

**GLOBAL LEADERSHIP ACADEMY  
SOUTHWEST AT HUEY**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2017*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

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YEAR ENDED JUNE 30, 2017

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# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Trustees  
Global Leadership Academy Southwest at Huey  
Philadelphia, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate remaining fund information and each major fund of the Global Leadership Academy Southwest at Huey as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Global Leadership Academy Southwest at Huey's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express 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 from material misstatement.

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

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

To the Board of Trustees  
Global Leadership Academy Southwest at Huey  
Philadelphia, Pennsylvania

### ***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 aggregate remaining fund information and each major fund of the Global Leadership Academy Southwest at Huey as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 8 and budgetary comparison information on pages 26 and 27 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Global Leadership Academy Southwest at Huey'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Global Leadership Academy Southwest at Huey's internal control over financial reporting and compliance.



Oaks, Pennsylvania  
December 11, 2017

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2017

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The discussion and analysis of Global Leadership Academy Southwest at Huey's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total revenues for the year ended June 30, 2017 was \$7,024,913 primarily from local school district subsidy payments.
- At the close of the current year, on a government-wide basis, the School reports a net position of (\$605,429).
- At the close of the current fiscal year, on a governmental fund basis, the School reports an ending fund balance of (\$1,821,412).
- The School's unrestricted cash balance at June 30, 2017 was \$137,451.

**OVERVIEW OF 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 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 SOUTHWEST AT HUEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$605,429 as of June 30, 2017.

	2017		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current and other assets	\$ 231,046	\$ 536	\$ 231,582
Capital assets	1,605,847	-	1,605,847
TOTAL ASSETS	<u>1,836,893</u>	<u>536</u>	<u>1,837,429</u>
<b>LIABILITIES</b>			
Current and other liabilities	2,086,095	293,131	2,379,226
Long-term liabilities	63,632	-	63,632
TOTAL LIABILITIES	<u>2,149,727</u>	<u>293,131</u>	<u>2,442,858</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,508,578	-	1,508,578
Unrestricted	<u>(1,821,412)</u>	<u>(292,595)</u>	<u>(2,114,007)</u>
TOTAL NET POSITION	<u>\$ (312,834)</u>	<u>\$ (292,595)</u>	<u>\$ (605,429)</u>

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

	2017		
	Governmental Activities	Business-Type Activities	Totals
<b>REVENUES</b>			
Program revenues	\$ 6,913,132	\$ 111,762	\$ 7,024,894
General revenues			-
Investment earnings	19	-	19
Miscellaneous	-	-	-
TOTAL REVENUES	<u>6,913,151</u>	<u>111,762</u>	<u>7,024,913</u>
<b>EXPENSES</b>			
Instruction	3,414,206	-	3,414,206
Instructional student support	546,890	-	546,890
Administration and finance	1,798,553	-	1,798,553
Operation and maintenance of plant services	1,158,854	-	1,158,854
Pupil health	230,162	-	230,162
Student activities	17,738	-	17,738
Community services	58,130	-	58,130
Interest on long-term debt	1,452	-	1,452
Food Service	-	404,357	404,357
TOTAL EXPENSES	<u>7,225,985</u>	<u>404,357</u>	<u>7,630,342</u>
CHANGE IN NET POSITION	<u>\$ (312,834)</u>	<u>\$ (292,595)</u>	<u>\$ (605,429)</u>

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2017

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**GOVERNMENTAL FUND**

The focus of the School's governmental fund (General fund) 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.

As noted earlier, the School's governmental fund reported an ending fund balance of (\$1,821,412). For the year ended June 30, 2017, the School's expenditures totaling \$7,225,985 exceeded revenues totaling \$7,018,538 by \$1,821,412.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues exceeded budgeted revenues by approximately \$317,000 due to other local sources in the form of grant awards. Actual expenditures exceeded budgeted expenditures by approximately \$2,291,000 primarily due to Support Services expenditures.

**PROPRIETARY FUND**

The focus of the School's proprietary fund is to provide information on the business-type activities of the School. The School's proprietary fund reported a net position (deficit) of (\$292,595) for the year ended June 30, 2017, as a result of expenses exceeding revenues by \$292,595.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2017, the School's investment in capital assets totaled \$1,605,847 for its governmental activities (net of accumulated depreciation and related debt). This investment in capital assets includes leasehold improvements, furniture, equipment and computers.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$283,001 for computers (governmental activities)
- Capital expenditures of \$395,277 for furniture and equipment (governmental activities)
- Capital expenditures of \$1,229,789 for leasehold improvement costs (governmental activities)

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The School's primary source of revenue, the student subsidy provided by the School District of Philadelphia, have established a rate for regular education in the amount of \$8,139 and a rate for special education in the amount of \$24,574 for the 2016-17 school year. In addition, the retirement contribution rate will increase from 30.03% to 32.57%.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2017

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**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, 601 Route 73 North, Suite 302, Marlton, New Jersey 08053-3475, or call (856) 505-1300.

# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

## STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 102,326	\$ 35,125	\$ 137,451
State subsidies receivable	-	3,434	3,434
Federal subsidies receivable	-	73,203	73,203
Internal balance	111,226	(111,226)	-
Other assets	14,304	-	14,304
Prepaid expenses	3,190	-	3,190
TOTAL CURRENT ASSETS	<u>231,046</u>	<u>536</u>	<u>231,582</u>
CAPITAL ASSETS, net	<u>1,605,847</u>	<u>-</u>	<u>1,605,847</u>
TOTAL ASSETS	<u>1,836,893</u>	<u>536</u>	<u>1,837,429</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current portion of long-term debt	33,637	-	33,637
Accounts payable	328,563	279,121	607,684
Accrued salaries and benefits	549,365	-	549,365
Due to other governments	1,174,530	14,010	1,188,540
LONG-TERM DEBT			
Lease purchase obligation	63,632	-	63,632
TOTAL LIABILITIES	<u>2,149,727</u>	<u>293,131</u>	<u>2,442,858</u>
NET POSITION			
Net investment in capital assets	1,508,578	-	1,508,578
Unrestricted	<u>(1,821,412)</u>	<u>(292,595)</u>	<u>(2,114,007)</u>
TOTAL NET POSITION	<u>\$ (312,834)</u>	<u>\$ (292,595)</u>	<u>\$ (605,429)</u>

See accompanying notes to the basic financial statements.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction							
Basic instruction	\$ 3,398,611	\$ -	\$ 2,418,748	\$ -	\$ (979,863)	\$ -	\$ (979,863)
Other instructional programs	15,595	-	11,192	-	(4,403)	-	(4,403)
Support services							
Instructional staff services	546,890	-	392,495	-	(154,395)	-	(154,395)
Administration services	1,642,847	-	1,328,922	-	(313,925)	-	(313,925)
Pupil health services	230,162	-	126,998	-	(103,164)	-	(103,164)
Business services	155,706	-	198,445	-	42,739	-	42,739
Operation and maintenance of plant services	1,158,854	-	1,511,332	925,000	1,277,478	-	1,277,478
Operation of non-instructional services							
Student activities	17,738	-	-	-	(17,738)	-	(17,738)
Community services	58,130	-	-	-	(58,130)	-	(58,130)
Interest expense	1,452	-	-	-	(1,452)	-	(1,452)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>7,225,985</b>	<b>-</b>	<b>5,988,132</b>	<b>925,000</b>	<b>(312,853)</b>	<b>-</b>	<b>(312,853)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food services	404,357	-	111,762	-	-	(292,595)	(292,595)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,630,342</b>	<b>\$ -</b>	<b>\$ 6,099,894</b>	<b>\$ 925,000</b>	<b>(312,853)</b>	<b>(292,595)</b>	<b>(605,448)</b>
<b>GENERAL REVENUES</b>							
Investment earnings, net					19	-	19
<b>TOTAL GENERAL REVENUES</b>					<b>19</b>	<b>-</b>	<b>19</b>
<b>CHANGE IN NET POSITION</b>					<b>(312,834)</b>	<b>(292,595)</b>	<b>(605,429)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>					<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION AT END OF YEAR</b>					<b>\$ (312,834)</b>	<b>\$ (292,595)</b>	<b>\$ (605,429)</b>

See accompanying notes to the basic financial statements.

# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

## BALANCE SHEET

### GOVERNMENTAL FUND

JUNE 30, 2017

	<u>General Fund</u>
ASSETS	
Cash	\$ 102,326
Due from other funds	111,226
Prepaid expenses and other assets	<u>17,494</u>
TOTAL ASSETS	<u>\$ 231,046</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 328,563
Accrued salaries and benefits	549,365
Due to other governments	<u>1,174,530</u>
TOTAL LIABILITIES	<u>2,052,458</u>
FUND BALANCE	
Nonspendable, prepaid expenses	3,190
Unassigned	<u>(1,824,602)</u>
TOTAL FUND BALANCE	<u>(1,821,412)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 231,046</u>

*See accompanying notes to the basic financial statements.*

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017

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TOTAL GOVERNMENTAL FUND BALANCE \$ (1,821,412)

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund.

These assets consist of:

Furniture and equipment	395,277
Computers	283,002
Leasehold improvements	1,229,788
Accumulated depreciation	(302,220)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Lease purchase obligation	<u>(97,269)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (312,834)

*See accompanying notes to the basic financial statements.*

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>
REVENUES	
Local educational agencies	\$ 5,988,132
Other local sources	<u>925,019</u>
TOTAL REVENUES	<u>6,913,151</u>
EXPENDITURES	
Instruction	3,920,611
Support services	2,660,462
Operation of non-instructional services	2,181,557
Student activities	17,738
Community services	58,130
Debt service	<u>1,452</u>
TOTAL EXPENDITURES	<u>8,839,950</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,926,799)</u>
OTHER FINANCING SOURCES	
Proceeds from capital leases	<u>105,387</u>
NET CHANGE IN FUND BALANCES	(1,821,412)
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (1,821,412)</u>

*See accompanying notes to the basic financial statements.*



**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

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NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ (1,821,412)
Capital outlays are reported in the Governmental Fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$1,908,067 exceeds depreciation (\$302,220) in the current period.	1,605,847
Repayment of bond, note and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>(97,269)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (312,834)</u>

*See accompanying notes to the basic financial statements.*

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2017**

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	<u>Food Service Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 35,125
State subsidies receivable	3,434
Federal subsidies receivable	<u>73,203</u>
TOTAL ASSETS	<u>111,762</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable	279,121
Due to other funds	111,226
Due to other governments	<u>14,010</u>
TOTAL LIABILITIES	<u>404,357</u>
<b>NET POSITION</b>	
Unrestricted	<u>(292,595)</u>
TOTAL NET POSITION	<u>\$ (292,595)</u>

*See accompanying notes to the basic financial statements.*

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>-</u>
OPERATING EXPENSES	
Salaries	43,229
Employee benefits	9,802
Professional services	349,826
Other expenses	1,500
TOTAL OPERATING EXPENSES	<u>404,357</u>
OPERATING LOSS	<u>(404,357)</u>
NONOPERATING REVENUES	
Federal sources	106,758
State sources	5,004
TOTAL NONOPERATING REVENUES	<u>111,762</u>
CHANGE IN NET POSITION	(292,595)
NET POSITION AT BEGINNING OF YEAR	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ (292,595)</u>

*See accompanying notes to the basic financial statements.*

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ -
Payments to employees	(53,031)
Payments to suppliers	<u>(58,195)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(111,226)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	1,570
Federal sources	33,555
Due to the general fund	<u>111,226</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>146,351</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	35,125
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 35,125</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (404,357)
Adjustments to reconcile operating loss to net cash used by operating activities	
Increase in	
Accounts payable and due to other governments	<u>293,131</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (111,226)</u>

*See accompanying notes to the basic financial statements.*

# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE A - BACKGROUND

Global Leadership Academy Southwest at Huey (the “School”) was organized in 2016 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 July 1, 2016, and will expire on June 30, 2021. 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.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

##### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (the statement of net position (deficit) 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 School has two major funds: government fund and proprietary fund. The government fund financial statements (balance sheet and statement revenues, expenditures and change in fund balance) report on the School’s general fund. The proprietary fund financial statements (statement of net position, statement of revenues, expenses and changes in net position and statement of cash flow) report on the School’s enterprise fund – food service fund.

#### **Reporting Entity**

As required by generally accepted accounting principles, the financial statements present the Global Leadership Academy Southwest at Huey (the primary government).

Consistent with guidance contained in GASB Statement No. 61, the criteria used by the School to evaluate the possible inclusion of related entities (authorities, boards, councils, and similar entities) within its reporting entity, are: legally separate, financial accountability, misleading to exclude and the nature and significance of other considerations.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units for which the School is financially accountable or for which there is a significant relationship.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***Government-wide Financial Statements:***

The statement of net position (deficit) 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 government fund:

**General Fund** - This fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which the transactions

The government reports the following major proprietary fund:

**Food Service Fund** - This fund accounts for the business-type activities of the food service fund.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Method of Accounting**

Accounting standards requires a statement of net position (deficit), a statement of activities and changes in net position (deficit). It requires the classification of net position (deficit) 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 position (deficit) 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 (deficit) component as the unspent proceeds.
- Restricted - This component of net position (deficit) 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 (deficit) - This component of net position (deficit) consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, the governmental fund reports 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.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2017, 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.



**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 (deficit) that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 (deficit) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**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 C - CASH**

**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.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. At year-end, the total carrying amount of the School's checking, savings and money market deposits was \$137,451, and the corresponding bank balance was \$182,027. Of the bank balance, all \$182,027 was covered by federal depository insurance.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

***Governmental Activities:***

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
GOVERNMENTAL ACTIVITIES				
Depreciable				
Furniture and equipment	\$ -	\$ 395,277	\$ -	\$ 395,277
Computers	-	283,001	-	283,001
Leasehold improvements	-	1,229,789	-	1,229,789
	<u>-</u>	<u>1,908,067</u>	<u>-</u>	<u>1,908,067</u>
Accumulated depreciation	-	(302,220)	-	(302,220)
	<u>-</u>	<u>(302,220)</u>	<u>-</u>	<u>(302,220)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net				
	<u>\$ -</u>	<u>\$ 1,605,847</u>	<u>\$ -</u>	<u>\$ 1,605,847</u>

Depreciation expense was charged to governmental functions as follows:

Instruction services	\$ 28,402
Administrative services	67,659
Operation and maintenance of plant services	<u>206,159</u>
	<u>\$ 302,220</u>

Depreciation expense for the year ended June 30, 2017 was \$302,220.

**Capital Lease**

The School has entered into a lease agreement as lessee for financing the acquisition of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$ 102,694
Accumulated depreciation	<u>(5,425)</u>
	<u>\$ 97,269</u>

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE D - CAPITAL ASSETS (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 33,637
2019	35,591
2020	<u>28,041</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 97,269</u>

**NOTE E - 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, 2017, the rate was \$8,139 per year for regular education students and \$24,574 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 \$5,988,132 for the year ended June 30, 2017.

**NOTE F - 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 G - DEFINED CONTRIBUTION PLAN**

The School sponsors a defined contribution pension plan. The assets of the plan are invested separately, and the plan's assets may be used only for the payment of benefits to the members of the plan in accordance with the terms of the plan.

**Plan Description**

The plan covers all full-time employees of the School who are hired after July 1, 2014, except for employees participating in the PSERS retirement Plan. The plan provisions are adopted and amended by the governing body of the School.

# GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE G - DEFINED CONTRIBUTION PLAN (Continued)

#### Contributions

Employees of the School contribute 5% of their salary and the School also contributes 5% to the Plan on the employee's behalf. Participants are not required to contribute to the plan. Benefits vest 100% after one year of service. The plan is administered by PenServ Plan Services, LLC. Contributions to the plan in 2017, were \$66,325. Total annual covered payroll in 2017 was \$1,326,495.

### NOTE H - GRANT CONTINGENCIES

The School participates in numerous state and federal grant and reimbursement programs as discussed in Note F, 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, 2017 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.

### NOTE I - 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 J - 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 6,175,272	\$ 6,175,272	\$ 5,988,132	\$ (187,140)
Other local sources	310,000	310,000	925,019	615,019
State sources	6,000	6,000	-	(6,000)
Federal sources	105,000	105,000	-	(105,000)
TOTAL REVENUES	<u>6,596,272</u>	<u>6,596,272</u>	<u>6,913,151</u>	<u>316,879</u>
EXPENDITURES				
Instruction	3,810,121	3,810,121	3,920,611	(110,490)
Support services	1,778,087	1,778,087	2,660,462	(882,375)
Operation of non-instructional services	924,543	924,543	2,181,557	(1,257,014)
Student activities	35,295	35,295	17,738	17,557
Community services	1,050	1,050	58,130	(57,080)
Debt service	-	-	1,452	(1,452)
TOTAL EXPENDITURES	<u>6,549,096</u>	<u>6,549,096</u>	<u>8,839,950</u>	<u>(2,290,854)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,176	47,176	(1,926,799)	(1,973,975)
OTHER FINANCING USES				
Proceeds from capital leases	-	-	105,387	105,387
NET CHANGE IN FUND BALANCE	47,176	47,176	(1,821,412)	(1,868,588)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ 47,176</u>	<u>\$ 47,176</u>	<u>\$ (1,821,412)</u>	<u>\$ (1,868,588)</u>

See accompanying note to the required supplementary information.

**GLOBAL LEADERSHIP ACADEMY SOUTHWEST AT HUEY**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2017**

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**NOTE A - BUDGETARY INFORMATION**

An annual budget is adopted for the General Fund using the modified accrual basis of accounting. The budgetary comparison schedule of the General Fund presents the budget filed with and accepted by the Pennsylvania Department of Education as its budgeted amounts. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the School prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
4. The budget must be filed with the Pennsylvania Department of Education by July 31.

The budget is controlled by the School's Business Administrator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

As part of the formal budgetary control, purchase orders, contracts and other commitments from the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for the Governmental Fund. A reserve for encumbrances is not reported on the government-wide financial statements.

Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School's. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School's.

***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

To the Board of Trustees  
Global Leadership Academy Southwest at Huey  
Philadelphia, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of the Global Leadership Academy Southwest at Huey as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Global Leadership Academy Southwest at Huey's basic financial statements, and have issued our report thereon dated December 11, 2017.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To the Board of Trustees  
Global Leadership Academy Southwest at Huey  
Philadelphia, Pennsylvania

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Global Leadership Academy Southwest at Huey's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Oaks, Pennsylvania  
December 11, 2017