

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016

(With Comparative Totals for 2015)



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 Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <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>	16

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 17, 2016 on our consideration of Global Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Global Community Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 17, 2016

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Comparative Totals for 2015)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 710,296	\$ 105,505
Grants and other receivables	265,659	314,593
Prepaid expenses and other current assets	15,977	-
TOTAL CURRENT ASSETS	991,932	420,098
<u>PROPERTY AND EQUIPMENT</u> , net	362,260	173,107
TOTAL ASSETS	\$ 1,354,192	\$ 593,205
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 228,029	\$ 146,170
Accrued payroll and benefits	208,124	172,712
Accrued rent liability	-	53,216
Vacation accrual	60,343	24,750
Current portion of capital lease payable	23,206	-
Deferred lease liability	141,000	-
Deferred revenue	-	11,729
TOTAL CURRENT LIABILITIES	660,702	408,577
<u>OTHER LIABILITIES</u>		
Capital lease payable, net of current portion	39,095	-
Deferred lease liability	-	90,000
TOTAL LIABILITIES	699,797	498,577
<u>NET ASSETS</u> , unrestricted	654,395	94,628
TOTAL LIABILITIES AND NET ASSETS	\$ 1,354,192	\$ 593,205

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, 2016
(With Comparative Totals for June 30, 2015)

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 6,032,331	\$ 4,529,462
Government grants	620,315	361,324
Fundraising	11,688	6,639
Contributed legal services	-	155,567
Interest income	1,586	636
Other income	1,459	2,905
TOTAL OPERATING REVENUE AND SUPPORT	<u>6,667,379</u>	<u>5,056,533</u>
Expenses:		
Program:		
Regular education	3,730,979	3,184,538
Special education	1,414,913	812,673
Management and general	996,993	918,446
Fundraising and special events	123,895	23,705
TOTAL EXPENSES	<u>6,266,780</u>	<u>4,939,362</u>
CHANGE IN NET ASSETS FROM OPERATIONS	400,599	117,171
New York State stimulus grant revenue	<u>159,168</u>	<u>-</u>
CHANGE IN NET ASSETS	559,767	117,171
Net assets (deficiency) at beginning of year	<u>94,628</u>	<u>(22,543)</u>
NET ASSETS AT END OF YEAR	<u>\$ 654,395</u>	<u>\$ 94,628</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	Year Ended June 30, 2016								Year ended June 30, 2015
	Program Services			Supporting Services			Total		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events			
Personnel services costs:									
Administrative staff personnel	12	\$ 161,342	\$ 76,114	\$ 237,456	\$ 350,631	\$ 76,585	\$ 427,216	\$ 664,672	\$ 441,789
Instructional personnel	56	1,846,457	777,550	2,624,007	24,422	-	24,422	2,648,429	1,989,362
Non-instructional personnel	11	106,267	-	106,267	157,709	-	157,709	263,976	108,482
Total personnel services costs	79	2,114,066	853,664	2,967,730	532,762	76,585	609,347	3,577,077	2,539,633
Fringe benefits & payroll taxes		411,584	166,199	577,783	103,723	14,910	118,633	696,416	604,458
Staff development		40,209	5,026	45,235	5,026	-	5,026	50,261	41,036
Legal service		-	-	-	-	-	-	-	155,567
Accounting / audit services		-	-	-	47,350	-	47,350	47,350	32,912
Other purchased/professional/ consulting services		-	-	-	8,355	-	8,355	8,355	46,790
Other professional services		138,899	33,713	172,612	51,699	2,239	53,938	226,550	83,224
Building and Land Rent / Lease		553,410	223,468	776,878	139,464	20,048	159,512	936,390	867,291
Repairs and maintenance		37,000	14,940	51,940	9,324	1,340	10,664	62,604	24,800
Insurance		-	-	-	38,262	-	38,262	38,262	31,018
Supplies and materials		181,058	20,118	201,176	-	-	-	201,176	124,578
Equipment / furnishings		31,415	12,685	44,100	7,917	1,138	9,055	53,155	25,701
Marketing / recruitment		27,111	10,947	38,058	6,832	982	7,814	45,872	3,393
Technology		37,077	14,970	52,047	9,343	1,343	10,686	62,733	73,712
Food service		12,596	-	12,596	-	-	-	12,596	13,469
Student services		-	-	-	-	-	-	-	1,275
Office expense		65,486	26,443	91,929	16,503	2,372	18,875	110,804	72,817
Depreciation and amortization		67,865	27,404	95,269	17,103	2,459	19,562	114,831	126,372
Other		13,203	5,336	18,539	3,330	479	3,809	22,348	71,316
		<u>\$ 3,730,979</u>	<u>\$ 1,414,913</u>	<u>\$ 5,145,892</u>	<u>\$ 996,993</u>	<u>\$ 123,895</u>	<u>\$ 1,120,888</u>	<u>\$ 6,266,780</u>	<u>\$ 4,939,362</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 559,767	\$ 117,171
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Loss on disposal of leasehold improvements	-	41,426
Depreciation and amortization	114,831	126,372
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	48,934	(219,193)
Prepaid expenses and other current assets	(15,977)	830
Accounts payable and accrued expenses	81,859	36,115
Accrued payroll and benefits	35,412	16,473
Accrued rent liability	(53,216)	(32,784)
Vacation accrual	35,593	18,691
Deferred revenue	(11,729)	(1,798)
Deferred lease liability	51,000	41,412
NET CASH PROVIDED FROM OPERATING ACTIVITIES	846,474	144,715
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(231,010)	(90,295)
NET CASH USED FOR INVESTING ACTIVITIES	(231,010)	(90,295)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital lease	(10,673)	-
NET CASH USED FOR FINANCING ACTIVITIES	(10,673)	-
NET INCREASE IN CASH	604,791	54,420
Cash at beginning of year	105,505	51,085
CASH AT END OF YEAR	<u>\$ 710,296</u>	<u>\$ 105,505</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 3,338</u>	<u>\$ -</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchase of property and equipment through capital lease	<u>\$ 72,974</u>	<u>\$ -</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2016 or 2015.

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, 2016 or 2015.

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, 2016 AND 2015

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, 2016 and 2015.

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 one 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, nursing services, speech and language consulting and certain office equipment from the local district. These services are not valued in the financial statements.

The Charter School received no contributed legal services for the year ended June 30, 2016. The Charter School received contributed legal services of \$155,567 for the year ended June 30, 2015, which are included in legal fees expense in the accompanying statement of functional expenses.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

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.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$46,000 and \$3,000 for the years ended June 30, 2016 and 2015, respectively.

Deferred revenue

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

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Use of estimates in the preparation of financial statements

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

Comparatives for year ended June 30, 2015

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, 2015, from which the summarized information was derived.

Reclassifications

Certain prior year balances have been reclassified to conform to 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 17, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, other than as disclosed in Notes D, G and H.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2016	2015
Furniture and fixtures	\$ 199,578	\$ 126,604
Computers and equipment	191,963	154,010
Leasehold improvements	220,584	27,527
	612,125	308,141
Less accumulated depreciation and amortization	249,865	135,034
	<u>\$ 362,260</u>	<u>\$ 173,107</u>

Total depreciation and amortization expense was \$114,831 and \$126,372 for the years ended June 30, 2016 and 2015, respectively.

NOTE C: SCHOOL FACILITY

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

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

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>
2017	885,000
2018	75,000
	<u>\$ 960,000</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$936,390 and \$867,291, respectively.

NOTE D: LEASES AND COMMITMENTS

The Charter School entered into non-cancelable lease agreements for office equipment and furniture expiring at various dates through August 2018. In addition, during 2016 the Charter School leased furniture under a separate lease agreement, which is classified as a capital lease under GAAP. The capital lease requires 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 a net book value of \$58,785 at June 30, 2016. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2016 was \$62,301.

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 2022, with interest at 7%.

Annual estimated future minimum rental payments required under the aforementioned operating and capital leases for the next five years (including the lease entered during August 2016) are approximately as follows:

<u>Year ending June 30,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2017	\$ 42,870	\$ 66,689
2018	44,220	45,553
2019	30,208	5,076
2020	16,197	-
2021	16,197	-
Thereafter	1,350	-
	<u>\$ 151,042</u>	<u>\$ 117,318</u>

Under the E-Rate program, the Charter School entered into a contract for the provision of internet services. The contract has a five year term requiring monthly payments of \$1,850 of which the Charter School is obligated to pay 10% or \$185. Should the Charter School lose its funding, the agreement can be terminated with 30 days' notice. Payments under this contract commenced during fiscal 2017.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

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 June 30, 2016, approximately 100% of grants and other receivables are due from the New York State Department of Education relating to certain grants. As of June 30, 2015, approximately 85% of grants and other receivables are due from the New York City Department of Education.

During the years ended June 30, 2016 and 2015 approximately 88% and 90% 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: SUBSEQUENT EVENTS

The Charter School has established a 403(b) retirement plan for employees. The Plan's effective start date is September 15, 2016. All full time employees will be automatically enrolled at a base contribution of 2% unless they make an alternative election. The Plan also provides for a discretionary employer match.

On September 21, 2016, the Board of Trustees of the Charter School established a board designated reserve fund of \$100,000. The purpose of the fund is to provide the Charter School with a source of internal funds for organizational priorities, such as building repairs and improvements, program improvement opportunity, and capacity building. All spending of the fund must be approved by formal resolution of the Board of Trustees.

NOTE H: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The Charter currently expires effective June 30, 2017. The renewal process includes review by NYSED of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The Charter School has submitted its application for renewal and will be undergoing a site visit by NYSED during October 2016 as part of the renewal process. Upon review of the application and results of the site visit, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed, however, NYSED's decision regarding renewal is not expected to be received until January 2017.

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, 2016, 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 17, 2016.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 a certain instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2016-001.

Global Community Charter School's 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, Barw & Co. LLP

Rochester, New York
October 17, 2016

GLOBAL COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

Finding 2016-001

Statement of condition

During our audit we noted that the School did not adhere to their bylaws and Education Law Section 226 with respect to the minimum number of trustees. For a portion of the year the board of trustees consisted of only 4 members, less than the minimum requirement of 5.

Criteria and effect of conditions

The Charter School's bylaws state in Article III, Section B that the number of trustees on the board "shall not be fewer than five (5)..." Education Law Section 226 [1] states that the number of trustees shall not be less than five. During our audit we noted for a portion of the year, the Charter School had only 4 trustees on the board. The Charter School was not in compliance with these requirements.

Recommendation

We recommend that the school find additional qualified individual(s) to join the board of trustees.

Management response

Management acknowledges that the board had too few trustees. The Charter School has identified additional candidates to join the Board, four of which were formally approved subsequent to June 30, 2016. The Charter School is in the process of gathering the appropriate documents for additional Board candidates to submit to the New York State Education Department.