

**GLOBAL CONCEPTS  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION**

**JUNE 30, 2010**

**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Global Concepts Charter School  
Lackawanna, New York

We have audited the accompanying balance sheets of Global Concepts Charter School (the School) as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 22, 2010 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 the 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 22, 2010

GLOBAL CONCEPTS CHARTER SCHOOL

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**Balance Sheets**

June 30,	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 2,310,161	\$ 2,218,009
Grants and other receivables (Note 2)	459,288	114,265
	2,769,449	2,332,274
Property and equipment, net (Note 3)	7,804,585	7,983,321
Investments held in trust (Note 4)	1,254,414	1,266,755
Deferred financing costs, net	502,431	521,039
Deposit (Note 8)	150,000	-
	\$ 12,480,879	\$ 12,103,389
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 124,623	\$ 119,155
Accounts payable and accrued expenses	791,072	763,949
Deferred revenue	522	-
	916,217	883,104
Long-term debt (Note 5)	8,068,042	8,192,665
<b>Net assets- unrestricted</b>	<b>3,496,620</b>	<b>3,027,620</b>
	<b>\$ 12,480,879</b>	<b>\$ 12,103,389</b>

See accompanying notes.

GLOBAL CONCEPTS CHARTER SCHOOL

**Statements of Activities**

For the years ended June 30,	2010	2009
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 5,842,720	\$ 5,516,313
Revenue - students with disabilities	160,083	113,418
Federal grants	273,566	245,462
Other income	12,491	64,556
Total support and revenue	<u>6,288,860</u>	<u>5,939,749</u>
Expenses:		
Program expenses:		
Regular education	3,639,855	3,257,244
Special education	217,306	194,462
Other programs	1,027,207	903,952
Total program expenses	<u>4,884,368</u>	<u>4,355,658</u>
Supporting services:		
Management and general	935,492	893,184
<b>Total expenses</b>	<u>5,819,860</u>	<u>5,248,842</u>
<b>Change in net assets</b>	<b>469,000</b>	690,907
Net assets - beginning	<u>3,027,620</u>	2,336,713
Net assets - ending	<u>\$ 3,496,620</u>	<u>\$ 3,027,620</u>

GLOBAL CONCEPTS CHARTER SCHOOL

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**Statements of Cash Flows**

For the years ended June 30,	2010	2009
<b>Operating activities:</b>		
Change in net assets	\$ 469,000	\$ 690,907
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	423,990	340,475
Amortization	18,608	18,608
Changes in operating assets and liabilities:		
Grants and other receivables	(345,023)	(7,422)
Prepaid expenses	-	25,760
Deposits	(150,000)	-
Accounts payable and accrued expenses	27,123	(558,712)
Deferred revenue	522	-
<b>Net operating activities</b>	<b>444,220</b>	<b>509,616</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(245,254)	(3,013,928)
Withdrawals from investments held in trust	12,341	3,407,204
<b>Net investing activities</b>	<b>(232,913)</b>	<b>393,276</b>
<b>Financing activities:</b>		
Principal repayments on long-term debt	(119,155)	(8,708)
Net change in cash	<b>92,152</b>	894,184
Cash - beginning	<b>2,218,009</b>	1,323,825
Cash - ending	<b>\$ 2,310,161</b>	<b>\$ 2,218,009</b>

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 8 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 for potential recognition or disclosure in the financial statements through October 22, 2010 (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, 2010 and 2009.

**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 City of Lackawanna Board of Education 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 source. 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 2007.

### 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:

	2010	2009
Grants	\$ 361,238	\$ 95,705
Enrollment	76,187	10,088
Other	21,863	8,472
	<u>\$ 459,288</u>	<u>\$ 114,265</u>

### 3. Property and Equipment:

	2010	2009
Land	\$ 288,797	\$ 288,797
Building	2,248,530	2,248,530
Building improvements	5,823,041	5,789,203
Computer and office equipment	802,891	647,290
Furniture and fixtures	249,626	193,811
Musical instruments	26,000	26,000
	<u>9,438,885</u>	<u>9,193,631</u>
Less accumulated depreciation	<u>1,634,300</u>	<u>1,210,310</u>
	<u>\$ 7,804,585</u>	<u>\$ 7,983,321</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.

	2010	2009
Project construction fund	\$ 341,786	\$ 374,489
Reserve fund	646,647	646,538
Custodian and other funds	265,981	245,728
	<u>\$ 1,254,414</u>	<u>\$ 1,266,755</u>

### 5. Long-term Debt:

	2010	2009
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.	\$ 8,165,000	\$ 8,275,000
Equipment finance loan, monthly installments of \$899 including imputed interest of 11.7% due through March 2013.	27,665	36,820
	<u>8,192,665</u>	<u>8,311,820</u>
Less current portion	<u>124,623</u>	<u>119,115</u>
	<u>\$ 8,068,042</u>	<u>\$ 8,192,665</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, 2010 are:

2011	\$	124,623
2012		130,116
2013		137,926
2014		135,000
2015		145,000
Thereafter		7,520,000
	\$	<u>8,192,665</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, 2010 and 2009.

#### 7. Retirement Plan:

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 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 6.19% of the annual covered payroll as of June 30, 2010 and 7.63% for the year ended June 30, 2009.

The required contributions for the years ended June 30, 2010 and 2009 were \$130,241 and \$169,956.

#### 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.

Future minimum rentals to be paid for this lease are:

2011	\$	238,326
2012		379,167
2013		435,834
2014		476,673
2015		480,000
Thereafter		4,840,000
	\$	<u>6,850,000</u>

#### 9. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for interest of \$513,664 and \$519,417 for the years ended June 30, 2010 and 2009. Amounts paid for interest approximate expense recognized in the accompanying financial statements.

#### 10. Contingencies:

The School is involved in a legal proceeding which, in the opinion of management, 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  
Lackawanna, New York

Our report on our audits of the basic financial statements of Global Concepts Charter School for 2010 and 2009 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 9 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Lumsden & McCormick, LLP*

October 22, 2010

GLOBAL CONCEPTS CHARTER SCHOOL

**Additional Information  
Schedule of Expenses**

For the year ended June 30, 2010 (with comparative totals for 2009)

	Program Services			Supporting	2010 Total	2009 Total
	Regular Education	Special Education	Other Programs	Management and General		
Salaries	\$ 2,023,110	\$ 120,783	\$ 422,739	\$ 452,935	\$ 3,019,567	\$ 2,515,404
Employee benefits and taxes	504,509	30,120	105,420	112,949	752,998	754,158
Advertising	-	-	-	28,952	28,952	787
Building and grounds	17,240	1,029	3,602	3,860	25,731	13,183
Contracted services	44,663	2,666	9,333	9,999	66,661	127,292
Equipment-rental	1,418	85	296	318	2,117	3,269
Insurance	-	-	-	21,983	21,983	42,499
Interest	344,155	20,547	71,913	77,049	513,664	519,417
Occupancy	9,225	551	1,928	2,064	13,768	11,024
Other expenses	44,514	2,658	9,301	9,966	66,439	74,204
Postage	-	-	-	6,207	6,207	3,270
Printing	1,999	119	418	448	2,984	887
Professional fees	-	-	-	48,607	48,607	102,925
Supplies and materials	254,052	15,167	53,085	56,878	379,182	328,036
Staff development	19,575	1,169	4,090	4,383	29,217	26,663
Telephone	-	-	-	14,851	14,851	14,472
Transportation	-	-	266,641	-	266,641	223,333
Utilities	78,854	4,708	16,477	17,654	117,693	128,936
	<b>3,343,314</b>	<b>199,602</b>	<b>965,243</b>	<b>869,103</b>	<b>5,377,262</b>	<b>4,889,759</b>
Depreciation and amortization	296,541	17,704	61,964	66,389	442,598	359,083
<b>Total</b>	<b>\$ 3,639,855</b>	<b>\$ 217,306</b>	<b>\$ 1,027,207</b>	<b>\$ 935,492</b>	<b>\$ 5,819,860</b>	<b>\$ 5,248,842</b>