

**GLOBAL CONCEPTS
CHARTER SCHOOL**

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

June 30, 2009

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, 2009 and 2008, 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, 2009 and 2008, 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 16, 2009 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, 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 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 16, 2009

GLOBAL CONCEPTS CHARTER SCHOOL

Balance Sheets

June 30,	2009	2008
Assets		
Current assets:		
Cash	\$ 2,218,009	\$ 1,323,825
Grants and other receivables (Note 2)	114,265	106,843
Prepaid expenses	-	25,760
	2,332,274	1,456,428
Property and equipment, net (Note 3)	7,983,321	5,309,868
Investments held in trust (Note 4)	1,266,755	4,673,959
Deferred financing costs, net	521,039	539,647
	\$ 12,103,389	\$ 11,979,902
 Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 119,155	\$ 8,708
Accounts payable and accrued expenses	763,949	1,322,661
	883,104	1,331,369
Long-term debt (Note 5)	8,192,665	8,311,820
Net assets- unrestricted	3,027,620	2,336,713
	\$ 12,103,389	\$ 11,979,902

See accompanying notes.

GLOBAL CONCEPTS CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2009	2008
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 5,516,313	\$ 4,443,761
Revenue - students with disabilities	113,418	79,604
Federal grants	245,462	250,333
Private grants	1,000	2,500
Other income	63,556	189,576
Total support and revenue	<u>5,939,749</u>	<u>4,965,774</u>
Expenses:		
Program expenses:		
Regular education	3,257,244	2,768,382
Special education	194,462	165,276
Other programs	903,952	788,122
Supporting services:		
Management and general	893,184	808,166
Total expenses	<u>5,248,842</u>	<u>4,529,946</u>
Increase in net assets	690,907	435,828
Net assets - beginning	<u>2,336,713</u>	<u>1,900,885</u>
Net assets - ending	<u>\$ 3,027,620</u>	<u>\$ 2,336,713</u>

Statements of Cash Flows

For the years ended June 30,	2009	2008
Cash flows from operating activities:		
Increase in net assets	\$ 690,907	\$ 435,828
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	340,475	274,116
Amortization	18,608	18,608
Changes in operating assets and liabilities:		
Grants and other receivables	(7,422)	42,249
Prepaid expenses	25,760	54,157
Deposits	-	40,000
Accounts payable and accrued expenses	(558,712)	850,377
Net cash flows from operating activities	509,616	1,715,335
Cash flows from investing activities:		
Property and equipment expenditures	(3,013,928)	(4,462,136)
Deposits to investments held in trust	-	(7,787,109)
Withdrawals from investments held in trust	3,407,204	3,113,150
Net cash flows from (for) investing activities	393,276	(9,136,095)
Cash flows from financing activities:		
Proceeds from long-term debt	-	8,322,638
Principal repayments on long-term debt	(8,708)	(2,110)
Financing expenditures	-	(558,255)
Net cash flows from (for) financing activities	(8,708)	7,762,273
Net increase in cash	894,184	341,513
Cash - beginning	1,323,825	982,312
Cash - ending	\$ 2,218,009	\$ 1,323,825

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 7 and plans to add grade 8 in 2010. 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 16, 2009 (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, 2009 and 2008.

Enrollment fees:

The School is reimbursed by each resident district, based on the product of the annually approved operating expense of the 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 and City of Buffalo School Districts.

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 2006.

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:

	2009	2008
Grants	\$ 95,705	\$ 74,497
Enrollment	10,088	23,157
Other	8,472	9,189
	\$ 114,265	\$ 106,843

3. Property and Equipment:

	2009	2008
Land	\$ 288,797	\$ 288,797
Building	2,248,530	2,248,530
Building improvements	5,789,203	1,168,774
Construction in progress	-	1,706,201
Computer and office equipment	647,290	622,804
Furniture and fixtures	193,811	118,597
Musical instruments	26,000	26,000
	9,193,631	6,179,703
Less accumulated depreciation	1,210,310	869,835
	\$ 7,983,321	\$ 5,309,868

4. Investments:

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.

	2009	2008
Project Construction Fund	\$ 374,489	\$ 3,909,370
Reserve Fund	646,538	639,686
Custodian and Other Fund	245,728	124,903
	\$ 1,266,755	\$ 4,673,959

5. Long-term Debt:

	2009	2008
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.	\$ 8,275,000	\$ 8,275,000
Equipment finance loan, monthly installments of \$899 including imputed interest of 11.7% due through March 2013.	36,820	45,528
	8,311,820	8,320,528
Less current portion	119,155	8,708
	\$ 8,192,665	\$ 8,311,820

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 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 long-term debt subsequent to June 30, 2009 are:

2010	\$	119,155
2011		124,623
2012		130,116
2013		137,926
2014		135,000
Thereafter		7,665,000
	\$	<u>8,311,820</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, 2009 and 2008.

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. The system 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. All benefits vest after ten years of service.

New York State Teachers' Retirement System:

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.

Funding Policies:

The system is noncontributory except for employees who joined the system after July 27, 1976 and have less than ten years of service who contribute 3% of their salary. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 7.63% of the annual covered payroll for the year ended June 30, 2009 and 8.73% for the year ended June 30, 2008.

The required contributions for the years ended June 30, 2009 and 2008 were \$169,956 and \$147,552.

8. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for interest of \$519,417 and \$354,073 for the years ended June 30, 2009 and 2008. Amounts paid for interest approximate expense recognized in the accompanying financial statements.

**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 2009 and 2008 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 16, 2009

Additional Information
Schedule of Expenses

For the year ended June 30, 2009 (with comparative totals for 2008)

	Program Services			Supporting	2009	2008
	Regular	Special	Other	Services		
	Education	Education	Programs	Management and General	Total	Total
Salaries	\$ 1,685,321	\$ 100,615	\$ 352,157	\$ 377,311	\$ 2,515,404	\$ 2,004,897
Employee benefits and taxes	505,286	30,167	105,582	113,123	754,158	636,551
Advertising	-	-	-	787	787	37,759
Building and grounds	8,833	527	1,846	1,977	13,183	23,961
Contracted services	85,286	5,092	17,821	19,093	127,292	138,280
Equipment-rental	2,190	131	458	490	3,269	2,179
Insurance	-	-	-	42,499	42,499	45,627
Interest	348,009	20,777	72,718	77,913	519,417	354,073
Occupancy	7,386	441	1,543	1,654	11,024	198,347
Other expenses	49,446	2,952	10,332	11,070	73,800	71,134
Postage	-	-	-	3,270	3,270	2,528
Printing	595	35	124	133	887	863
Professional fees	-	-	-	102,925	102,925	90,437
Supplies and materials	219,784	13,122	45,925	49,205	328,036	265,151
Staff development	17,864	1,067	3,733	3,999	26,663	26,021
Telephone	-	-	-	14,472	14,472	12,028
Transportation	-	-	223,333	-	223,333	209,653
Travel	271	16	57	60	404	2,708
Utilities	86,387	5,157	18,051	19,341	128,936	115,025
	3,016,658	180,099	853,680	839,322	4,889,759	4,237,222
Depreciation and amortization	240,586	14,363	50,272	53,862	359,083	292,724
Total	\$ 3,257,244	\$ 194,462	\$ 903,952	\$ 893,184	\$ 5,248,842	\$ 4,529,946