

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018

(With Comparative Totals for 2017)



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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 15, 2018 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 15, 2018

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 748,268	\$ 824,521
Cash in escrow	101,786	101,278
Grants and other receivables	273,335	269,386
Prepaid expenses and other current assets	<u>2,975</u>	<u>7,681</u>
TOTAL CURRENT ASSETS	1,126,364	1,202,866
<u>OTHER ASSETS</u>		
Property and equipment, net	378,957	495,731
Security deposit	<u>180,000</u>	<u>180,000</u>
	<u>558,957</u>	<u>675,731</u>
TOTAL ASSETS	<u>\$ 1,685,321</u>	<u>\$ 1,878,597</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 306,964	\$ 302,329
Accrued payroll and benefits	275,422	283,345
Vacation accrual	54,048	77,712
Current portion of capital lease liability	27,137	38,047
Deferred lease liability	-	12,000
Deferred revenue	<u>21,040</u>	<u>49,006</u>
TOTAL CURRENT LIABILITIES	684,611	762,439
<u>CAPITAL LEASE LIABILITY</u> , net of current portion	<u>31,322</u>	<u>58,459</u>
TOTAL LIABILITIES	715,933	820,898
<u>NET ASSETS</u> , unrestricted		
Undesignated	460,388	512,699
Board designated	<u>509,000</u>	<u>545,000</u>
TOTAL NET ASSETS, unrestricted	<u>969,388</u>	<u>1,057,699</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,685,321</u>	<u>\$ 1,878,597</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, 2018
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 7,200,128	\$ 7,389,129
Government grants	1,655,164	1,152,888
Private grants	-	5,500
Fundraising	-	11,990
Food service income	-	36,064
Interest income	7,043	5,411
Other income	<u>23,545</u>	<u>6,982</u>
TOTAL OPERATING REVENUE AND SUPPORT	8,885,880	8,607,964
Expenses:		
Program:		
Regular education	5,125,201	4,671,111
Special education	2,251,798	2,033,590
Management and general	1,504,323	1,383,906
Fundraising and special events	<u>92,869</u>	<u>155,998</u>
TOTAL EXPENSES	8,974,191	8,244,605
CHANGE IN NET ASSETS FROM OPERATIONS	(88,311)	363,359
New York State stimulus grant revenue	<u>-</u>	<u>39,945</u>
CHANGE IN NET ASSETS	(88,311)	403,304
Net assets at beginning of year	<u>1,057,699</u>	<u>654,395</u>
NET ASSETS AT END OF YEAR	<u>\$ 969,388</u>	<u>\$ 1,057,699</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Year ended June 30,								
	2018				2017				
	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	16	\$ 486,391	\$ 117,403	\$ 603,794	\$ 661,090	\$ 55,639	\$ 716,729	\$ 1,320,523	\$ 1,209,228
Instructional personnel	59	2,008,230	1,135,627	3,143,857	68,080	-	68,080	3,211,937	3,104,477
Non-instructional personnel	2	32,963	7,209	40,172	92,369	-	92,369	132,541	137,183
Total personnel services costs	77	2,527,584	1,260,239	3,787,823	821,539	55,639	877,178	4,665,001	4,450,888
Fringe benefits and payroll taxes		546,768	251,732	798,500	166,775	9,204	175,979	974,479	858,710
Retirement		34,124	15,711	49,835	10,408	574	10,982	60,817	55,304
Legal service		-	-	-	-	-	-	-	7,027
Accounting / audit services		-	-	-	26,200	-	26,200	26,200	24,700
Other purchased/professional/ consulting services		221,855	102,142	323,997	67,670	3,734	71,404	395,401	423,961
Building and Land Rent / Lease		688,597	317,162	1,005,759	209,956	12,088	222,044	1,227,803	916,753
Repairs and maintenance		31,401	14,587	45,988	9,499	1,019	10,518	56,506	55,896
Insurance		20,880	9,613	30,493	6,369	351	6,720	37,213	39,614
Utilities		67,596	31,121	98,717	20,618	1,138	21,756	120,473	106,081
Supplies and materials		95,977	44,188	140,165	29,275	1,616	30,891	171,056	205,359
Equipment / furnishings		20,330	9,360	29,690	6,201	342	6,543	36,233	42,677
Staff development		73,440	33,812	107,252	22,401	1,236	23,637	130,889	75,857
Marketing / recruitment		20,512	9,444	29,956	6,257	345	6,602	36,558	75,935
Technology		46,194	21,268	67,462	14,090	778	14,868	82,330	122,843
Food service		444,522	-	444,522	-	-	-	444,522	343,303
Student services		49,753	22,907	72,660	15,176	838	16,014	88,674	77,125
Office expense		114,586	52,763	167,349	34,956	1,929	36,885	204,234	164,194
Depreciation and amortization		116,554	53,662	170,216	35,550	1,962	37,512	207,728	191,769
Other		4,528	2,087	6,615	1,383	76	1,459	8,074	6,609
		\$ 5,125,201	\$ 2,251,798	\$ 7,376,999	\$ 1,504,323	\$ 92,869	\$ 1,597,192	\$ 8,974,191	\$ 8,244,605

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (88,311)	\$ 403,304
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	207,728	191,769
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(3,949)	(3,727)
Prepaid expenses and other current assets	4,706	8,296
Accounts payable and accrued expenses	4,635	74,300
Accrued payroll and benefits	(7,923)	75,221
Vacation accrual	(23,664)	17,369
Deferred revenue	(27,966)	49,006
Deferred lease liability	(12,000)	(129,000)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>53,256</u>	<u>686,538</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Change in cash in escrow	(508)	(25,477)
Security deposit	-	(180,000)
Purchases of property and equipment	(90,954)	(256,688)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(91,462)</u>	<u>(462,165)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital leases	(38,047)	(34,347)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(38,047)</u>	<u>(34,347)</u>
NET (DECREASE) INCREASE IN CASH	(76,253)	190,026
Cash at beginning of year	824,521	634,495
CASH AT END OF YEAR	<u>\$ 748,268</u>	<u>\$ 824,521</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 6,173</u>	<u>\$ 8,523</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchase of property and equipment through capital lease	<u>\$ -</u>	<u>\$ 68,552</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

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, 2018 or 2017.

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, 2018 or 2017.

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. Board designated net assets are as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
General reserve	\$ 100,000	\$ 100,000
Staff retention	109,000	145,000
Media center	200,000	200,000
Leadership	<u>100,000</u>	<u>100,000</u>
	509,000	545,000
Undesignated	<u>460,388</u>	<u>512,699</u>
	<u>\$ 969,388</u>	<u>\$ 1,057,699</u>

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

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

Cont'd

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 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.

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 \$101,786 and \$101,278 at June 30, 2018 and 2017, respectively.

Grants and contracts receivables

Grants and contracts 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, 2018 and 2017.

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.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

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 files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2015 through June 30, 2018 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 \$37,000 and \$76,000 for the years ended June 30, 2018 and 2017, 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 contained pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognized the related rent expense on a straight-line basis and recorded 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 the year ended June 30, 2017

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, 2017, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2018, which is the date the financial statements are available to be issued. Except as described in Note D and Note H, no subsequent events requiring disclosure were noted.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 283,401	\$ 272,914
Computers and equipment	351,422	305,455
Leasehold improvements	<u>393,496</u>	<u>358,996</u>
	1,028,319	937,365
Less accumulated depreciation and amortization	<u>649,362</u>	<u>441,634</u>
	<u>\$ 378,957</u>	<u>\$ 495,731</u>

Total depreciation and amortization expense was \$207,728 and \$191,769 for the years ended June 30, 2018 and 2017, respectively.

NOTE C: 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>
2019	\$ 1,080,000
2020	1,080,000
2021	1,080,000
2022	1,080,000
2023	<u>90,000</u>
	<u>\$ 4,410,000</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$1,227,803 and \$916,753, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

NOTE D: 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 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 \$10,135 and \$34,460 at June 30, 2018 and 2017. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2018 and 2017 was \$13,639 and \$39,095, respectively.

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 \$42,295 and \$55,994 at June 30, 2018 and 2017. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2018 and 2017 was \$44,820 and \$57,411, 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.

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

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

<u>Year ending June 30,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2019	\$ 56,000	\$ 42,000
2020	45,000	41,000
2021	45,000	41,000
2022	22,000	3,000
2023	20,000	-
Thereafter	2,000	-
	<u>\$ 190,000</u>	<u>\$ 127,000</u>

Additionally, in March 2017 the Charter School entered into a contract for summer school support services. The Charter School contracted with another non-profit corporation who provided curriculum and training for summer school that took place during July and August 2017. The contract provided support for 120 students and totaled \$66,000. The Charter School renewed the contract for July and August 2018 for \$65,500.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

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, 2018 and 2017, approximately 67% and 83%, 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, 2018 and 2017 approximately 81% and 86%, 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 are located.

NOTE G: RETIREMENT PLAN

The Charter School has established a 403(b) retirement plan for employees. The Plan began operations effective September 15, 2016. All full time employees are automatically enrolled at a base contribution of 2% of compensation unless they make an alternative election. The Plan also provides for a discretionary employer match. The employer match for the years ended June 30, 2018 and 2017 was approximately \$60,820 and \$55,300, respectively.

NOTE H: SUBSEQUENT EVENT

In August 2018, the New York State Education Department (NYSED) notified the Charter School that it had over-allocated \$38,246 in Title IIA funding to the Charter School for the year ended June 30, 2018. NYSED will reduce the Charter School's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Charter School has not accounted for this over-allocated funding as a liability as of June 30, 2018.

NOTE I: 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, 2019. 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. Upon review of the application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

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, 2018, 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 15, 2018.

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 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 15, 2018.

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 15, 2018