

**GLOBAL CONCEPTS  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION**

**JUNE 30, 2011**

**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, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 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* and should be considered in assessing the results of our audit.



October 21, 2011

GLOBAL CONCEPTS CHARTER SCHOOL

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**Balance Sheets**

June 30,	2011	2010
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 4,355,615	\$ 2,310,161
Grants and other receivables (Note 2)	211,634	459,288
Prepaid expenses	91,060	-
	<b>4,658,309</b>	<b>2,769,449</b>
Property and equipment, net (Note 3)	7,692,916	7,804,585
Investments held in trust (Note 4)	1,360,255	1,254,414
Deferred financing costs, net	483,823	502,431
Deposit (Note 8)	150,000	150,000
	<b>\$ 14,345,303</b>	<b>\$ 12,480,879</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (Note 5)	\$ 130,116	\$ 124,623
Accounts payable and accrued expenses	1,080,988	791,072
Deferred revenue	-	522
	<b>1,211,104</b>	<b>916,217</b>
Long-term debt (Note 5)	7,937,926	8,068,042
<b>Net assets:</b>		
Unrestricted	5,196,273	3,496,620
	<b>\$ 14,345,303</b>	<b>\$ 12,480,879</b>

See accompanying notes.

GLOBAL CONCEPTS CHARTER SCHOOL

**Statements of Activities**

For the years ended June 30,	2011	2010
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 8,290,663	\$ 5,842,720
Revenue - students with disabilities	412,681	160,083
Federal grants	461,191	273,566
Other income	29,334	12,491
<b>Total unrestricted support and revenue</b>	<b>9,193,869</b>	<b>6,288,860</b>
Expenses:		
Program expenses:		
Regular education	4,510,920	3,639,855
Special education	605,152	217,306
Other programs	1,414,048	1,027,207
Total program expenses	<b>6,530,120</b>	4,884,368
Supporting services:		
Management and general	964,096	935,492
<b>Total expenses</b>	<b>7,494,216</b>	<b>5,819,860</b>
<b>Change in net assets</b>	<b>1,699,653</b>	469,000
Net assets - beginning	<b>3,496,620</b>	3,027,620
Net assets - ending	<b>\$ 5,196,273</b>	\$ 3,496,620

GLOBAL CONCEPTS CHARTER SCHOOL

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**Statements of Cash Flows**

For the years ended June 30,	2011	2010
<b>Operating activities:</b>		
Change in net assets	\$ 1,699,653	\$ 469,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	474,991	423,990
Amortization	18,608	18,608
Changes in operating assets and liabilities:		
Grants and other receivables	247,654	(345,023)
Prepaid expenses	(91,060)	-
Deposits	-	(150,000)
Accounts payable and accrued expenses	289,916	27,123
Deferred revenue	(522)	522
<b>Net operating activities</b>	<b>2,639,240</b>	<b>444,220</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(363,322)	(245,254)
Withdrawals from (deposits to) investments held in trust	(105,841)	12,341
<b>Net investing activities</b>	<b>(469,163)</b>	<b>(232,913)</b>
<b>Financing activities:</b>		
Principal repayments on long-term debt	(124,623)	(119,155)
Net change in cash	2,045,454	92,152
Cash - beginning	2,310,161	2,218,009
Cash - ending	\$ 4,355,615	\$ 2,310,161

See accompanying notes.

**Notes to Financial Statements**

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**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 9 and plans to add a grade each year to grade 12. The School has been chartered through 2012, after which time the charter may be renewed, upon application, for five more years.

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:**

The School has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through October 21, 2011, the date the financial statements were available to be issued.

**Cash:**

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year.

**Accounts Receivable:**

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

**Property and Equipment:**

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service 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.

**Deferred Financing Costs:**

Deferred financing costs associated with the issuance of the Series 2007 bonds are amortized on a straight line basis over the life of the bonds. Amortization expense was \$18,608 for each of the years ended June 30, 2011 and 2010.

**Enrollment fees:**

The School is reimbursed by each student's resident school district annually, based on the product of the State approved operating expense of that district 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 Lackawanna City School District and the City of Buffalo Board of Education.

**Grants:**

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to 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 Section 501(a) of the Internal Revenue Code. The School believes it is not subject to examination by Federal and State taxing authorities for years prior to 2008.

### 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.

### 2. Grants and Other Receivables:

	2011	2010
Grants	\$ 103,938	\$ 361,238
Enrollment	107,506	76,187
Other	190	21,863
	<u>\$ 211,634</u>	<u>\$ 459,288</u>

### 3. Property and Equipment:

	2011	2010
Land	\$ 288,797	\$ 288,797
Building	2,248,530	2,248,530
Building improvements	5,898,587	5,823,041
Computer and office equipment	984,090	802,891
Furniture and fixtures	356,203	249,626
Musical instruments	26,000	26,000
	<u>9,802,207</u>	<u>9,438,885</u>
Less accumulated depreciation	<u>2,109,291</u>	<u>1,634,300</u>
	<u>\$ 7,692,916</u>	<u>\$ 7,804,585</u>

### 4. Investments Held in Trust:

The following accounts are held by a bank trustee to comply with terms of the Series 2007 bonds. They represent investments restricted for project construction, security reserves, principal reduction and interest payments.

	2011	2010
Project construction fund	\$ 341,824	\$ 341,786
Reserve fund	646,721	646,647
Custodian and other funds	371,710	265,981
	<u>\$ 1,360,255</u>	<u>\$ 1,254,414</u>

### 5. Long-Term Debt:

	2011	2010
Erie County Industrial Development Agency Civic Facility Revenue Bonds (Global Concepts Charter School Project) Series 2007 Bonds, principal payments beginning October 2009 in annual installments ranging from \$110,000 to \$590,000, plus interest at 6.25% paid semi-annually beginning April 2008, final payment due October 2037.	\$ 8,050,000	\$ 8,165,000
Equipment finance loan, monthly installments of \$899 including imputed interest of 11.7% due through March 2013.	18,042	27,665
	<u>8,068,042</u>	<u>8,192,665</u>
Less current portion	130,116	124,623
	<u>\$ 7,937,926</u>	<u>\$ 8,068,042</u>

In October 2007, the School entered into an installment sale agreement with the Erie County Industrial Development Agency (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 as trustee. The sale is secured by a mortgage and security agreement dated as of October 1, 2007, granting a 1<sup>st</sup> 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 long-term debt subsequent to June 30, 2011 are:

2012	\$	130,116
2013		137,926
2014		135,000
2015		145,000
2016		155,000
Thereafter		7,365,000
	\$	<u>8,068,042</u>

### 6. Short-Term Borrowings:

The School has available a \$500,000 bank demand working capital line of credit with interest payable at prime plus 1%. 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 outstanding amounts under this line at June 30, 2011 and 2010.

### 7. Retirement Plans:

The School maintains a 403 (b) profit sharing plan covering qualified employees. The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the year ended June 30, 2011 were \$3,045 and \$ - for 2010.

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 for the system. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between July 1976 and December 2009. Participants hired on or after January 1, 2010 are required to contribute 3.5% of compensation throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. 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 8.62% of the annual covered payroll as of June 30, 2011 and 6.19% for the year ended June 30, 2010.

The required contributions for the years ended June 30, 2011 and 2010 were \$249,339 and \$130,241.

### 8. Lease Obligations:

During 2010, the School entered into an agreement to lease property under the terms of a noncancelable operating lease. A security deposit in the amount of \$150,000 was paid in 2010 with the first lease payment due August 2010. Rental expense was \$267,314 for the year ended June 30, 2011.

Future minimum rentals to be paid for this lease are:

2012	\$	379,167
2013		435,834
2014		476,673
2015		480,000
2016		480,000
Thereafter		4,360,000
	\$	<u>6,611,674</u>

### 9. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for interest of \$508,278 and \$515,383 for the years ended June 30, 2011 and 2010.

### 10. Contingencies:

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

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

The Board of Trustees  
Global Concepts Charter School

We have audited the financial statements of Global Concepts Charter School as of and for the year ended June 30, 2011 and 2010, and have issued our report thereon dated October 21, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

*Lumsden & McCormick, LLP*

October 21, 2011

GLOBAL CONCEPTS CHARTER SCHOOL

**Additional Information  
Schedule of Expenses**

For the year ended June 30, 2011 (with comparative totals for 2010)

	Program Services			Supporting	2011	2010
	Regular	Special	Other	Management		
	Education	Education	Programs	and General	Total	Total
Salaries	\$ 2,363,671	\$ 286,506	\$ 501,385	\$ 429,758	\$ 3,581,320	\$ 3,019,567
Employee benefits and taxes	717,541	86,975	152,206	130,462	1,087,184	752,998
Advertising	-	-	-	24,158	24,158	28,952
Building and grounds	26,322	3,191	5,583	4,786	39,882	25,731
Contracted services	75,070	9,099	15,924	13,649	113,742	66,661
Equipment-rental	1,410	171	299	257	2,137	2,117
Insurance	19,189	2,326	4,070	3,489	29,074	21,983
Interest	334,277	40,518	70,907	60,779	506,481	513,664
Occupancy	185,578	22,494	39,365	33,742	281,179	13,768
Other expenses	88,089	10,677	18,686	16,016	133,468	66,439
Postage	4,498	545	954	818	6,815	6,207
Printing	4,055	242	847	908	6,052	2,984
Professional fees	-	-	-	96,048	96,048	48,607
Supplies and materials	210,508	87,834	160,565	67,364	526,271	379,182
Staff development	30,476	-	-	-	30,476	29,217
Telephone	18,333	2,222	3,889	3,334	27,778	14,851
Transportation	-	-	347,752	-	347,752	266,641
Utilities	106,128	12,864	22,512	19,296	160,800	117,693
	4,185,145	565,664	1,344,944	904,864	7,000,617	5,377,262
Depreciation and amortization	325,775	39,488	69,104	59,232	493,599	442,598
<b>Total</b>	<b>\$ 4,510,920</b>	<b>\$ 605,152</b>	<b>\$ 1,414,048</b>	<b>\$ 964,096</b>	<b>\$ 7,494,216</b>	<b>\$ 5,819,860</b>

**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 the financial statements of Global Concepts Charter School (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management and New York State Department of Education. It is not intended to be and should not be used by anyone other than these specified parties.

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

October 21, 2011