

**GLOBAL LEADERSHIP ACADEMY  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**



**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Statement of Net Assets – Proprietary Fund	14
Statement of Activities – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to Financial Statements	17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	26
<b>SINGLE AUDIT REQUIREMENTS</b>	
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	31
Schedule of Findings and Questioned Costs	33



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Global Leadership Academy Charter School  
Philadelphia, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit and each major fund of Global Leadership Academy Charter School (a nonprofit organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of Global Leadership Academy Charter School as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of that collectively comprise the Global Leadership Academy Charter School's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Global Leadership Academy Charter School.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the Global Leadership Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

Board of Trustees  
Global Leadership Academy Charter School

performed in accordance with *Government Auditing Standards* in considering Global Leadership Academy Charter School's internal control over financial reporting and compliance.

*J. Miller & Associates, LLC*

**J. MILLER & ASSOCIATES, LLC**

Philadelphia, Pennsylvania  
December 19, 2014

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The Board of Trustees of Global Leadership Academy Charter School ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

**Financial Highlights**

- Total revenues increased \$565,645 to \$8,608,511 primarily due to increases in the student subsidy from the School District of Philadelphia.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$4,736,065. The fund balance increased \$445,223 from the previous year end.
- The School's unrestricted cash balance at June 30, 2014 was \$3,111,642 representing an increase of \$170,176 from June 30, 2013.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, budgetary comparison and Single Audit reporting requirements.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

***Fund Financial Statements***

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has two fund types: the governmental general fund and the proprietary fund.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Overview of the Financial Statements (Continued)**

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$4,154,688 as of June 30, 2014.

	<u>2014</u>	<u>2013</u>
Total Assets	\$ 18,370,783	\$ 18,506,384
Total Liabilities	<u>14,161,231</u>	<u>14,329,375</u>
Total Net Position	<u>\$ 4,209,552</u>	<u>\$ 4,177,009</u>

The School's revenues are predominately from the School District of Philadelphia, based on the student enrollment.

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Local Educational Agencies	\$ 6,959,233	\$ 6,484,119
Other Local Sources	281,165	404,379
State Sources	448,320	292,520
Federal Sources	919,793	861,848
Total Revenues	<u>8,608,511</u>	<u>8,042,866</u>
<b>EXPENDITURES</b>		
Instruction	3,841,583	3,669,934
Pupil & Instructional Staff Support	335,913	369,179
Administration & Business	1,382,066	1,312,646
Pupil Health	53,220	55,098
Operation and Maintenance of Plant Services	636,908	621,979
Fire Related Expenses	13,000	-
Central	158,860	143,969
Student Activities	215,644	235,731
Food Service Expenses	437,204	332,768
Community Services	56,522	66,069
Depreciation Expense	629,448	641,238
Interest Expense	815,600	820,581
Total Expenditures	<u>8,575,968</u>	<u>8,269,192</u>
<b>CHANGE IN NET POSITION</b>	32,543	(226,326)
Net Position - Beginning of Year	<u>4,177,009</u>	<u>4,403,335</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,209,552</u>	<u>\$ 4,177,009</u>

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Governmental Funds**

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental funds reported an ending fund balance of \$4,736,065. For the year ended June 30, 2014, the School's revenues totaling \$8,184,380 exceeded expenditures totaling \$7,739,157 by \$445,223.

**General Fund Budgetary Highlights**

Actual revenues exceeded budgeted revenues by approximately \$190,000 due to federal sources. Actual expenditures exceeded budgeted expenditures by approximately \$250,000 primarily due to non-instructional services.

**Capital Asset and Debt Administration**

***CAPITAL ASSETS***

As of June 30, 2014, the School's investment in capital assets totaled (\$156,313) for its governmental activities and \$37,442 for its business-type activities (net of accumulated depreciation and related debt). This investment in capital assets includes land, building and improvements, furniture, equipment, software and vehicles.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$39,841 for furniture and equipment (governmental activities)
- Capital expenditures of \$11,397 for furniture and equipment (business-type activities)

Additional information on the School's capital assets can be found in Note 3 of this report.

***LONG-TERM DEBT***

The School issued long-term revenue bonds through Philadelphia Industrial Development Corporation in the amount of \$13,875,000 for the acquisition and construction of its school facility in 2011. The School also has a note payable related to equipment acquired totaling approximately \$112,000. During the year ended June 30, 2014, the School repaid \$180,000 of the bonds and paid \$29,878 towards the note.

Additional information on the School's debt can be found in Note 4 of this report.

**Economic Factors and Net Year's Budgets and Rates**

The School's primary source of revenue, the student subsidy provided by the School District of Philadelphia, will have a rate decrease for regular education from \$8,417 to \$7,996 and a rate increase for special education from \$22,307 to \$23,073 for the 2014-15 school year. In addition, the retirement contribution rate will increase from 16.93% to 21.40%. The reimbursement for a portion of the retirement payments (PSERS) is being discontinued by the Commonwealth of Pennsylvania. The financial impact will be a loss of approximately \$400,000 for the 2014-15 school year.

**Future Events that will Financially Impact the School**

The school will be implementing GASB 68, Accounting for Financial Reporting for Pensions: an Amendment of GASB Statement No.27, for the year ending June 30, 2015. The financial impact of the implementation has not been determined at this time.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Contacting the School's Financial Management**

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Contracted Controller, Santilli & Thomson, LLC, Four Greentree Center, 13000 Lincoln Drive West, Suite 302, Marlton, New Jersey or call (856) 505-1300.

**Component Unit**

Global Foundation is a component unit of the School and is reported in a separate column in the government-wide financial statements as it is a legally separate entity. Complete financial statements of Global Foundation can be obtained from the Contracted Controller, Santilli & Thomson, LLC, Four Greentree Center, 13000 Lincoln Drive West, Suite 302, Marlton, New Jersey or call (856) 505-1300.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 3,111,642	\$ 3,148	\$ 3,114,790	\$ 11,846
State Subsidies Receivable	132,022	4,108	136,130	-
Federal Subsidies Receivable	166,960	73,060	240,020	-
Due from Other Governments	128,803	-	128,803	-
Student Activities Receivable	133,858	-	133,858	-
Due from Component Unit	25,000	-	25,000	-
Other Accounts Receivable	18,264	387	18,651	-
Prepaid Expenses	9,779	46,113	55,892	-
Total Current Assets	3,726,328	126,816	3,853,144	11,846
<b>RESTRICTED DEPOSITS AND RESERVES</b>	1,616,694	-	1,616,694	-
<b>CAPITAL ASSETS, NET</b>	12,818,687	82,258	12,900,945	-
Total Assets	18,161,709	209,074	18,370,783	11,846
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Current Portion of Long-Term Debt	200,000	22,408	222,408	-
Accounts Payable	169,093	44,923	214,016	250
Accrued Salaries and Related Benefits	562,107	-	562,107	-
Due to Charter School	-	-	-	25,000
Unearned Revenue	4,247	-	4,247	-
Internal Balances	(128,490)	129,535	1,045	(1,045)
Total Current Liabilities	806,957	196,866	1,003,823	24,205
<b>LONG-TERM DEBT</b>	13,135,000	22,408	13,157,408	-
Total Liabilities	13,941,957	219,274	14,161,231	24,205
<b>NET POSITION</b>				
Investment in Capital Assets	(516,313)	37,442	(478,871)	-
Restricted for:				
Debt Service	1,616,694	-	1,616,694	-
Unrestricted	3,119,371	(47,642)	3,071,729	(12,359)
Total Net Position	\$ 4,219,752	\$ (10,200)	\$ 4,209,552	\$ (12,359)

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

Functions	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Position			Component Unit
				Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>							
Governmental Activities:							
Instruction	\$ 3,841,583	\$ -	\$ 556,097	\$ (3,285,486)	\$ -	\$ (3,285,486)	\$ -
Pupil & Instructional Staff Support	335,913	-	-	(335,913)	-	(335,913)	-
Administration & Business	1,382,066	-	-	(1,382,066)	-	(1,382,066)	-
Pupil Health	53,220	-	-	(53,220)	-	(53,220)	-
Operation & Maintenance of Plant Services	636,908	-	-	(636,908)	-	(636,908)	-
Fire-Related Expenses	13,000	-	-	(13,000)	-	(13,000)	-
Central	158,860	-	-	(158,860)	-	(158,860)	-
Student Activities	215,644	192,069	-	(23,575)	-	(23,575)	-
Food Services	-	-	-	-	(437,204)	(437,204)	-
Community Services & Extended Day	56,522	-	-	(56,522)	-	(56,522)	-
Depreciation Expense	606,511	-	-	(606,511)	(22,937)	(629,448)	-
Interest Expense	815,600	-	-	(815,600)	-	(815,600)	-
Total Governmental Activities	<u>\$ 8,115,827</u>	<u>\$ 192,069</u>	<u>\$ 556,097</u>	<u>(7,367,661)</u>	<u>(460,141)</u>	<u>(7,827,802)</u>	<u>-</u>
<b>Component Unit:</b>							
Global Foundation							
Administrative Expenses	5,151	-	-	-	-	-	(5,151)
Total Component Unit	<u>\$ 5,151</u>	-	-	-	-	-	<u>(5,151)</u>
<b>General Revenues:</b>							
Local Educational Agencies	-	-	-	6,959,233	-	6,959,233	-
State Grants and Reimbursements	-	-	-	430,180	-	430,180	-
Food Services	-	-	-	-	424,131	424,131	-
All Other Revenue	-	-	-	46,801	-	46,801	400
Total General Revenue	-	-	-	<u>7,436,214</u>	<u>424,131</u>	<u>7,860,345</u>	<u>400</u>
Change in Net Position	-	-	-	68,553	(36,010)	32,543	(4,751)
Net Position - Beginning of Year	-	-	-	4,151,199	25,810	4,177,009	(7,608)
Net Position - End of Year	-	-	-	<u>\$ 4,219,752</u>	<u>\$ (10,200)</u>	<u>\$ 4,209,552</u>	<u>\$ (12,359)</u>

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 3,111,642
Restricted Deposits and Reserves	1,616,694
State Subsidies Receivable	132,022
Federal Subsidies Receivable	166,960
Due from Other Governments	128,803
Due from Enterprise Fund	128,490
Student Activities Receivable	133,858
Other Receivables	43,264
Prepaid Expenses	9,779
Total Assets	<u><u>\$ 5,471,512</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 169,093
Accrued Salaries and Related Benefits	562,107
Unearned Revenue	4,247
Total Liabilities	<u>735,447</u>
<b>FUND BALANCE</b>	
Nonspendable to:	
Prepaid Expenses	9,779
Restricted Reserves	1,616,694
Unassigned	3,109,592
Total Fund Balance	<u>4,736,065</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,471,512</u></u>

*See accompanying notes to financial statements.*

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Total Fund Balance for Governmental Funds** \$ 4,736,065

Total Net Position Reported for Governmental Activities in the Statement of Net Position is Different because:

Long-term liabilities that pertain to governmental funds, including bonds and leases payable are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances at year end are:

Bonds Payable (13,335,000)

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets, Net 12,818,687

**Total Net Position of Governmental Activities** \$ 4,219,752

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	General Fund
<b>REVENUES</b>	
Local Educational Agencies	\$ 6,959,233
Other Local Sources	238,870
State Sources	430,180
Federal Sources	556,097
Total Revenues	8,184,380
<b>EXPENDITURES</b>	
Instruction	3,841,583
Support Services	2,579,967
Non-Instructional Services	272,166
Capital Outlay	39,841
Debt Service	1,005,600
Total Expenditures	7,739,157
<b>NET CHANGE IN FUND BALANCE</b>	445,223
Fund Balance - Beginning of Year	4,290,842
<b>FUND BALANCE - END OF YEAR</b>	\$ 4,736,065

*See accompanying notes to financial statements.*

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

**Net Change in Fund Balance - Total Governmental Funds** \$ 445,223

Amounts Reported for Governmental Activities in the Statement of Activities are  
Difference because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. In addition, gain or loss on disposal of capital assets does not recognize the original cost of the assets. However, in the statement of activities, the gain or loss on the disposal of assets is recognized.

Capital Outlays	39,841
Depreciation Expense	(606,511)

Some governmental funds report note proceeds as financing sources, while repayment of note principal is reported as expenditures. In the statement of net position, however, the issuance of debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. In addition, governmental funds report long-term assets as financing uses but as other assets in the statement of net position. The net effect of these differences in the treatment of debt and associated long-term assets is as follows:

Repayment of Notes Payable	190,000
----------------------------	---------

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 68,553</b>
--	------------------

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2014**

	<u>Enterprise Fund</u>	<u>Food Service Fund</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,148	
State Subsidies Receivable	4,108	
Federal Subsidies Receivable	73,060	
Other Accounts Receivable	387	
Prepaid Expenses	46,113	
Total Current Assets	<u>126,816</u>	
Capital Assets, Net		<u>82,258</u>
<b>TOTAL ASSETS</b>	<u>\$ 209,074</u>	
<b>LIABILITIES AND NET DEFICIENCY IN ASSETS</b>		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 22,408	
Accounts Payable	44,923	
Due to General Fund	129,535	
Total Current Liabilities	<u>196,866</u>	
Long-Term Debt		<u>22,408</u>
Total Liabilities		<u>219,274</u>
<b>NET DEFICIENCY IN ASSETS</b>		
Invested in Capital Assets	37,442	
Unrestricted	(47,642)	
Total Net Deficiency in Assets	<u>(10,200)</u>	
<b>TOTAL LIABILITIES AND NET DEFICIENCY IN ASSETS</b>	<u>\$ 209,074</u>	

*See accompanying notes to financial statements.*

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014**

	Enterprise Fund
	Food Service Fund
<b>Revenues</b>	
Food Service Revenues	\$ 424,131
<b>Expenses</b>	
Salaries and Benefits	60,209
Food and Supplies	372,343
Professional Services	1,176
Equipment and Repairs	3,475
Depreciation	22,937
Total Expenses	460,140
Change in Net Assets	(36,009)
Net Assets, Beginning of Year	25,809
Net Deficiency in Assets, End of Year	\$ (10,200)

*See accompanying notes to financial statements.*

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014**

	Enterprise Fund
	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from students	41,908
Cash received from federal sources	350,592
Cash received from state sources	19,012
Payment to suppliers	(382,310)
Payment to employees	(60,209)
Net Cash Used in Operating Activities	(31,007)
Cash Flows from Capital and Related Financing Activities:	
Purchase of equipment	(11,397)
Principal payment on Equipment Loan	(22,408)
Net Cash Used in Capital and Related Financing Activities	(33,805)
Cash Provided by Noncapital Financing Activities:	
Due to the general fund	66,230
Net change in cash	1,418
Cash - Beginning of Year	1,730
<b>CASH - END OF YEAR</b>	<b>3,148</b>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,009)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	22,937
Changes in operating assets and liabilities:	
Federal, state subsidies and other receivable	11,341
Prepaid expenses	(7,611)
Accounts payable	(21,665)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (31,007)</b>

*See accompanying notes to financial statements.*

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background**

Global Leadership Academy Charter School (the “School”) was organized in 1999 as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997, whereby a charter is granted for a specified time period and may be renewed upon expiration. The School’s current charter was effective June 30, 2014 and will expire on June 30, 2019. The School’s mission is to develop creative leaders who will not follow a path, but who will become future leaders of the world. The School is located in Philadelphia, Pennsylvania and provides public education to students in grades K-8.

**Basis of Presentation**

The financial statements of the School have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance (deficit)) report on the School’s general fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*Government-wide Financial Statements:*

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by provider have been met.

*Fund Financial Statements:*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Method of Accounting**

Accounting standards requires a statement of net position, a statement of activities and changes in net position. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These calculations are defined as follows:

- Net investment in capital assets – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid expenses, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances represent amounts constrained for a specific purpose by a governmental entity using its highest level of decision-making authority. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is currently the School’s policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is currently the School’s policy to use committed first, then assigned, and finally unassigned amounts.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule presents both the original and final appropriated budgets for the reporting period as accepted by the Labor, Education and Community Service Comptroller’s Office. The General Fund budget appears on page 26.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$250,000 with financial institutions.

**Cash**

The School's cash is considered to be cash on hand and demand deposits. For the purpose of financial statement presentation, the School considers all highly liquid instruments with a maturity of three months or less to be considered cash.

**Accounts Receivable**

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal and state subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2014, no allowance for doubtful accounts was deemed warranted based on historical experience.

**Prepaid Expenses**

Prepaid expenses include amounts for payments to vendors for services applicable to future accounting periods such as insurance premiums.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets with individual cost of more than \$3,000 are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets. The estimated useful life of equipment, furniture and fixtures, and vehicles is five years. Leasehold improvements are depreciated over the lesser of the useful life or the remaining lease term. The estimated useful life of leasehold improvements is five years.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has no items that qualify for reporting in this category.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has no items that qualify for reporting in this category.

**Income Tax Status**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. No provision for income taxes has been established, as the School has no unrelated business activity. Should the tax exempt status be challenged in the future, the School's three most recent tax years are open for examination by the IRS.

**NOTE 2 CASH**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository banks. Accounts are insured by the FDIC's temporary transaction guarantee program. Under the Pennsylvania Act 72 (72 Pa. Stat. Ann Sec 3836-1 et seq) financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. Since the School maintains all of its funds in demand deposits, they do not deem it necessary to have a written investment policy. The Foundation also is not covered under this act.

As of June 30, 2014, the custodial risk as reconciled to the financial statements is as follows:

	Governmental Funds	Component Unit
Uninsured and Uncollateralized	\$ -	\$ -
Uninsured and collateral held by the pledging bank's trust department not in the School's name	2,711,610	-
Total Custodial Credit Risk	\$ 2,711,610	\$ -
 <u>Reconciliation to the Financial Statements</u>		
Total Custodial Credit Risk	\$ 2,711,610	\$ -
Plus: Insured Amount	251,260	16,596
Less: Outstanding Checks	148,772	(4,750)
Total Cash Per Financial Statements	\$ 3,111,642	\$ 11,846

The School also maintains restricted deposits related to bonds issued that are not included in the analysis above. The total of restricted deposits is \$1,616,694 at June 30, 2014 (see also Note 4).

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 3 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

Governmental Activities:

	Balance July 1, 2013	Deletions	Additions	Balance June 30, 2014
Land	\$ 611,612	\$ -	\$ -	\$ 611,612
Building and Improvements	12,550,667	-	-	12,550,667
Furniture and Equipment	1,098,644	-	39,841	1,138,485
Software	45,011	-	-	45,011
Vehicles	121,766	-	-	121,766
Total	14,427,700	-	39,841	14,467,541
Less: Accumulated Depreciation	1,042,343	-	606,511	1,648,854
Total Capital Assets	<u>\$ 13,385,357</u>	<u>\$ -</u>	<u>\$ (566,670)</u>	<u>\$ 12,818,687</u>

Depreciation expense for the year ended June 30, 2014 was \$606,511.

Business-Type Activity:

	Balance July 1, 2013	Deletions	Additions	Balance June 30, 2014
Furniture and Equipment	\$ 125,810	\$ -	\$ 11,397	\$ 137,207
Total	125,810	-	11,397	137,207
Less: Accumulated Depreciation	32,012	-	22,937	54,949
Total Capital Assets	<u>\$ 93,798</u>	<u>\$ -</u>	<u>\$ (11,540)</u>	<u>\$ 82,258</u>

Depreciation expense for the year ended June 30, 2014 was \$22,937.

**NOTE 4 LONG TERM DEBT**

On November 9, 2011 the Philadelphia Authority for Industrial Development issued \$13,875,000 of Series 2011 Revenue Bonds to the Global Leadership Academy Charter School Project. The bonds were issued by the Authority pursuant to a Loan and Trust Agreement between the Authority, the Global Leadership Charter School, a Pennsylvania nonprofit corporation, a 501(c)(3) organization and a charter school, and the Bank of New York Mellon Trust Company, N.A. as a Trustee. The bonds have been issued to provide a portion of the financing consisting of (a) the school facility, including the parcel of land on which the new school facility is located at 4601 Girard Avenue, Philadelphia, Pennsylvania; (b) the funding of a debt reserve fund for the bonds; and (c) the payment of the costs associated with the issuance of the bonds.

Interest payments are due on May 15 and November 15 of each year. The interest rates on the bonds are 5.125%, 5.750% and 6.375%. The bonds mature in the amounts of \$2,170,000, \$3,760,000 and \$7,945,000 on November 15, 2020, November 15, 2030 and November 15, 2040, respectively, with an option to redeem of the bonds each November 15. The bonds are collateralized by the property, pledged revenues, and any other assets of the School. Interest expense for these bonds for the year ended June 30, 2014 was \$815,600.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 4 LONG TERM DEBT (CONTINUED)**

The School also has a non-interest bearing note for food service equipment, with annual installments of \$29,878 payable over five years ending May 2016.

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 222,408	\$ 801,106	\$ 1,023,514
2016	232,408	790,600	1,023,008
2017	220,000	779,581	999,581
2018	230,000	768,050	998,050
2019	245,000	755,878	1,000,878
2020 - 2024	1,435,000	3,564,286	4,999,286
2025 - 2029	1,915,000	3,089,501	5,004,501
2030 - 2034	2,570,000	2,435,066	5,005,066
2035 - 2039	3,525,000	1,477,565	5,002,565
2040 - 2041	2,785,000	212,128	2,997,128
	<u>\$ 13,379,816</u>	<u>\$ 14,673,761</u>	<u>\$ 28,053,577</u>

Long-term debt activity for the year ended June 30, 2014 was as follows:

Additions	-
Reductions	(212,408)
Ending Balance, June 30, 2014	<u>\$ 13,379,816</u>

The School is required to maintain the following restricted funds: debt service reserve, repair and replacement, debt service and project reserve funds. The total amount in these restricted reserve accounts at June 30, 2014 was as follows:

Debt Service Reserve Fund	\$ 1,002,619
Debt Service Fund	189,723
Repair and Replacement Fund	86,962
All Other	<u>337,390</u>
Total Restricted Cash and Reserves	<u>\$ 1,616,694</u>

In addition, the School is required to maintain a debt service coverage ratio of at least 1.1 for each fiscal year. The debt service coverage ratio for the year ended June 30, 2014 was 1.5.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 5 REVENUE**

Charter schools are funded by the local public school district. For non-special education students the charter school receives for each student enrolled no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2014, the rate was \$8,064 per year for regular education students and \$19,831 for special education students. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from local educational agencies was \$6,484,119 for the year ended June 30, 2014.

**NOTE 6 GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS**

The Commonwealth of Pennsylvania makes contributions on behalf of the charter school for the employer's share of the retirement payments and social security payments, in addition to a reimbursement for a portion of facility rental expense and student health services. The School also received federal funding under Title I, Title II, Medical Assistance Access, Food Nutrition and Individuals with Disabilities Education Act-B grants.

**NOTE 7 RETIREMENT PLAN**

*Plan Description:*

The School contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, legislatively mandated *ad hoc* cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

*Funding Policy:*

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Member contributions are as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 7 RETIREMENT PLAN (CONTINUED)**

- Those who become members for the first time on or after July 1, 2011, may choose between two classes of membership in PSERS, and therefore, two different base contribution rates.
- **New members electing Class T-E:**
  - o The base member contribution rate is 7.50% with “shared risk” contribution levels that may fluctuate between 7.50% and 9.50%.
- **New members electing Class T-F:**
  - o The base member contribution rate is 10.3% (base rate) with “shared risk” contribution levels that may fluctuate between 10.30% and 12.30%.

Employer contributions are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer’s contribution was 12.36% of covered payroll. The 12.36 % rate is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% for healthcare insurance premium assistance.

Payroll expense for employees covered by the System for the year ended June 30, 2014 was approximately \$3.3 million.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities contributions. The School’s contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 totaled \$402,012, \$254,587 and \$164,404, respectively.

**NOTE 8 GRANT CONTINGENCIES**

The School participates in numerous state and federal grant and reimbursement programs as discussed in Note 6, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for social security taxes, retirement expense, rental expense and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying financial statements for such contingencies.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**NOTE 9           LITIGATION**

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

**NOTE 10         RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1,000,000 per occurrence with a commercial carrier. In addition, the School carries commercial coverage for all significant risks of loss. There have been no significant reductions in insurance coverage from the prior year in any of the School's policies, and any claims resulting from these risks have not exceeded commercial insurance coverage limits thus far.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Educational Agency Assistance	\$ 6,988,275	\$ 6,988,275	\$ 6,959,233	\$ (29,042)
Other Local Sources	493,823	493,823	238,870	(254,953)
State Sources	355,619	355,619	430,180	74,561
Federal Sources	156,520	156,520	556,097	399,577
	<u>7,994,237</u>	<u>7,994,237</u>	<u>8,184,380</u>	<u>190,143</u>
<b>EXPENDITURES</b>				
Instruction	3,782,485	3,767,485	3,841,583	74,098
Support Services	2,528,836	2,548,836	2,579,967	31,131
Non-Instructional Services	84,970	84,970	272,166	187,196
Capital Outlay	-	-	39,841	39,841
Debt Service	1,080,000	1,080,000	1,005,600	(74,400)
Total Expenditures	<u>7,476,291</u>	<u>7,481,291</u>	<u>7,739,157</u>	<u>257,866</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 517,946</u>	<u>\$ 512,946</u>	<u>\$ 445,223</u>	<u>\$ (67,723)</u>
Fund Balance - Beginning of Year			<u>4,290,842</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 4,736,065</u>	

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Source Code	Pass- Through CFDA Number	Grant Period Beginning/ Ending Date	Program or Award	Total Received for the Year	Accrued or (Deferred) Revenue at 7/1/13	Receipts or Revenue Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) at 6/30/14	
<u>U.S. Department of Education</u>										
Pass-Through Pennsylvania Department of Education:										
Title I - Improving Basic Programs	I	84.010	013-120990	7/1/13-9/30/2014	\$ 445,380	\$ 278,420	\$ -	\$ 441,133	\$ 441,133	\$ 162,713
Title II - Improving Teacher Quality	I	84.367	020-130990	7/1/13-9/30/2014	22,581	22,614	-	22,581	22,581	(33)
Title II - Improving Teacher Quality	I	84.367	020-120990	7/1/12-9/30/2013	25,001	291	291	-	-	-
<b>Total CFDA #84.367</b>					<b>22,905</b>	<b>291</b>	<b>22,581</b>	<b>22,581</b>	<b>(33)</b>	
Pass-Through Philadelphia School District										
IDEA	I	84.027	N/A	7/1/13 - 6/30/2014	91,370	72,499	-	72,499	91,370	18,871
Total U.S. Department of Education					<b>373,824</b>	<b>291</b>	<b>536,213</b>	<b>555,084</b>	<b>181,551</b>	
<u>U.S. Department of Agriculture</u>										
Pass-Through Pennsylvania Department of Education:										
Child Nutrition Cluster:										
Non-Cash Assistance (Commodities):										
National School Lunch Program	I	10.555	N/A	7/1/13-6/30/14	-	-	23,960	23,960	-	
<i>Total Non-Cash Subtotal</i>						-	23,960	23,960	-	
Cash Assistance:										
School Breakfast Program	I	10.553	N/A	7/1/13-6/30/14	-	53,120	70,708	70,708	17,588	
School Breakfast Program	I	10.553	N/A	7/1/12-6/30/13	-	19,009	19,009	-	-	
National School Lunch Program	I	10.555	N/A	7/1/13-6/30/14	-	193,816	-	253,397	253,397	59,581
National School Lunch Program	I	10.555	N/A	7/1/12-6/30/13	-	64,911	64,911	-	-	
<i>Total Cash Assistance Subtotal</i>					<b>330,857</b>	<b>83,920</b>	<b>324,105</b>	<b>324,105</b>	<b>77,168</b>	
<b>Total Child Nutrition Cluster</b>					<b>330,857</b>	<b>83,920</b>	<b>348,065</b>	<b>348,065</b>	<b>77,168</b>	
Fresh Fruit and Vegetable Program	I	10.582	N/A	7/1/13-6/30/14	-	33,770	-	33,770	33,770	-
Total U.S. Department of Agriculture					<b>364,627</b>	<b>83,920</b>	<b>381,835</b>	<b>381,835</b>	<b>77,168</b>	
Total Financial Assistance					<b>\$ 738,451</b>	<b>\$ 84,211</b>	<b>\$ 918,048</b>	<b>\$ 936,919</b>	<b>\$ 258,719</b>	

D - Direct Funding; I - Indirect Funding

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1      GENERAL INFORMATION**

The accompanying Schedule of Expenditures of Federal awards present activities in all of the federal awards programs of Global Leadership Academy Charter School. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or other nonprofit organizations, is included in the schedule.

**NOTE 2      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified accrual basis of accounting.

**NOTE 3      RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal award expenditures are reported on the statement of functional expenditures as program costs. The expenditures reported in the basic financial statements may differ from the expenditures reported on the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations, which are not included as federal financial assistance.

**NOTE 4      SUBRECIPIENT FUNDING**

No portion of the awards reflected in the accompanying Schedule of Expenditures of Federal Awards was subcontracted to other organizations.



**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***

Independent Auditor's Report

Board of Trustees  
Global Leadership Academy Charter School  
Philadelphia, Pennsylvania

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 the governmental activities, the discretely presented component unit and the general fund of Global Leadership Academy Charter School (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon, dated December 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Global Leadership Academy Charter School's internal control over financial reporting (internal control) to determine the audit that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Global Leadership Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Global Leadership Academy Charter School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Global Leadership Academy Charter 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J. Miller & Associates, LLC*

**J. MILLER & ASSOCIATES, LLC**

Philadelphia, Pennsylvania  
December 19, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees  
Global Leadership Academy Charter School  
Philadelphia, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Global Leadership Academy Charter School's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Global Leadership Academy Charter School's major federal programs for the year ended June 30, 2014. Global Leadership Academy Charter 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Global Leadership Academy Charter School's major federal programs based on our audit on 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Global Leadership Academy Charter 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 of Global Leadership Academy Charter School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Global Leadership Academy Charter 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, 2014.

## Report on Internal Control over Compliance

Management of Global Leadership Academy Charter 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, we considered Global Leadership Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, 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 Global Leadership Academy Charter 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*J. Miller & Associates, LLC*

**J. MILLER & ASSOCIATES, LLC**

Philadelphia, Pennsylvania  
December 19, 2014

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? None reported

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified? None Reported

Type of auditor’s report issued on compliance for major programs. Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

Child Nutrition Cluster:  
     10.553 School Breakfast Program  
     10.555 National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.