

GLOBAL COMMUNITY CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

(With Comparative Totals for 2016)



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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 23, 2017 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, Baw & Co. LLP

Rochester, New York
October 23, 2017

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 824,521	\$ 634,495
Cash in escrow	101,278	75,801
Grants and other receivables	269,386	265,659
Prepaid expenses and other current assets	<u>7,681</u>	<u>15,977</u>
TOTAL CURRENT ASSETS	1,202,866	991,932
<u>OTHER ASSETS</u>		
Property and equipment, net	495,731	362,260
Security deposit	<u>180,000</u>	<u>-</u>
	<u>675,731</u>	<u>362,260</u>
TOTAL ASSETS	<u>\$ 1,878,597</u>	<u>\$ 1,354,192</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 302,329	\$ 228,029
Accrued payroll and benefits	283,345	208,124
Vacation accrual	77,712	60,343
Current portion of capital lease liability	38,047	23,206
Deferred lease liability	12,000	141,000
Deferred revenue	<u>49,006</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	762,439	660,702
<u>CAPITAL LEASE LIABILITY</u> , net of current portion	<u>58,459</u>	<u>39,095</u>
TOTAL LIABILITIES	820,898	699,797
<u>NET ASSETS</u> , unrestricted		
Undesignated	512,699	654,395
Board designated	<u>545,000</u>	<u>-</u>
TOTAL NET ASSETS, unrestricted	<u>1,057,699</u>	<u>654,395</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,878,597</u>	<u>\$ 1,354,192</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, 2017
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 7,389,129	\$ 6,032,331
Government grants	1,152,888	620,315
Private grants	5,500	-
Fundraising	11,990	11,688
Food service income	36,064	-
Interest income	5,411	1,586
Other income	6,982	1,459
TOTAL OPERATING REVENUE AND SUPPORT	<u>8,607,964</u>	<u>6,667,379</u>
Expenses:		
Program:		
Regular education	4,671,111	3,730,979
Special education	2,033,590	1,414,913
Management and general	1,383,906	996,993
Fundraising and special events	155,998	123,895
TOTAL EXPENSES	<u>8,244,605</u>	<u>6,266,780</u>
CHANGE IN NET ASSETS FROM OPERATIONS	363,359	400,599
New York State stimulus grant revenue	<u>39,945</u>	<u>159,168</u>
CHANGE IN NET ASSETS	403,304	559,767
Net assets at beginning of year	<u>654,395</u>	<u>94,628</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,057,699</u>	<u>\$ 654,395</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30,							2016	
	2017								
	Program Services			Supporting Services					
No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Personnel services costs:									
Administrative staff personnel		\$	\$	\$ 592,545	\$ 523,692	\$ 92,991	\$	\$ 1,209,228	\$ 1,091,719
Instructional personnel		410,968	793		-			3,104,477	2,390,610
Non-instructional personnel			181,577		114,559			137,183	
Total personnel services costs	1563	2,464,385	1,073,684	3,104,477	638,251			4,450,888	3,577,077
Fringe benefits and payroll taxes	3		1,255,261	376,646	143,476		114,559	858,710	94,748
Retirement	81	22,624			9,240		-		
Legal service			-		7,027	92,991		55,304	
Accounting / audit services		475,675	221,618	697,293	24,700			7,027	696,416
Other purchased/professional/ consulting services		30,636	14,273	44,909		17,941		24,700	47,350
Building and Land Rent / Lease			5,442		213,560		10,395	423,961	
Repairs and maintenance					153,174		7,027	916,753	
Insurance		204,518	236,598	209,960	9,339			55,896	
Utilities		507,828	14,426	744,426	6,619		214,001	39,614	254,973
Supplies and materials		30,963		45,389	17,724	49,153	172,327	106,081	841,210
Equipment / furnishings		21,943	52,999	32,167	34,312	1,168	10,507	205,359	62,604
Staff development			27,378	19,578	7,131	1,168	8,023	42,677	38,262
Marketing / recruitment		113,758	11,014	86,141	12,675	828	7,447	75,857	88,347
Technology		23,640	31,703	34,654	12,687		38,602	75,935	160,178
Food service		42,019	19,597	61,597	20,525	4,290		122,843	53,155
Student services		42,065	19,905	61,662	-	892	14,260	343,303	50,261
Office expense		68,049	42,376	99,752	12,886		14,273	77,125	45,872
Depreciation and amortization		343,303		343,303	27,434	1,586	23,091	164,194	49,498
Other		42,723		62,628	32,041	2,566	36,048	191,769	
		\$ 4,671,111	\$ 49,492	\$ 4,704,701	\$ 1,383,906	\$ 155,998	\$ 1,539,904	\$ 8,244,605	\$ 10,804,266,780
		106,229		155,721		3,430			114,831
			2,033,590			4,007			
		3,660	1,706	5,366			1,243		22,348
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The accompanying notes are an integral part of the financial statements.

GLOBAL COMMUNITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 403,304	\$ 559,767
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	191,769	114,831
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(3,727)	48,934
Prepaid expenses and other current assets	8,296	(15,977)
Accounts payable and accrued expenses	74,300	81,859
Accrued payroll and benefits	75,221	35,412
Accrued rent liability	-	(53,216)
Vacation accrual	17,369	35,593
Deferred revenue	49,006	(11,729)
Deferred lease liability	(129,000)	51,000
NET CASH PROVIDED FROM OPERATING ACTIVITIES	686,538	846,474
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Change in cash in escrow	(25,477)	-
Security deposit	(180,000)	-
Purchases of property and equipment	(256,688)	(231,010)
NET CASH USED FOR INVESTING ACTIVITIES	(462,165)	(231,010)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital leases	(34,347)	(10,673)
NET CASH USED FOR FINANCING ACTIVITIES	(34,347)	(10,673)
NET INCREASE IN CASH	190,026	604,791
Cash at beginning of year	634,495	29,704
CASH AT END OF YEAR	<u>\$ 824,521</u>	<u>\$ 634,495</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 8,523</u>	<u>\$ 3,338</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchase of property and equipment through capital lease	<u>\$ 68,552</u>	<u>\$ 72,974</u>

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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, 2017 or 2016.

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, 2017 or 2016.

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>2017</u>	<u>2016</u>
General reserve	\$ 100,000	\$ -
Staff retention	145,000	-
Media center	200,000	-
Leadership	<u>100,000</u>	<u>-</u>
	545,000	-
Undesignated	<u>512,699</u>	<u>654,395</u>
	<u>\$ 1,057,699</u>	<u>\$ 654,395</u>

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017 AND 2016

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 \$101,278 and \$75,801 at June 30, 2017 and 2016, 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, 2017 and 2016.

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. These services are not valued in the financial statements.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017 AND 2016

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, 2014 through June 30, 2017 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 \$76,000 and \$46,000 for the years ended June 30, 2017 and 2016, 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 the year ended June 30, 2016

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, 2016, 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 23, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017 AND 2016

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 272,914	\$ 199,578
Computers and equipment	305,455	191,963
Leasehold improvements	<u>358,996</u>	<u>220,584</u>
	937,365	612,125
Less accumulated depreciation and amortization	<u>441,634</u>	<u>249,865</u>
	<u>\$ 495,731</u>	<u>\$ 362,260</u>

Total depreciation and amortization expense was \$191,769 and \$114,831 for the years ended June 30, 2017 and 2016, respectively.

NOTE C: SCHOOL FACILITY

The Charter School leases its facilities located at 2350 Fifth Avenue. The lease term is 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 August 2022. Monthly rental payments are \$75,000 at June 30, 2017 and will increase to \$90,000 per month from August 2017 through August 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 is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 1,065,000
2019	1,080,000
2020	1,080,000
2021	1,080,000
2022	1,080,000
2023	<u>90,000</u>
	<u>\$ 5,475,000</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$916,753 and \$841,210, respectively.

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017 AND 2016

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 2021.

During January 2016 the Charter School also 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 \$34,460 and \$58,785 at June 30, 2017 and 2016. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2017 and 2016 was \$39,095 and \$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 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 \$55,994 at June 30, 2017. Amortization of capital leases is included in depreciation and amortization expense. The balance of the capital lease payable at June 30, 2017 was \$57,411.

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>
2018	\$ 44,220	\$ 45,553
2019	30,208	5,076
2020	16,197	-
2021	16,197	-
2022	1,350	-
	<u>\$ 108,172</u>	<u>\$ 50,629</u>

Additionally, during March 2017 the Charter School entered into a contract for summer school support services. The Charter School has contracted with another non-profit corporation who will provide programming for summer school taking place during July and August 2017. The contract will provide support for 120 students and totals \$66,000.

NOTE E: CONTINGENCY

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

GLOBAL COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017 AND 2016

NOTE F: CONCENTRATIONS

At June 30, 2017 and 2016, approximately 83% and 100%, 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, 2017 and 2016 approximately 86% and 90%, 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 year ended June 30, 2017 was approximately \$55,300.

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, 2017, 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 23, 2017.

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*.

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 23, 2017

GLOBAL COMMUNITY CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 23, 2017

To the Board of Trustees
Global Community Charter School

In planning and performing our audit of the financial statements of Global Community Charter School (the “Charter School”) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing 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 the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Charter School’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We have updated the status of the following comment and recommendation that was communicated to management in conjunction with our audit of the financial statements for the year ended June 30, 2016, in our letter dated October 17, 2016.

Payroll Procedures

During our walkthrough of payroll procedures, we noted the Charter School did not retain evidence to support the performance of payroll review procedures as documented in the Fiscal Policies and Procedures Manual (FPPM). As documented in the FPPM, the Payroll Provider Payroll Preview is reconciled to the Excel spreadsheet containing the Charter School's entire payroll, created by the Operations Manager, and is then forwarded to the Chief Operating Officer (COO) for approval. Once approved, the Operations Manager will submit the payroll to Payroll Provider for final processing. During discussions with management, the COO noted he would assist the Operations Manager and review the payroll, but there were no sign-offs or other evidence to show that procedures were performed.

Recommendation

We recommend the Charter School retain documentation, such as email approvals or signoffs, indicating that payroll reports were reviewed and approved in a timely manner. We understand the Charter School transitioned to a new payroll provider during June 2016, and that the new provider's software includes a built-in review and approval function, which should provide adequate documentation of payroll approval going forward.

Status as of June 30, 2017

During our walkthrough of payroll procedures during the 2017 audit we noted approval of payroll prior to processing was documented via email from the COO.

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We have already discussed these comments and suggestions with Charter School personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of Management, Finance Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Jackie Lee or Kurt Button.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP

GLOBAL COMMUNITY CHARTER SCHOOL

REPORT TO THE BOARD OF TRUSTEES

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 23, 2017

Board of Trustees
Global Community Charter School

We have audited the financial statements of Global Community Charter School as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 25, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Global Community Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in a separate letter to you dated October 23, 2017.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Global Community Charter School is included in Note A to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the allocation of costs for the statement of functional expenses. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Global Community Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Global Community Charter School's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Global Community Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Global Community Charter School's auditors.

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Should you desire further information concerning these matters, Jackie Lee or Kurt Button will be happy to meet with you at your convenience.

This letter is intended solely for the use of the Finance Committee, the Board of Trustees, and management Global Community Charter School and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP