793	1,975	37,768	209,151	207,728
Other		5,796	2,673	8,469	1,771	97	1,868	10,337	8,074
		\$ 5,492,396	\$ 2,411,136	\$ 7,903,532	\$ 1,515,070	\$ 91,911	\$ 1,606,981	\$ 9,510,513	\$ 8,974,191

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (53,193)	\$ (88,311)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	209,151	207,728
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	98,030	(3,949)
Prepaid expenses and other current assets	(885)	4,706
Accounts payable and accrued expenses	(53,504)	4,635
Accrued payroll and benefits	23,152	(7,923)
Vacation accrual	(2,103)	(23,664)
Deferred revenue	37,676	(27,966)
Deferred lease liability	-	(12,000)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>258,324</u>	<u>53,256</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Change in cash in escrow	1,744	(508)
Purchases of property and equipment	<u>(84,512)</u>	<u>(90,954)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(82,768)</u>	<u>(91,462)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital leases	<u>(46,921)</u>	<u>(38,047)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(46,921)</u>	<u>(38,047)</u>
NET INCREASE (DECREASE) IN CASH	128,635	(76,253)
Cash at beginning of year	<u>748,268</u>	<u>824,521</u>
CASH AT END OF YEAR	<u>\$ 876,903</u>	<u>\$ 748,268</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 9,163</u>	<u>\$ 6,173</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchase of property and equipment through capital lease	<u>\$ 105,492</u>	<u>\$ -</u>

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



GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 was renewed in January 2017 for a term of two years through June 30, 2019. The Charter received its second renewal on April 9, 2019 for a term of three years through June 30, 2022. The Charter School also received approval from the New York City Department of Education to operate a Pre-K program beginning in Fall 2019.

Basis of accounting

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

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 no net assets with donor restrictions at June 30, 2019 or 2018.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

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:

	June 30,	
	2019	2018
General reserve	\$ 100,000	\$ 100,000
Staff retention	60,750	109,000
Media center	50,200	200,000
Leadership	-	100,000
	210,950	509,000
Undesignated	462,465	139,890
Invested in property and equipment, net	242,780	320,498
	<u>\$ 916,195</u>	<u>\$ 969,388</u>

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.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

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 \$100,042 and \$101,786 at June 30, 2019 and 2018, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

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, 2019 and 2018.

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.

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, 2016 through June 30, 2019 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.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$58,000 and \$37,000 for the years ended June 30, 2019 and 2018, respectively.

Deferred revenue

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

Use of estimates in the preparation of financial statements

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

Comparatives for the year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
  - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
  - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
  - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
  - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
  - e) Method(s) used to allocate costs among program and support functions.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. 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.

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 guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Recently an exposure draft was issued which would delay the effective date by one year. 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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 25, 2019, which is the date the financial statements are available to be issued. Except as described in Note E, no subsequent events requiring disclosure were noted.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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 year 2019.

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 at June 30, 2019:

	<u>Amount</u>
Cash	\$ 876,903
Grants and other receivables	<u>175,305</u>
Total financial assets available within one year	1,052,208
Less:	
Amounts unavailable to management without Board approval:	
Board designated for general reserve	(100,000)
Board designated for staff retention	(60,750)
Board designated for media center	<u>(50,200)</u>
Total amounts unavailable to management without Board approval	<u>(210,950)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 841,258</u>

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 389,658	\$ 283,401
Computers and equipment	391,639	351,422
Leasehold improvements	<u>437,026</u>	<u>393,496</u>
	1,218,323	1,028,319
Less accumulated depreciation and amortization	<u>858,513</u>	<u>649,362</u>
	<u>\$ 359,810</u>	<u>\$ 378,957</u>

Total depreciation and amortization expense was \$209,151 and \$207,728 for the years ended June 30, 2019 and 2018, respectively.

NOTE D: SCHOOL FACILITY

The Charter School leases its facilities located at 2350 Fifth Avenue. The original lease term was from February 1, 2015 through July 31, 2017 with two options to renew, each for an additional five years. During the year ended June 30, 2017, the Charter School exercised the first option to renew their lease through July 2022. Monthly rental payments are \$90,000 through July 2022. The Charter School was required to deposit \$180,000 with the landlord to be held as a security deposit as part of the renewal option. The Charter School is required to maintain general liability insurance in case of an incident that causes the demise of the premises. The Charter School will also pay additional expenses for utilities, maintenance, improvements, and real estate taxes.

The future minimum payments on this agreement for base rent are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,080,000
2021	1,080,000
2022	1,080,000
2023	<u>90,000</u>
	<u>\$ 3,330,000</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$1,264,934 and \$1,227,803, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

NOTE E: LEASES AND COMMITMENTS

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

During January 2016 the Charter School leased furniture under a separate lease agreement, which is classified as a capital lease under GAAP. The capital lease required monthly payments of \$2,335 through December 2018, including interest at 9.3%. The furniture under capital lease is included in property and equipment on the accompanying statement of financial position with no net book value at June 30, 2019 and a net book value of \$10,135 at June 30, 2018. Amortization of capital leases is included in depreciation and amortization expense. There was no balance of the capital lease payable at June 30, 2019 and a balance of \$13,639 at June 30, 2018. The lease payments continued on a month-to-month basis through August 2019. In September 2019, this lease was renewed through August 2020 requiring monthly payments of \$2,062.

During August 2016 the Charter School entered into an additional capital lease for furniture and computer equipment. The lease requires monthly payments of \$1,350 through July 2021, with interest at 7%. The furniture and computer equipment under capital lease is included in property and equipment on the accompanying statement of financial position with a net book value of \$28,596 and \$42,295 at June 30, 2019 and 2018. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2019 and 2018 was \$31,323 and \$44,820, respectively.

In July 2018 the Charter School entered into two additional capital leases, one for furniture and the other for computer equipment. The leases require monthly payments of \$1,663 through July 2023, with interest at 8.2%, and monthly payments of \$723 through July 2021, with interest at 7.5%, respectively. The furniture and computer equipment under capital lease is included in property and equipment on the accompanying statement of financial position with a net book value of \$87,593 at June 30, 2019.

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

In September 2019 the Charter School entered into an additional operating lease for equipment. The lease requires monthly payments of \$2,181 through August 2020.



GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

NOTE E: LEASES AND COMMITMENTS, Cont'd

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

<u>Year ending June 30,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2020	\$ 44,833	\$ 83,210
2021	44,833	49,263
2022	22,029	3,398
2023	19,956	-
2024	<u>1,663</u>	<u>-</u>
		135,871
Net minimum lease payments	133,314	
Less amount representing interest	<u>16,284</u>	
Present value of net minimum lease payments included in capital lease liability	117,030	
Less current maturities of capital lease obligations included in current portion of capital lease liability	<u>36,988</u>	
Long-term capital lease obligations	<u>\$ 80,042</u>	

Additionally, in July 2019 the Charter School entered into a contract for minor leasehold improvements to be completed in the summer of 2019 at a total project cost of \$82,000.

NOTE F: CONTINGENCY

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

NOTE G: CONCENTRATIONS

At June 30, 2019 and 2018, approximately 99% and 67%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants.

During the years ended June 30, 2019 and 2018 approximately 82% and 81%, respectively, 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 reside.

NOTE H: RETIREMENT PLAN

The Charter School has established a 403(b) retirement plan for employees. The Plan began operations effective September 15, 2016. All full time employees are automatically enrolled at a base contribution of 2% of compensation unless they make an alternative election. The Plan also provides for a discretionary employer match. The employer match for the years ended June 30, 2019 and 2018 was approximately \$51,290 and \$60,820, respectively.

NOTE I: FUNCTIONAL EXPENSES

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

**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, 2019, 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 and have issued our report thereon dated October 25, 2019.

**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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, finding number 2019-001 described in the accompanying Schedule of Findings and Responses, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Global Community Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Global Community Charter School in a separate letter dated October 25, 2019.

### **Response to Finding**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 25, 2019

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

**Finding 2019-001**

Statement of condition

During our audit testing we determined a significant adjustment was necessary to correctly state the Charter School's financial statements as of and for the year ended June 30, 2019.

Criteria and effect of conditions

During our audit, we noted property and equipment and corresponding long-term liabilities related to two capital leases entered into during July 2018 were not recorded, resulting in a significant auditor adjustment of approximately \$105,000 to record the asset and offsetting liability. Additional entries were necessary to record depreciation expense and properly apply lease payments made during the year to the resulting liability.

Recommendation

We recommend management review the terms of all lease agreements upon signing to ensure accurate reporting. Any leases with \$1 bargain purchase options meet the criteria to be recorded as capital leases.

Management's response

We have reviewed the terms of all leases and made appropriate changes to the balance sheet. In consultation with financial consultants and accounting standards, we will make appropriate adjustments to the financial statements for any new lease agreements going forward.