

**GLOBAL LEADERSHIP ACADEMY
CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015



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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, 2015, and the related notes to the financial statements, which collectively comprise the Global Leadership Academy Charter 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Global Leadership Academy Charter School implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 68 – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, which represent a change in accounting principle. The adoption of this standard has a financial impact on the government-wide financial statements as discussed in Note 1. Our opinion is not modified with respect to this matter.

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, the 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 22, 2015 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 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 22, 2015

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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, 2015. We encourage readers to consider the information presented here in conjunction with the School’s financial statements.

Financial Highlights

- Total revenues decreased \$673,560 to 7,934,951 primarily due to a decrease in state revenue related to the termination of the retirement subsidy reimbursement and a rate decrease in the student subsidy for regular education from the School District of Philadelphia.
- At the close of the current year, on a government-wide basis, the School reports a net position of (\$6,124,628). Net position includes a prior period restatement for the implementation of an accounting principle relating to pensions.
- At the close of the current fiscal year, on a governmental fund basis, the School reports an ending fund balance of \$4,579,157. The fund balance decreased \$156,908 from the prior fiscal year.
- The School’s unrestricted cash balance at June 30, 2015 was \$3,047,040, representing a decrease of \$64,602 from June 30, 2014.

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 fund –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, 2015**

Overview of the Financial Statements (Continued)

Implementation of New Accounting Principle

For the year ended June 30, 2015, the School implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 68 – Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, which represent a change in accounting principle.

The implementation affects the government-wide financial statements only. The effects are to:

- Increase pension expense in the statement of activities by \$227,397 from the pension expense recognized in the governmental funds statement. This represents the School's proportionate pension expense in relation to the total PSERS retirement plan.

- Deferred outflows of resources which include:
 - the pension contributions made during the fiscal year ended June 30, 2015 of \$573,738
 - additional pension expense of \$231,272 to be recognized over the next 4.15 years
 - difference in contribution as reported by PSERS vs. actual contributions of \$24,101 to be recognized over the next 4.15 years

- Deferred inflows of resources of \$577,600 that represents the difference between projected and actual earnings which will be recognized over the next four years (will reduce pension expense)

- Recognition of the net pension liability of \$10,093,000 at June 30, 2015 based on a measurement date of June 30, 2014. This represents the School's proportionate share of the total PSERS net pension liability.

Additionally, the effect of the implementation reduced the beginning net position (deficit) from \$4,219,752 (as reported in the prior year's financial statements) to (\$5,394,340).

These effects are illustrated in the following Government-Wide Financial Analysis.

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 \$6,124,628 as of June 30, 2015.

	<u>2015</u>
Total Assets and Deferred Outflow of Resources	\$ 18,445,811
Total Liabilities and Deferred Inflow of Resources	<u>24,570,439</u>
Total Net Position	<u>\$ (6,124,628)</u>

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Government-Wide Financial Analysis (Continued)

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

REVENUES	
Local Educational Agencies	\$ 6,788,819
Other Local Sources	135,697
State Sources	80,303
Federal Sources	930,132
Total Revenues	7,934,951
EXPENDITURES	
Instruction	4,029,241
Pupil & Instructional Staff Support	333,541
Administration & Business	1,447,825
Pupil Health	53,704
Operation and Maintenance of Plant Services	627,416
Fire Related Expenses	-
Central	159,097
Student Activities	73,739
Food Service Expenses	446,710
Community Services	57,633
Depreciation Expense	620,527
Interest Expense	805,606
Total Expenditures	8,655,039
CHANGE IN NET POSITION	(720,088)
Net Position - Beginning of Year, Restated	(5,404,540)
NET POSITION - END OF YEAR	\$ (6,124,628)

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 \$4,578,207. For the year ended June 30, 2015, the School's expenditures totaling \$7,618,963 exceeded revenues totaling \$7,461,105 by \$157,858.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by approximately \$13,000 due to state and local sources. Actual expenditures exceeded budgeted expenditures by approximately \$219,000 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 deficiency in assets of (\$3,774) for the year ended June 30, 2015, as a result of revenue exceeding expenses by \$6,426.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Capital Asset and Debt Administration

CAPITAL ASSETS

As of June 30, 2015, the School's investment in capital assets totaled (\$857,572) for its governmental activities and \$39,140 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 \$24,968 for furniture and equipment (governmental activities)
- Capital expenditures of \$33,590 for development costs (governmental 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, 2015, the School repaid \$200,000 of the bonds and paid \$22,408 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 \$7,990 to \$7950 and a rate increase for special education from \$23,287 to \$24,106 for the 2015-16 school year. In addition, the retirement contribution rate will increase from 21.4% to 25.84%.

Future Events that will Financially Impact the School

As of December 22, 2015, the Commonwealth of Pennsylvania had not approved a budget for the fiscal year beginning July 1, 2015. The lack of a budget may impact the School District of Philadelphia's cash flow which is the primary source of funds for the School.

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 Rte. 73 North, 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, 601 Rte. 73 North, Suite 302 Marlton, New Jersey or call (856) 505-1300.

GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 3,046,090	\$ 3,148	\$ 3,049,238
State Subsidies Receivable	18,030	2,568	20,598
Federal Subsidies Receivable	235,287	51,990	287,277
Due from Other Governments	88,212	-	88,212
Student Activities Receivable	-	-	-
Due from Component Unit	25,000	-	25,000
Other Accounts Receivable	98,065	-	98,065
Prepaid Expenses	15,446	-	15,446
Total Current Assets	<u>3,526,130</u>	<u>57,706</u>	<u>3,583,836</u>
Other Non-Current Assets	-	47,513	47,513
RESTRICTED DEPOSITS AND RESERVES	1,646,375	-	1,646,375
CAPITAL ASSETS, NET	<u>12,277,428</u>	<u>61,548</u>	<u>12,338,976</u>
Total Assets	<u>17,449,933</u>	<u>166,767</u>	<u>17,616,700</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	255,373	-	255,373
Contributions subsequent to measurement date	573,738	-	573,738
Total deferred outflows of resources:	<u>829,111</u>	<u>-</u>	<u>829,111</u>
LIABILITIES			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	200,000	22,408	222,408
Accounts Payable	130,379	17,859	148,238
Accrued Salaries and Related Benefits	593,148	-	593,148
Due to Charter School	-	-	-
Internal Balances	(129,229)	130,274	1,045
Total Current Liabilities	<u>794,298</u>	<u>170,541</u>	<u>964,839</u>
Net Pension Liability	10,093,000	-	10,093,000
LONG-TERM DEBT	<u>12,935,000</u>	<u>-</u>	<u>12,935,000</u>
Total Liabilities	<u>23,822,298</u>	<u>170,541</u>	<u>23,992,839</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	<u>577,600</u>	<u>-</u>	<u>577,600</u>
NET POSITION			
Investment in Capital Assets	(857,572)	39,140	(818,432)
Restricted for:			
Debt Service	1,646,375	-	1,646,375
Unrestricted	<u>(6,909,657)</u>	<u>(42,914)</u>	<u>(6,952,571)</u>
Total Net Position	<u>\$ (6,120,854)</u>	<u>\$ (3,774)</u>	<u>\$ (6,124,628)</u>

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions	Expenses	Charges for Services	Program	Net (Expense) Revenue and Changes in Position (Deficit)			
			Revenues Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:							
Governmental Activities:							
Instruction	\$ 4,029,241	\$ -	\$ 494,015	\$ (3,535,226)	\$ -	\$ (3,535,226)	\$ -
Pupil & Instructional Staff Support	333,541	-	-	(333,541)	-	(333,541)	-
Administration & Business	1,447,825	-	-	(1,447,825)	-	(1,447,825)	-
Pupil Health	53,704	-	-	(53,704)	-	(53,704)	-
Operation & Maintenance of Plant Services	627,416	-	-	(627,416)	-	(627,416)	-
Central	159,097	-	-	(159,097)	-	(159,097)	-
Student Activities	73,739	4,043	-	(69,696)	-	(69,696)	-
Food Services	-	-	-	-	(446,710)	(446,710)	-
Community Services & Extended Day	57,633	-	-	(57,633)	-	(57,633)	-
Depreciation Expense	599,817	-	-	(599,817)	(20,710)	(620,527)	-
Interest Expense	805,606	-	-	(805,606)	-	(805,606)	-
Total Governmental Activities	<u>\$ 8,187,619</u>	<u>\$ 4,043</u>	<u>\$ 494,015</u>	<u>(7,689,561)</u>	<u>(467,420)</u>	<u>(8,156,981)</u>	<u>-</u>
Component Unit:							
Global Foundation							
Administrative Expenses	<u>\$ 5,225</u>						<u>\$ (5,225)</u>
Total Component Unit	<u>\$ 5,225</u>						<u>(5,225)</u>
General Revenues:							
Local Educational Agencies				6,788,819	-	6,788,819	-
State Grants and Reimbursements				62,118	-	62,118	-
Food Services				-	473,846	473,846	-
All Other Revenue				112,110	-	112,110	-
Total General Revenue				<u>6,963,047</u>	<u>473,846</u>	<u>7,436,893</u>	<u>-</u>
Change in Net Position				(726,514)	6,426	(720,088)	(5,225)
Net Position - Beginning of Year, Restated				(5,394,340)	(10,200)	(5,404,540)	(12,359)
Net Position - End of Year				<u>\$ (6,120,854)</u>	<u>\$ (3,774)</u>	<u>\$ (6,124,628)</u>	<u>\$ (17,584)</u>

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash	\$ 3,046,090
Restricted Deposits and Reserves	1,646,375
State Subsidies Receivable	18,030
Federal Subsidies Receivable	235,287
Due from Other Governments	88,212
Due from Enterprise Fund	129,229
Student Activities Receivable	-
Other Receivables	123,065
Prepaid Expenses	15,446
Total Assets	<u><u>\$ 5,301,734</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 130,379
Accrued Salaries and Related Benefits	593,148
Unearned Revenue	-
Total Liabilities	<u>723,527</u>
FUND BALANCE	
Nonspendable to:	
Prepaid Expenses	15,446
Restricted Reserves	1,646,375
Unassigned	2,916,386
Total Fund Balance	<u>4,578,207</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,301,734</u></u>

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2015**

Total Fund Balance for Governmental Fund \$ 4,578,207

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

Long-term liabilities that pertain to governmental funds, including net pension obligations, 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 Position (Deficit). Balances at year end are:

Net pension liability	(10,093,000)
Bonds Payable	(13,135,000)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds

Deferred outflows of resources related to pensions	829,111
Deferred inflows of resources related to pensions	(577,600)

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	<u>12,277,428</u>
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Total Net Position (Deficit) of Governmental Activities \$ (6,120,854)

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
REVENUES	
Local Educational Agencies	\$ 6,788,819
Other Local Sources	116,153
State Sources	62,118
Federal Sources	<u>494,015</u>
Total Revenues	<u>7,461,105</u>
EXPENDITURES	
Instruction	3,870,654
Support Services	2,557,780
Non-Instructional Services	126,365
Capital Outlay	58,558
Debt Service	<u>1,005,606</u>
Total Expenditures	<u>7,618,963</u>
NET CHANGE IN FUND BALANCE	(157,858)
Fund Balance - Beginning of Year	<u>4,736,065</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,578,207</u></u>

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 FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balance - Governmental Fund \$ (157,858)

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

The governmental fund reports the School's pension contribution as expenditures. However, in the atatement of activities, pension expense is based on the School's proportionate share of the PSERS retirement plan

School pension contributions	573,738
School proportionate share of PSERS pension	(801,135)

The governmental fund reports 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	58,558
Depreciation Expense	(599,817)

The governmental fund report note proceeds as financing sources, while repayment of note principal is reported as expenditures. In the statement of net position (deficit), 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 (deficit). The net effect of these differences in the treatment of debt and associated long-term assets is as follows:

Repayment of Notes Payable	<u>200,000</u>
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Change in Net Position (Deficit) of Governmental Activities \$ (726,514)

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2015**

		Enterprise Fund
ASSETS		<u>Food Service Fund</u>
Current Assets:		
Cash	\$	3,148
State Subsidies Receivable		2,568
Federal Subsidies Receivable		51,990
Other Accounts Receivable		-
Prepaid Expenses		47,513
Total Current Assets		<u>105,219</u>
Capital Assets, Net		<u>61,548</u>
TOTAL ASSETS	\$	<u>166,767</u>
LIABILITIES AND NET DEFICIENCY IN ASSETS		
Current Liabilities:		
Current Portion of Long-Term Debt	\$	22,408
Accounts Payable		17,859
Due to General Fund		130,274
Total Current Liabilities		<u>170,541</u>
Long-Term Debt		<u>-</u>
Total Liabilities		<u>170,541</u>
NET DEFICIENCY IN ASSETS		
Invested in Capital Assets		39,140
Unrestricted		(42,914)
Total Net Deficiency in Assets		<u>(3,774)</u>
TOTAL LIABILITIES AND NET DEFICIENCY IN ASSETS	\$	<u>166,767</u>

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

	Enterprise Fund
	Food Service Fund
Revenues	
Food Service Revenues	\$ 473,846
Expenses	
Salaries and Benefits	63,930
Food and Supplies	367,107
Professional Services	9,855
Equipment and Repairs	5,818
Depreciation	20,710
Total Expenses	467,420
Change in Net Assets	6,426
Net Assets, Beginning of Year	(10,200)
Net Deficiency in Assets, End of Year	\$ (3,774)

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

	Enterprise Fund
	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from students	\$ 19,931
Cash received from federal sources	436,381
Cash received from state sources	19,725
Payment to suppliers	(390,438)
Payment to employees	(63,930)
Net Cash Provided by (Used in) Operating Activities	21,669
Cash Flows from Capital and Related Financing Activities:	
Purchase of equipment	-
Principal payment on Equipment Loan	(22,408)
Net Cash Used in Capital and Related Financing Activities	(22,408)
Cash Flows from Noncapital Financing Activities:	
Due to the general fund	739
Net change in cash	-
Cash - Beginning of Year	3,148
CASH - END OF YEAR	\$ 3,148
Reconciliation of operating loss to net cash from operating activities:	
Operating income	\$ 6,426
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	20,710
Changes in operating assets and liabilities:	
Federal, state subsidies and other receivable	22,997
Prepaid expenses	(1,400)
Accounts payable	(27,064)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITES	\$ 21,669

See accompanying notes to financial statements.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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 July 1, 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. The following is a summary of GASB accounting principles implemented during the School’s current fiscal year:

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27,” issued June 2012. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68,” issued November 2013. The objective of this Statement is to address an issued regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

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 assets, statement of activities and statement of cash flow) report on the School’s enterprise fund – food service fund.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

**NOTE 1 BACKGROUND AND 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:

Enterprise Fund - This fund accounts for the business-type activities of the food service fund.

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.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

Method of Accounting (continued)

- 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.

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 31.

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.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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, 2015, 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 (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.

Change in Accounting Principles – Pensions

The School has implemented GASB 68 and GASB 71. The purpose of these statements is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As a result of these changes in accounting principles, a net pension liability was established which required the beginning net position at July 1, 2014 to be adjusted to reflect the change.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

Change in Accounting Principles – Pensions (continued)

The following reconciliation provides the cumulative effect of the change in accounting principle to the net position (deficit) at July 1, 2014:

Net position as previously reported at June 30, 2014	\$	4,219,752
Prior period adjustment - Implementation GASB 68:		
Net pension liability (initial)		(10,152,000)
Deferred outflows - School's contributions during FY 14		<u>537,908</u>
Cumulative effect of change in accounting principle		<u>(9,614,092)</u>
Net position (deficit) as restated, July 1, 2014	\$	<u>(5,394,340)</u>

Note that this change affects the government-wide financial statements only.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("PSERS") and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2 CASH (CONTINUED)

As of June 30, 2015, the custodial risk as reconciled to the financial statements is as follows:

	<u>Governmental Funds</u>	<u>Component Unit</u>
Uninsured and Uncollateralized	\$ -	\$ -
Uninsured and collateral held by the pledging bank's trust department not in the School's name	2,850,915	-
Total Custodial Credit Risk	<u>\$ 2,850,915</u>	<u>\$ -</u>
<u>Reconciliation to the Financial Statements</u>		
Total Custodial Credit Risk	\$ 2,850,915	\$ -
Plus: Insured Amount	250,000	16,596
Less: Outstanding Checks	54,825	(10,025)
Total Cash Per Financial Statements	<u>\$ 3,046,090</u>	<u>\$ 6,571</u>

The School also maintains restricted deposits related to bonds issued that are not included in the analysis above. The total of restricted deposits is \$1,646,375 at June 30, 2014 (see also Note 4).

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

Governmental Activities:

	Balance <u>July 1, 2014</u>	<u>Deletions</u>	<u>Additions</u>	Balance <u>June 30, 2015</u>
Land	\$ 611,612	\$ -	\$ -	\$ 611,612
Building and Improvements	12,550,667	-	-	12,550,667
Furniture and Equipment	1,138,485	-	24,968	1,163,453
Software	45,011	-	-	45,011
Vehicles	121,766	-	-	121,766
Development Costs	-	-	33,590	33,590
Total	<u>14,467,541</u>	<u>-</u>	<u>58,558</u>	<u>14,526,099</u>
Less: Accumulated Depreciation	1,648,854	-	599,817	2,248,671
Total Capital Assets	<u>\$ 12,818,687</u>	<u>\$ -</u>	<u>\$ (541,259)</u>	<u>\$ 12,277,428</u>

Depreciation expense for the year ended June 30, 2015 was \$599,817.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Business-Type Activity:

	Balance July 1, 2014	Deletions	Additions	Balance June 30, 2015
Furniture and Equipment	\$ 137,207	\$ -	\$ -	\$ 137,207
Total	137,207	-	-	137,207
Less: Accumulated Depreciation	54,949	-	20,710	75,659
Total Capital Assets	<u>\$ 82,258</u>	<u>\$ -</u>	<u>\$ (20,710)</u>	<u>\$ 61,548</u>

Depreciation expense for the year ended June 30, 2015 was \$20,710.

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, 2015 was \$805,606.

The School also has a non-interest bearing note for food service equipment, with annual installments of \$22,408 payable over five years ending May 2016.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 4 LONG TERM DEBT (CONTINUED)

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	255,000	743,066	998,066
2021 - 2025	1,520,000	3,481,814	5,001,814
2026 - 2030	2,030,000	2,976,082	5,006,082
2031 - 2035	2,735,000	2,270,391	5,005,391
2036 - 20340	3,755,000	1,245,515	5,000,515
2041	1,935,000	61,678	1,996,678
	<u>\$ 13,157,408</u>	<u>\$ 13,872,655</u>	<u>\$ 27,030,063</u>

Long-term debt activity for the year ended June 30, 2015 was as follows:

Beginning Balance, July 1, 2014	\$ 13,379,816
Additions	-
Reductions	(222,408)
Ending Balance, June 30, 2015	<u>\$ 13,157,408</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, 2015 was as follows:

Debt Service Reserve Fund	\$ 1,004,839
Debt Service Fund	191,740
Repair and Replacement Fund	111,976
All Other	<u>337,820</u>
Total Restricted Cash and Reserves	<u>\$ 1,646,375</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, 2015 was 0.9 when you exclude the effect of the implementation of GASB 68.

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, 2015, the rate was \$7,990 per year for regular education students and \$23,287 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 \$6,788,819 for the year ended June 30, 2015.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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 Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 RETIREMENT PLAN (CONTINUED)

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (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 and before July 1, 2011, contribute at 7.50% (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.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$573,738 for the year ended June 30, 2015.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 RETIREMENT PLAN (CONTINUED)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the School reported a liability of \$10,093,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was .0255%, which increased from .0248% as of June 30, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$801,135. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	(577,600)
Changes in proportion and difference between School contributions and proportionate share contributions	255,373	-
School contributions subsequent to the measurement date	573,738	-
	<u>\$ 829,111</u>	<u>\$ (577,600)</u>

\$573,738 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (82,865)
2017	(82,865)
2018	(82,865)
2019	(82,865)
2020	9,232
	<u>\$ (322,228)</u>

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 RETIREMENT PLAN (CONTINUED)

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal – level % of pay
Investment return	7.5%, includes inflation at 3%
Salary increases	Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%.

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 RETIREMENT PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using a discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount rate 7.50%	1% Increase 8.50%
School's proportionate share of net pension liability	\$ 12,590,000	\$ 10,093,000	\$ 7,962,000

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 7 RETIREMENT PLAN (CONTINUED)

Pension plan fiduciary net pension

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

Payables to the pension plan

None.

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, 2015 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 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Local Educational Agency Assistance	\$ 6,737,118	\$ 6,791,618	\$ 6,788,819	\$ (2,799)
Other Local Sources	88,500	88,500	116,153	27,653
State Sources	487,773	5,000	62,118	57,118
Federal Sources	563,374	563,374	494,015	(69,359)
Total Revenues	7,876,765	7,448,492	7,461,105	12,613
EXPENDITURES				
Instruction	4,158,371	3,862,448	3,870,654	8,206
Support Services	2,414,085	2,367,911	2,557,780	189,869
Non-Instructional Services	90,159	89,693	126,365	36,672
Capital Outlay	-	-	58,558	58,558
Debt Service	1,080,000	1,080,000	1,005,606	(74,394)
Total Expenditures	7,742,615	7,400,052	7,618,963	218,911
NET CHANGE IN FUND BALANCE	\$ 134,150	\$ 48,440	\$ (157,858)	\$ (206,298)
Fund Balance - Beginning of Year			<u>4,736,065</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,578,207</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	CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award	Total Received for the Year	Accrued or (Deferred) Revenue at 7/1/14	Receipts or Revenue Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) at 6/30/15
<u>U.S. Department of Education</u>										
Pass-Through Pennsylvania Department of Education:										
Title I - Improving Basic Programs	I	84.010	013-150990	7/1/14-9/30/2015	\$ 464,506	\$ 155,580	\$ -	\$ 376,636	\$ 376,636	\$ 221,056
Title I - Improving Basic Programs	I	84.010	013-140990	7/1/13-9/30/2014	445,380	166,960	162,713	4,247	4,247	-
<i>Total CFDA #84.010</i>						<u>322,540</u>	<u>162,713</u>	<u>380,883</u>	<u>380,883</u>	<u>221,056</u>
Title II - Improving Teacher Quality	I	84.367	020-150990	7/1/14-9/30/2015	22,453	7,489	-	21,720	21,720	14,231
Title II - Improving Teacher Quality	I	84.367	020-140990	7/1/13-9/30/2014	22,581	(33)	(33)	-	-	-
<i>Total CFDA #84.367</i>						<u>7,456</u>	<u>(33)</u>	<u>21,720</u>	<u>21,720</u>	<u>14,231</u>
Pass-Through Philadelphia School District										
IDEA	I	84.027	N/A	7/1/14 - 6/30/2015	88,212	-	-	88,212	88,212	88,212
IDEA	I	84.027	N/A	7/1/13 - 6/30/2014	91,370	18,871	18,871	-	-	-
<i>Total CFDA #84.027</i>						<u>18,871</u>	<u>18,871</u>	<u>88,212</u>	<u>88,212</u>	<u>88,212</u>
Total U.S. Department of Education						<u>348,867</u>	<u>181,551</u>	<u>490,815</u>	<u>490,815</u>	<u>323,499</u>
<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	7/1/14 - 6/30/2015	-	-	-	20,806	20,806	-
<i>Total Non-Cash Subtotal</i>						<u>-</u>	<u>-</u>	<u>20,806</u>	<u>20,806</u>	<u>-</u>
Cash Assistance:										
School Breakfast Program	I	10.553	N/A	7/1/14 - 6/30/2015	-	74,187	-	86,777	86,777	12,590
School Breakfast Program	I	10.553	N/A	7/1/13 - 6/30/2014	-	17,588	17,588	-	-	-
National School Lunch Program	I	10.555	N/A	7/1/14 - 6/30/2015	-	258,375	-	300,342	300,342	41,967
National School Lunch Program	I	10.555	N/A	7/1/13 - 6/30/2014	-	59,581	59,581	-	-	-
<i>Total Cash Assistance Subtotal</i>						<u>409,731</u>	<u>77,169</u>	<u>387,119</u>	<u>387,119</u>	<u>54,557</u>
<i>Total Child Nutrition Cluster</i>						<u>409,731</u>	<u>77,169</u>	<u>407,925</u>	<u>407,925</u>	<u>54,557</u>
Fresh Fruit and Vegetable Program	I	10.582	N/A	7/1/14 - 6/30/2015	-	46,376	-	46,376	46,376	-
Total U.S. Department of Agriculture						<u>456,107</u>	<u>77,169</u>	<u>454,301</u>	<u>454,301</u>	<u>54,557</u>
Total Financial Assistance						<u>\$ 804,974</u>	<u>\$ 258,720</u>	<u>\$ 945,116</u>	<u>\$ 945,116</u>	<u>\$ 378,056</u>

D - Direct Funding; I - Indirect Funding

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

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, business-type activities, the discretely presented component unit and each major fund of Global Leadership Academy Charter School (the "School") as of and for the year ended June 30, 2015, 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 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 Global Leadership Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 22, 2015



**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 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, 2015. Global Leadership Academy Charter School's major federal program is 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 program for the year ended June 30, 2015.

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 of compliance, 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 an opinion on compliance for each 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 22, 2015

**GLOBAL LEADERSHIP ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	None reported
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	None reported
• 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

84.010 Title I - Improving Basic Programs

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, 2015**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.