

GLOBAL CONCEPTS CHARTER SCHOOL
SINGLE AUDIT REPORTING PACKAGE
JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Global Concepts Charter School

We have audited the accompanying balance sheets of Global Concepts Charter School (the School) as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the School as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying additional information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Symden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 26, 2017

GLOBAL CONCEPTS CHARTER SCHOOL

Balance Sheets

| June 30, | 2017 | 2016 |
|--|----------------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,794,614 | \$ 9,561,128 |
| Receivables, net (Note 2) | 825,944 | 677,672 |
| Prepaid expenses | 132,891 | 178,887 |
| | 9,753,449 | 10,417,687 |
| Property and equipment, net (Note 3) | 9,932,401 | 7,181,124 |
| Investments held in trust (Note 4) | 1,049,511 | 1,044,173 |
| Deposit | - | 150,000 |
| | \$ 20,735,361 | \$ 18,792,984 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Current portion of long-term debt (Note 6) | \$ 156,392 | \$ 146,392 |
| Accounts payable and accrued expenses | 1,623,484 | 1,804,471 |
| | 1,779,876 | 1,950,863 |
| Long-term debt (Note 6) | 6,671,433 | 6,827,825 |
| Net assets: | | |
| Unrestricted | 12,284,052 | 10,014,296 |
| | \$ 20,735,361 | \$ 18,792,984 |

See accompanying notes.

GLOBAL CONCEPTS CHARTER SCHOOL

Statements of Activities

| For the years ended June 30, | 2017 | 2016 |
|---------------------------------------|-------------------|-------------------|
| Support and revenue: | | |
| Enrollment fees: | | |
| Revenue - resident student enrollment | \$ 11,704,893 | \$ 11,390,231 |
| Revenue - students with disabilities | 632,568 | 482,878 |
| Revenue - additional state aid | 410,471 | 202,863 |
| Federal grants | 1,149,802 | 1,158,936 |
| State grants | 11,356 | 11,416 |
| Food service | 51,470 | 43,272 |
| Other income | 66,729 | 70,052 |
| Total support and revenue | 14,027,289 | 13,359,648 |
| Expenses: | | |
| Program expenses: | | |
| Regular education | 7,441,887 | 7,571,137 |
| Special education | 929,717 | 785,160 |
| Other programs | 1,437,762 | 1,455,470 |
| Total program expenses | 9,809,366 | 9,811,767 |
| Supporting services: | | |
| Management and general | 1,948,167 | 2,023,582 |
| Total expenses | 11,757,533 | 11,835,349 |
| Change in net assets | 2,269,756 | 1,524,299 |
| Net assets - beginning | 10,014,296 | 8,489,997 |
| Net assets - ending | \$ 12,284,052 | \$ 10,014,296 |

See accompanying notes.

GLOBAL CONCEPTS CHARTER SCHOOL

Statements of Cash Flows

| For the years ended June 30, | 2017 | 2016 |
|--|---------------------|---------------------|
| Operating activities: | | |
| Cash received from enrollment fees | \$ 12,589,718 | \$ 11,828,306 |
| Cash received from federal and state grants | 1,143,431 | 1,407,687 |
| Cash received from other sources | 118,199 | 113,324 |
| Payments to employees for services and benefits | (7,859,447) | (7,717,435) |
| Payments to vendors and suppliers | (2,934,456) | (3,190,541) |
| Interest paid | (473,764) | (483,764) |
| Net operating activities | 2,583,681 | 1,957,577 |
| Investing activities: | | |
| Property and equipment expenditures | (3,198,465) | (251,417) |
| Deposits to investments held in trust | (5,338) | (5,418) |
| Net investing activities | (3,203,803) | (256,835) |
| Financing activities | | |
| Principal repayments on long-term debt | (146,392) | (136,392) |
| Net change in cash and cash equivalents | (766,514) | 1,564,350 |
| Cash and cash equivalents - beginning | 9,561,128 | 7,996,778 |
| Cash and cash equivalents - ending | \$ 8,794,614 | \$ 9,561,128 |
| Reconciliation of change in net assets to net cash flows from operating activities: | | |
| Change in net assets | \$ 2,269,756 | \$ 1,524,299 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 597,188 | 570,693 |
| Bad debts expense | 27,669 | 25,000 |
| Changes in operating assets and liabilities: | | |
| Receivables | (175,941) | (35,331) |
| Prepaid expenses | 45,996 | (3,020) |
| Accounts payable and accrued expenses | (180,987) | (124,064) |
| Net operating activities | \$ 2,583,681 | \$ 1,957,577 |

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Global Concepts Charter School (the School), established in 2002, operates a charter school in the City of Lackawanna, New York pursuant to its Charter Agreement with the Education Department of the State of New York. The School currently offers classes from kindergarten through grade 12. The School has been chartered through 2021, after which time the charter may be renewed, upon application.

The School seeks to provide a top-quality educational program where students achieve high academic results; are geared towards higher education and career opportunities; become responsible, caring, family and community members; are highly knowledgeable of the multicultural world they are a part of; and possess the qualities and problem solving skills to collaborate peacefully in the community and worldwide.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the financial statements were available to be issued.

Cash and Cash Equivalents:

The School includes all highly liquid investments with short-term maturities in cash and cash equivalents. Cash and cash equivalents in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The School maintains a minimum of \$75,000 in reserve funds to pay legal and audit expenses that would be associated with dissolution should it occur.

Receivables:

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debts expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts and historical trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to receivables.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Investments Held in Trust:

Investments are held in trust pursuant to security and guarantee agreements related to long-term debt. Investments are stated at fair value as determined by quoted prices in active markets, and primarily consist of U.S. Treasury obligations.

Enrollment Fees:

The School is reimbursed based on the approved operating expense per pupil of the public school district in which the student resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in the district. The School's enrollment fees are received primarily from the Boards of Education of the Lackawanna City School District and the City of Buffalo School District.

Grants:

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to various compliance and financial audits by the funding sources. Management believes no significant adjustments to recognized amounts are necessary.

The School records grant awards accounted for as exchange transactions as deferred revenue until related services are performed. Special project grants are generally recorded as revenue when the grant is awarded.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under §501(a) of the Internal Revenue Code.

Use of Estimates:

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

The financial statements for the year ended June 30, 2016 have been reclassified to conform with the presentation adopted for 2017.

2. Receivables:

| | 2017 | 2016 |
|--------------------------------------|-------------------|-------------------|
| Grants | \$ 291,089 | \$ 273,362 |
| Enrollment fees | 609,855 | 504,310 |
| | <u>900,944</u> | <u>777,672</u> |
| Less allowance for doubtful accounts | 75,000 | 100,000 |
| | <u>\$ 825,944</u> | <u>\$ 677,672</u> |

In July 2017 and 2016, all New York State charter schools serving students in the fiscal 2017 and 2016 school years received additional state aid. The additional aid was based on the number of students served and was paid directly from the New York State Department of Education. Additional aid totaling \$410,471 and \$202,863 is included as enrollment fees receivable on the accompanying balance sheets as of June 30, 2017 and 2016.

3. Property and Equipment:

| | 2017 | 2016 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 597,297 | \$ 288,797 |
| Building | 5,135,153 | 2,322,914 |
| Building improvements | 7,369,712 | 7,219,281 |
| Computer and office equipment | 1,617,809 | 1,555,215 |
| Furniture and fixtures | 648,088 | 638,526 |
| Musical instruments | 53,066 | 47,927 |
| | <u>15,421,125</u> | <u>12,072,660</u> |
| Less accumulated depreciation | 5,488,724 | 4,891,536 |
| | <u>\$ 9,932,401</u> | <u>\$ 7,181,124</u> |

4. Investments Held in Trust:

The following accounts are held by a bank trustee in compliance with the issuance of the Series 2007 bonds (Note 6).

| | 2017 | 2016 |
|---------------------------|---------------------|---------------------|
| Reserve fund | \$ 647,471 | \$ 647,157 |
| Custodian and other funds | 402,040 | 397,016 |
| | <u>\$ 1,049,511</u> | <u>\$ 1,044,173</u> |

5. Short-Term Borrowings:

The School has available a \$500,000 bank demand working capital line of credit with interest payable at prime plus 1.00% (prime plus 1.05% at June 30, 2016). The line is secured by all non-real estate assets, is subject to the usual terms and conditions applied by the bank for working capital financing, and is annually reviewed and renewed. There were no borrowings outstanding at June 30, 2017 and 2016.

6. Long-Term Debt:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Erie County Industrial Development Agency (ECIDA) Civic Facility Revenue Bonds (Global Concepts Charter School Project) Series 2007 Bonds, principal payments in annual installments ranging from \$110,000 to \$590,000, plus interest at 6.25% paid semi-annually, final payment due October 2037. | \$ 7,200,000 | \$ 7,365,000 |
| Less unamortized debt issuance costs | <u>372,175</u> | 390,783 |
| | <u>6,827,825</u> | 6,974,217 |
| Less current portion | <u>156,392</u> | 146,392 |
| | <u>\$ 6,671,433</u> | <u>\$ 6,827,825</u> |

In October 2007, the School entered into an installment sale agreement with ECIDA, principally to finance the cost of acquiring, renovating, and equipping certain buildings to be used for expansion of the School. To finance the project, ECIDA authorized the sale of Civic Facility Revenue Bonds in the aggregate amount of \$8,275,000 under a trust indenture with a bank trustee. The sale is secured by a mortgage and security agreement dated as of October 1, 2007, granting a 1st lien on and security interest in the project facility and the other mortgaged property, and a guaranty dated as of October 1, 2007. The bonds are further secured by the reserve fund (Note 4).

Aggregate maturities of net long-term debt subsequent to June 30, 2017 are:

| | Principal | Unamortized Debt Issuance Costs |
|------------|---------------------|---------------------------------------|
| 2018 | \$ 175,000 | \$ 18,608 |
| 2019 | 185,000 | 18,608 |
| 2020 | 200,000 | 18,608 |
| 2021 | 210,000 | 18,608 |
| 2022 | 225,000 | 18,608 |
| Thereafter | <u>6,205,000</u> | <u>279,135</u> |
| | <u>\$ 7,200,000</u> | <u>\$ 372,175</u> |

Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of debt issuance costs totaled \$18,608 for the years ended June 30, 2017 and 2016.

Interest expense for the years ended June 30, 2017 and 2016 was \$471,186 and \$481,342.

7. Retirement Plans:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nysttrs.org.

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 11.72% of the annual covered payroll as of June 30, 2017 and 13.26% for the year ended June 30, 2016. The required contributions for the years ended June 30, 2017 and 2016 were \$545,001 and \$643,224.

The School maintains a 403(b) profit sharing plan covering essentially all employees (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2017 and 2016 were \$9,729 and \$6,006.

8. Lease Obligations:

The School leases certain equipment and property under terms of operating leases. During 2017, the School purchased two previously leased properties, terminating both lease agreements. Rental expense was \$237,791 and \$683,333 for the years ended June 30, 2017 and 2016.

Future minimum rentals due for noncancelable leases are:

| | | |
|------|----|----------------|
| 2018 | \$ | 64,416 |
| 2019 | | 64,416 |
| 2020 | | 16,104 |
| | \$ | <u>144,936</u> |

9. Contingencies:

The School is subject to claims and lawsuits that arise in the normal course of business. In the opinion of management, the outcome of any claims is not expected to have a material adverse effect upon the financial position of the School.

GLOBAL CONCEPTS CHARTER SCHOOL

**Additional Information
Schedule of Expenses**

For the year ended June 30, 2017 (with comparative totals for 2016)

| | 2017 | | | | | 2016 | |
|-----------------------------------|---------------------------|----------------------|----------------------|---------------------|---------------------------|----------------------|----------------------|
| | Number of Positions | Regular Education | Special Education | Other Programs | Management and General | Total | Total |
| Administrative personnel | 24.0 | - | - | - | 888,222 | 888,222 | |
| Instructional personnel | 86.0 | 4,022,580 | 400,274 | - | - | 4,422,854 | |
| Non-instructional personnel | 6.0 | - | - | 200,879 | - | 200,879 | |
| | 116.0 | \$ 4,022,580 | \$ 400,274 | \$ 200,879 | \$ 888,222 | \$ 5,511,955 | |
| Salaries | | \$ 4,022,580 | \$ 400,274 | \$ 200,879 | \$ 888,222 | \$ 5,511,955 | \$ 5,498,084 |
| Fringe benefits and payroll taxes | | 1,189,660 | 118,197 | 59,317 | 262,282 | 1,629,456 | 1,466,140 |
| Retirement | | 404,837 | 40,284 | 20,217 | 89,392 | 554,730 | 649,230 |
| Professional fees | | - | - | - | 166,874 | 166,874 | 78,355 |
| Consulting services | | 25,563 | 187,331 | - | 91,525 | 304,419 | 259,397 |
| Occupancy | | 222,731 | 29,697 | 14,849 | 29,697 | 296,974 | 618,917 |
| Repairs and maintenance | | - | - | - | 118,261 | 118,261 | 157,496 |
| Insurance | | 93,867 | 12,515 | 6,258 | 12,515 | 125,155 | 128,936 |
| Utilities | | 129,757 | 17,301 | 8,651 | 17,301 | 173,010 | 144,112 |
| Supplies and materials | | 196,243 | - | - | - | 196,243 | 141,495 |
| Fieldtrips | | 30,205 | - | - | - | 30,205 | 30,156 |
| Transportation | | - | - | 554,808 | - | 554,808 | 545,263 |
| Minor equipment | | 350 | - | - | - | 350 | 2,161 |
| Staff development | | 44,369 | - | - | - | 44,369 | 44,479 |
| Marketing | | - | - | - | 11,519 | 11,519 | 13,342 |
| Technology | | 100,776 | - | - | - | 100,776 | 106,350 |
| Food service | | - | - | 454,996 | - | 454,996 | 438,248 |
| Student services | | 4,361 | - | - | - | 4,361 | 4,665 |
| Student testing and assessments | | 45,704 | - | - | - | 45,704 | 48,218 |
| Office expense | | 129,603 | 17,280 | 8,640 | 57,599 | 213,122 | 227,737 |
| Athletics | | - | - | 37,846 | - | 37,846 | 59,562 |
| Bond interest expense | | 353,390 | 47,119 | 23,559 | 47,118 | 471,186 | 481,342 |
| Other expense | | - | - | 17,883 | 96,143 | 114,026 | 120,971 |
| | | 6,993,996 | 869,998 | 1,407,903 | 1,888,448 | 11,160,345 | 11,264,656 |
| Depreciation | | 447,891 | 59,719 | 29,859 | 59,719 | 597,188 | 570,693 |
| Total | | \$ 7,441,887 | \$ 929,717 | \$ 1,437,762 | \$ 1,948,167 | \$ 11,757,533 | \$ 11,835,349 |

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grantor Number</u> | <u>Expenditures</u> |
|--|--------------------|-----------------------|---------------------|
| <u>U.S. Department of Education</u> | | | |
| Passed through New York State Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-16-0044 | \$ 52,160 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-17-0044 | 649,398 |
| Supporting Effective Instruction State Grants | 84.367 | 0147-17-0044 | 21,046 |
| English Language Acquisition State Grants | 84.365 | 0293-17-0045 | 14,484 |
| Total U.S. Department of Education | | | 737,088 |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed through the New York State Department of Education: | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | N/A | 84,352 |
| National School Lunch Program | 10.555 | N/A | 293,227 |
| Total Child Nutrition Cluster | | | 377,579 |
| Passed through the New York State Office of General Services: | | | |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | N/A | 35,135 |
| Total U.S. Department of Agriculture | | | 412,714 |
| Total Expenditures of Federal Awards | | | \$ 1,149,802 |

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by Global Concepts Charter School (the School), an entity as defined in Note 1 to the School's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the schedule of expenditures of federal awards.

Basis of Accounting

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the School's financial reporting system. The federal expenditures are recorded on the accrual basis.

Indirect Costs

The School does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The School is the recipient of a federal award program that does not result in cash receipts or disbursements, termed "non-monetary program." During the year ended June 30, 2017, the School used \$35,135 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

INDEPENDENT AUDITORS' 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

The Board of Trustees
Global Concepts Charter School

We have audited, in accordance with the 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 Concepts Charter School (the School), which comprise the balance sheet as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 26, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Global Concepts Charter School

Report on Compliance for Each Major Federal Program

We have audited Global Concepts Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination on the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 26, 2017

Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA #</u> | <u>Amount</u> |
|---|---------------|---------------|
| Child Nutrition Cluster | | |
| School Breakfast Program | 10.553 | \$ 84,352 |
| National School Lunch Program | 10.555 | 293,227 |
| Total Child Nutrition Cluster | | \$ 377,579 |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.