

THE GLOBE ACADEMY, INC.

ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The GLOBE Academy, Inc.
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September 15, 2021

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of The GLOBE Academy, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the general fund of The GLOBE Academy, Inc., a component unit of the DeKalb County Board of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Globe Academy, Inc.'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 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 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, and the general fund of The GLOBE Academy, Inc. as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 and schedule of proportionate share of the net pension liability, schedule of contributions to retirement systems, and budgetary comparison information as presented on pages 34-37 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 that collectively comprise The GLOBE Academy, Inc.'s basic financial statements. The accompanying supplemental information, "Statement of Activities – Non-Profit Format" on page 44, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information 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.

These supplemental statements omit adjustments required by the Governmental Accounting Standards Board as a result of The GLOBE Academy Inc.'s participation in the teacher retirement system of Georgia and therefore cannot be considered to be fairly stated on the basis of accounting adopted by The GLOBE Academy, Inc., however, in our opinion, except for the adjustments to deferred outflows, deferred inflows, net pension liability, and pension expense required by the Governmental Accounting Standards Board, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 on our consideration of The GLOBE Academy’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 solely 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 effectiveness of the Organization’s 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 GLOBE Academy, Inc.’s internal control over financial reporting and compliance.

C. Douglas Erwin, Jr., CPA

C. Douglas Erwin, Jr., CPA
Smyrna, Georgia
September 15, 2021

THE GLOBE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Management of The GLOBE Academy Charter School (GLOBE) offers readers of GLOBE's financial statements this narrative discussion and analysis for the fiscal year ended June 30, 2021. This narrative contains supplemental information that will enhance our readers' understanding of GLOBE's financial condition. We encourage our readers to consider the information presented here in conjunction with GLOBE's audited financial statements. We show the structure of our financial statements in Figure 1.

FY21 Financial Highlights

- Our assets exceed our liabilities and deferred inflows by \$2,306,645 (see Exhibit A).
- Our enrollment remained relatively stable, despite the unprecedented impact of COVID-19. We began the school year with enrollment of 1,071 and ended the year with enrollment of 1,056, a 1.4% decrease. By way of comparison, Dekalb County School District saw its enrollment decline by approximately 5% during FY2020-21. We spent \$8,507,288 to educate our students (see Exhibit B).
- Our governmental funds have combined fund balances of \$6,230,977, an increase of 2.9% in comparison with FY20' (see Exhibit C).
- In April 2021, we learned that the loan that GLOBE secured as part of the Paycheck Protection Program of the CARES Act in the amount of \$1,324,985, was successfully approved for conversion to a grant. Those funds were reclassified accordingly.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to GLOBE's basic financial statements. Our basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Basic Financial Statements

The Statement of Net Position (see Exhibit A) and the Statement of Activities (see Exhibit B) in the basic financial statements are our **government-wide financial statements**. These exhibits provide both end-of-year and annual information about GLOBE's financial status.

The Balance Sheet (see Exhibit C) and Statement of Revenues, Expenditures, and Changes in Fund Balances (see Exhibit E) are **fund financial statements**. These exhibits focus on our charter school as a governmental operation and provide more detail than our government-wide statements.

Exhibit D and Exhibit F are reconciliation statements which reconcile the fund financial statements with the government-wide financial statements and demonstrate the differences in accounting methods between those statements. The last section of the basic financial statements includes our **notes and supplementary information**. The notes to the financial statements explain some of the data contained in those statements. In particular, Note 7 explains changes in our leasehold improvements and other capital assets and Note 9 explains our operating leases for our two school sites. The supplementary information explains GLOBE's individual funds and budgetary information and also discloses information about long-term pension plans in which the school participates.

Required Components of Annual Financial Report

- Management's Discussion and Analysis
- Basic Financial Statements
- Organization-Wide Financial Statements (Exhibits A-B)
- Fund Financial Statements (Exhibits C-F)
- Notes to the Financial Statements (Exhibit G)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide our readers with a broad overview of GLOBE's finances. The format is similar to private-sector financial statements. Government-wide statements report GLOBE's net position and how it has changed.

Net position is the difference between 1) GLOBE's combined total assets and deferred outflows, and 2) its combined total liabilities and deferred inflows. GLOBE's activities include basic governmental functions such as instruction, support services, and non-instructional services. State and county funds from Dekalb County Board of Education provide virtually all of the funding for our school functions.

Our business-type activities are those services for which GLOBE charges a fee which include Community Service (after-school care for students who remain on campus but not in extracurricular activities) and Food Service (lunches).

Government-Wide Financial Analysis

As of June 30, 2021, GLOBE's combined assets and deferred outflows exceeded our combined liabilities and deferred inflows by \$2,306,645 (see Exhibit A). Our net position decreased \$286,510 from FY20, when GLOBE's net position stood at \$2,593,155.

Our net position before transfers decreased by \$286,510 compared to an increase of \$692,730 in FY20 (see Exhibit B). GLOBE's unrestricted net position was \$210,216, compared to \$1,702,421 for FY20 (see Exhibit A). This decline was primarily due to an increase in GLOBE's estimated net TRS pension liability. Please refer to Note 12 on the Notes to the Basic Financial Statements for more information regarding the TRS pension plan.

**The GLOBE Academy Charter School's Net Position
Figure 1**

	Net Position	
	2021	2020
Current and other assets	\$ 7,110,108	\$ 6,869,323
Capital assets	5,403,702	5,641,855
Total assets	<u>\$ 12,513,810</u>	<u>\$ 12,511,178</u>
Deferred outflows of resources	<u>\$ 5,037,915</u>	<u>\$ 4,604,956</u>
Current liabilities	\$ 879,131	\$ 818,730
Long-term liabilities	14,365,949	13,493,475
Total liabilities	<u>\$ 15,245,080</u>	<u>\$ 14,312,205</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ 210,774</u>
Net Position:		
Net investment in capital assets	\$ 2,096,429	\$ 890,734
Unrestricted	210,216	1,702,421
Total Net Position	<u><u>\$ 2,306,645</u></u>	<u><u>\$ 2,593,155</u></u>

	Activities	
	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 152,234	\$ 509,459
Operating Grants & Contributions	471,920	63,338
General Revenues		
County, State, and Federal Funds	10,351,475	12,259,027
Other	288,968	433,809
Special Items	1,185,788	-
Total Revenues	<u>12,450,385</u>	<u>13,265,633</u>
Expenses		
Instructional Services	8,507,288	7,792,002
Other Services	413,221	748,097
Educational Media Services	94,405	86,789
Administration	2,026,461	2,144,726
Maintenance & Operations	1,176,331	1,213,628
Community Services	383,245	443,897
Interest on Long-Term Debt	135,944	143,764
Total Expenses	<u>12,736,895</u>	<u>12,572,903</u>
Increase (Decrease) in Net Position	<u>(286,510)</u>	<u>692,730</u>
Net Position, July 1	2,593,155	1,900,425
Net Position, June 30	<u>\$ 2,306,645</u>	<u>\$ 2,593,155</u>

Fund Financial Statements

The fund financial statements provide a more detailed look at GLOBE's most significant activities. A fund is a grouping of related accounts that have been segregated for specific activities or objectives. GLOBE, like all other governmental entities in Georgia, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as Georgia's General Statutes, DCSS' Chart of Accounts, and GLOBE's own budget policies.

GLOBE uses Governmental funds to account for those functions reported as governmental activities in its government-wide financial statements. Most of GLOBE's basic services are accounted for in governmental funds (see Exhibit C and E). Our financial statements show the relationship between governmental activities (reported in the Statement of Position and the Statement of Activities) and governmental funds in two reconciliations (see Exhibits D and F).

Financial Analysis of GLOBE’s Funds

The general fund is the chief operating fund of GLOBE. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,206,190, while total fund balance reached \$6,230,977 (see Exhibit C). GLOBE’s investment in capital assets for its governmental activities, net of accumulated depreciation and related long-term debt, totaled \$2,096,429 (see Figure 2 or Exhibit D). These assets included leasehold improvements, buildings, furniture, equipment, and construction in progress. Capital outlays during the year were \$94,590.

**The GLOBE Academy Charter School’s Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities	
	2021	2020
Leasehold improvements	\$ 720,270	\$ 731,748
Land	788,200	788,200
Buildings	3,785,898	4,002,689
Construction	-	-
Furniture and equipment	109,334	119,218
Total	\$ 5,403,702	\$ 5,641,855

Notes to the Financial Statements

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

Annual Budget

GLOBE adopts an annual budget for its funds. Because our budget is not legally required by General Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. Our budget is a Board adopted document that incorporates input from GLOBE’s faculty, administration, and members in determining what activities will be pursued and what services will be provided during the year. It also authorizes GLOBE to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates whether or not GLOBE has succeeded in providing the services as planned (see Schedule 4).

Requests for Information

This report is designed to provide an overview of GLOBE’s finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, The GLOBE Academy, 2225 Heritage Drive, Atlanta, GA 30345.

THE GLOBE ACADEMY, INC.
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

Exhibit "A"

<u>ASSETS</u>	Governmental Activities
Cash and Cash Equivalents	\$ 6,594,737
Intergovernmental Receivables	
Federal Government	408,595
State Government	78,068
Local	3,921
Prepaid Items	24,787
Capital Assets, Non-Depreciable	788,200
Capital Assets, Depreciable (Net of Accumulated Depreciation)	4,615,502
Total Assets	<u><u>\$ 12,513,810</u></u>

DEFERRED OUTFLOWS OF RESOURCES

Related to Defined Benefit Pension Plans	<u>5,037,915</u>
Total Deferred Outflows of Resources	<u><u>5,037,915</u></u>

LIABILITIES

Accounts Payable	\$ 102,919
Salaries and Benefits Payable	776,215
Interest Payable	698
Net Pension Liability	11,057,975
Long-Term Liabilities	
Due Within One Year	123,524
Due in More Than One Year	3,183,749
Total Liabilities	<u><u>15,245,080</u></u>

DEFERRED INFLOWS OF RESOURCES

Related to Defined Benefit Pension Plans	<u>-</u>
Total Deferred Inflow of Resources	<u><u>-</u></u>

NET POSITION

Net Investment in Capital Assets	2,096,429
Unrestricted	210,216
Total Net Position	<u><u>\$ 2,306,645</u></u>

The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2021

Exhibit "B"

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		Net Revenues
		<u>Charges For</u>	<u>Operating</u>	(Expenses) and
		<u>Services</u>	<u>Grants and</u>	Changes In
			<u>Contributions</u>	<u>Net Position</u>
Instruction	\$ 8,507,288		303,500	(8,203,788)
Support Services				-
Pupil Services	362,186		61,254	(300,932)
Improvement of Instructional Services	-			-
Instructional Staff Training	51,035			(51,035)
Educational Media Services	94,405		1,000	(93,405)
General Administration	506,848		2,000	(504,848)
School Administration	1,169,072		11,470	(1,157,602)
Business Administration	338,798		3,000	(335,798)
Maintenance and Operation of Plant Services	1,176,331		85,696	(1,090,635)
Other Support Services	11,743			(11,743)
Operations of Non-Instructional Services				
Community Services	353,645	151,827	4,000	(197,818)
Food Services	29,600	407	-	(29,193)
Interest on Short-Term and Long-Term Debt	135,944			(135,944)
Total Governmental Activities	<u>\$ 12,736,895</u>	<u>\$ 152,234</u>	<u>\$ 471,920</u>	<u>\$ (12,112,741)</u>
 GENERAL REVENUES				
DeKalb County Board of Education				10,351,475
Miscellaneous				288,968
Total General Revenues				<u>\$ 10,640,443</u>
 SPECIAL ITEMS				
PPP Loan Forgiveness				1,334,481
Loss on Disposal of Capital Asset				(148,693)
Total Special Items				<u>\$ 1,185,788</u>
Total General Revenues and Special Items				<u>\$ 11,826,231</u>
CHANGE IN NET POSITION				\$ (286,510)
NET POSITION - Beginning of Year				2,593,155
NET POSITION - End of Year				<u><u>\$ 2,306,645</u></u>

The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

EXHIBIT "C"

- Assets -

Current Assets

Cash and Cash Equivalents	\$	6,594,737
Intergovernmental Receivables		
Federal Government		408,595
State Government		78,068
Local		3,921
Prepaid Items		24,787
Total Assets	\$	<u><u>7,110,108</u></u>

- Liabilities and Fund Balances -

Current Liabilities

Accounts Payable	\$	102,916
Salaries and Benefits Payable		776,215
Total Liabilities		<u>879,131</u>

Fund Balances

Nonspendable		24,787
Unassigned		6,206,190
Total Fund Balances		<u>6,230,977</u>

Total Liabilities and Fund Balances	\$	<u><u>7,110,108</u></u>
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The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 6,230,977

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Buildings	4,057,130	
Furniture & Equipment	129,244	
Land	788,200	
Leasehold Improvements	1,117,866	
Accumulated Depreciation	<u>(688,738)</u>	
Total Capital Assets		5,403,702

Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.

Net Pension Liability		(11,057,975)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

5,037,915

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable		(3,307,273)
Accrued interest payable		(698)

Rounding		(3)
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Net Position of Governmental Activities (Exhibit "A")		<u>\$ 2,306,645</u>
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The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

EXHIBIT "E"

Revenues

Local Funds	\$ 4,190,384
Federal Funds	416,357
State Funds	6,226,150
Charges for Services	151,827
Miscellaneous	289,380
Total Revenues	<u>11,274,098</u>

Expenditures

Instruction	7,208,101
Support Services	
Pupil Services	304,587
Improvement of Instructional Services	-
Instructional Staff Training	51,035
Educational Media Services	79,261
General Administration	455,561
School Administration	992,945
Business Administration	279,533
Maintenance and Operation of Plant	979,823
Other Support Services	11,743
Community Services	352,825
Food Services Operation	29,601
Capital Outlay	94,590
Debt Services	
Principal	118,863
Interest	139,420
Total Expenditures	<u>11,097,888</u>
Excess of Revenues over (under) Expenditures	176,210
Other Financing Sources (Uses)	-
Net Change in Fund Balances	176,210
Fund Balances - Beginning	6,054,767
Fund Balances - Ending	<u>\$ 6,230,977</u>

The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT "F"

Total Change in Fund Balances - Government Funds (Exhibit "E") \$ 176,210

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	94,590	
Depreciation expense	<u>(184,053)</u>	(89,463)

The net effect of transactions involving capital asset disposals is to decrease net position. (148,693)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Other debt payments	<u>1,443,848</u>	1,443,848
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense		(1,671,888)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on long-term debt		3,476
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Rounding -

Change in Net Position of Governmental Activities (Exhibit "B")		<u><u>\$ (286,510)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 1 – DESCRIPTION OF ORGANIZATION AND REPORTING ENTITY

REPORTING ENTITY

The GLOBE Academy, Inc., “the Organization” is a non-profit corporation formed pursuant to Georgia law and operates a charter school in Atlanta, Georgia by virtue of an agreement with the Dekalb County Board of Education and the Georgia State Board of Education. The agreement is for a term of five years beginning July 1, 2018 and authorizes the Organization to provide public education to students in grades K-8 in the Dekalb County school district.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Organization have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the Organization’s accounting policies are described below.

BASIS OF PRESENTATION

The charter school is considered a government entity and operates as a component unit of the Dekalb County Board of Education. Its basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements, and notes to the basic financial statements. The government-wide statements focus on the Organization as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information’s usefulness.

GOVERNMENT-WIDE STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Organization, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Position presents the Organization’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the Organization’s total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the Organization is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 3 Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Organization's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Organization related to the administration and support of the Organization programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all apportioned taxes from Dekalb County Board of Education, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Organization's funds including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Organization reports all governmental funds as the general fund, which is the Organization's primary operating fund. It accounts for all financial resources of the Organization.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Organization gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Organization uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Organization considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The Organization considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Organization funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Organization's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the Organization to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

RECEIVABLES

Receivables consist of amounts due from grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

PREPAID ITEMS

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the government-wide and governmental fund financial statements.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The Organization does not capitalize book collections or works of art.

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

EXHIBIT “G”

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges) and the related assets are reported as capital assets in the governmental activity’s column in the government-wide financial statements.

Depreciation is computed using the straight-line method for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

Land	Capitalization Policy	Estimated Useful Life
Land Improvements	\$ 5,000	10-60 years
Buildings and Improvements	\$ 5,000	10-60 years
Equipment	\$ 5,000	5-25 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

LONG-TERM LIABILITIES

In the Organization’s government-wide financial statements, outstanding debt is reported as liabilities. In the governmental fund financial statements, the Organization recognizes the proceeds of debt as other financing sources of the current period.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

PENSIONS

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 pension plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

FUND BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The Organization's fund balances are classified as follows:

Non-spendable consists of resources that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted consists of resources that can be used only for specific purposes pursuant to constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the Organization's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned consists of resources constrained by the Organization's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Head of School, or designee, to assign amounts to be used for specific purposes.

Unassigned consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

INCOME TAXES

The Organization is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Organization is not required to pay taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the IRC.

NOTE 3 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential recognition and disclosure through September 15, 2021, the date the financial statements were available to be issued. No significant events were noted for disclosure.

NOTE 4 - BUDGETARY DATA

The budget is a complete financial plan for the Organization's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved.

After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 4 - BUDGETARY DATA - Continued

The Head of School is authorized by the Board to approve adjustments of no more than 10% of the amount budgeted for expenditures in any budget function for any fund. The Head of School shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10% of the budgeted amount, the Head of School shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds \$10,000 shall require Board approval unless the Head of School deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Head of School or other staff person authorized to spend funds that exceed the total budget without approval by the Board. See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 5 – DEPOSITS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. Acceptable security for deposits consists of any one or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia.
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation.
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia.
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia, and
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for that purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of subsidiary corporations of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 5 – DEPOSITS - Continued

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The Organization’s policy is that all deposits not secured by Federal depository insurance will be secured by collateral as described above.

At June 30, 2021, the Organization had deposits with a carrying amount of \$6,594,737 and a bank balances of \$6,625,427. Bank balances are insured by Federal depository insurance up to \$250,000.

At June 30, 2021, \$6,368,287 of the School District’s bank balances was exposed to custodial credit risk. This balance was in the State’s Secure Deposit Program (SDP). The School District participates in the State’s Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository.

There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased in the amount of up to 125% if economic or financial conditions warrants. The program lists the types of eligible criteria. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

NOTE 6 – RISK MANAGEMENT

Commercial Insurance

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. The Organization carries commercial insurance for these risks. The Organization has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Organization’s insurance coverage in any of the past three years.

Unemployment Compensation

The Organization elects to pay unemployment insurance taxes using the contributory method. Taxes are paid quarterly to the Georgia Department of Labor using a set rate based on historical experience.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2020	Increases	Decreases	Transfers	Balances June 30, 2021
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 788,200	\$ -	\$ -	\$ -	\$ 788,200
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	788,200	-	-	-	788,200
Capital Assets Being Depreciated					
Buildings and Improvements	5,244,725	94,590	164,321	-	5,174,994
Equipment	136,887	-	7,643	-	129,244
Land Improvements	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Less Accumulated Depreciation for:					
Buildings and Improvements	510,287	174,167	15,628	-	668,826
Equipment	17,670	9,883	7,643	-	19,910
Land Improvements	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Total Capital Assets, Being Depreciated, Net	4,853,655	(89,460)	148,693	-	4,615,502
Governmental Activity Capital Assets - Net	\$ 5,641,855	\$ (89,460)	\$ 148,693	\$ -	\$ 5,403,702

Current year depreciation expense by function is as follows:

Instruction		\$ 7,287
Support Services		
Pupil Services	\$	-
Improvements of Instructional Services		-
Educational Media Services		-
General Administration		-
School Administration		-
Business Administration		-
Maintenance and Operation of Plant		176,445
Student Transportation Services		-
Central Support Services		-
Other Support Services		-
Community Services		-
Food Services		-
		\$ 183,732

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 8 – SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally for expenditure of Federal funds are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Organization believes that such disallowances, if any, will be immaterial.

NOTE 9 – SIGNIFICANT COMMITMENTS

Operating Leases

The Organization leases facilities and equipment under the provisions of operating lease agreements. Rental expenditures for governmental activities totaled \$105,857 for facilities and \$17,894 for equipment. The lease agreements are summarized below.

The Organization utilizes educational space owned by the Dekalb County Board of Education at 2225 Heritage Drive in Atlanta, Georgia under the terms of a lease agreement which began on July 1, 2013 and continues for an initial term of five years. The agreement may be terminated by the Board of Education upon delivery of advance notice of eighteen months during the initial term if the Board of Education demonstrates the facility is needed by the school district for certain other non-charter schools located within the school district, however absent such termination the Organization may renew the lease for two additional five-year terms. The Organization exercised its option to extend the lease on June 1, 2017. No rent is due for the term of the agreement, except that the Organization is responsible for all occupancy costs and for all maintenance and repairs.

The Organization leases modular buildings from Mobile Modular with leases which renew each fiscal year for a (12) month period. Monthly rentals during the current period were \$4,141 for one lease and \$4,680 for the second lease. These leases are not included in long-term commitments below due to the term of the agreements.

The Organization leases copier equipment through Atlanta Office Technologies as follows:

- Lease commencing December 25, 2017, term of 61 months, monthly lease of 649.
- Lease commencing July 29, 2019, term of 63 months, monthly lease of \$515.
- Lease commencing December 10, 2019, term of 63 months, monthly lease of \$340.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 9 – SIGNIFICANT COMMITMENTS - Continued

The following future minimum lease payments were required under operating leases at June 30, 2021:

<u>Year Ending</u>	<u>Governmental Funds</u>
2022	\$ 19,259
2023	10,260
2024	4,265
2025	-
2026	-
2027 - 2031	-
2032 - 2036	-
2037 - 2041	-
	<hr/>
Total	\$ <u><u>33,784</u></u>

NOTE 10 – LONG-TERM DEBT

Center State Bank Building Loan

On February 28, 2020, the Organization executed an agreement titled “Amendment to Business Loan Agreement” which consolidated two prior loan agreements with CenterState Bank, N.A. The Organization had borrowed \$3,040,000 on July 10, 2018 to purchase property located on Briarcliff Road in Atlanta, Georgia, for \$3.5 Million and had also borrowed \$500,000 on October 19, 2018 to finance building improvements. The loans were secured by real estate located at 4069, 4085, and 4105 Briarcliff Road NE in Atlanta, Georgia and all inventory, chattel paper, accounts, equipment, general intangibles and fixtures owned and hereafter acquired.

The new agreement consolidated both loans into one loan agreement in the amount of \$3,465,000 which is payable in monthly installments of \$20,732.25 which includes interest at 3.8% per annum commencing March 28, 2020 and continuing until maturity on February 28, 2040. The agreement includes an interest rate swap provision that allows the Organization to unwind the fixed interest rate and convert to a variable rate loan with interest at LIBOR plus 2.42%. The agreement is secured by real estate located at 4069, 4085, and 4105 Briarcliff Road NE in Atlanta, Georgia and all inventory, chattel paper, accounts, equipment, general intangibles and fixtures owned and hereafter acquired. The School District’s outstanding obligations from this promissory note contain a provision that in the event of default, the lender has the option to declare all payments immediately due and take possession of the collateral. \$3,307,273 is outstanding at June 30, 2021 on this promissory note.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 10 – LONG-TERM DEBT - Continued

Paycheck Protection Program

On April 17, 2020, the Organization executed a promissory note with CenterState Bank, N.A. to borrow \$1,324,985 under the terms and conditions of the Small Business Administration’s Paycheck Protection Program. No payments were due on this loan for six months. The Organization was eligible to apply for loan forgiveness if the proceeds were used for payroll and certain other approved costs in accordance with the program. If the Organization did not apply for or receive loan forgiveness, payments were due beginning on the seventh month from the loan date in the amount of \$74,566.09 including interest at 1%. The loan was unsecured and matured on April 17, 2022. Management applied for loan forgiveness during the current period and was notified on January 11, 2021 that the principal amount of 1,324,985 and accrued interest of \$9,495.73 was forgiven by payment to the bank from the SBA. No amounts are due from the Organization on this loan.

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2021, were as follows:

	Governmental Activities				
	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
General Obligation (G.O.) Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Unamortized Bond Premiums	-	-	-	-	-
Unamortized Bond Discount	-	-	-	-	-
G.O. Capital Appreciation Bonds	-	-	-	-	-
Qualified Zone Academy Bonds	-	-	-	-	-
Qualified School Construction Bonds	-	-	-	-	-
Promissory Notes	4,751,121	-	1,443,848	3,307,273	123,524
Capital Leases	-	-	-	-	-
Asset Retirement Obligations	-	-	-	-	-
Financed Purchases	-	-	-	-	-
Revenue Bonds	-	-	-	-	-
Pollution Remediation	-	-	-	-	-
Claims and Judgments	-	-	-	-	-
Compensated Absences(1)	-	-	-	-	-
	<u>\$ 4,751,121</u>	<u>\$ -</u>	<u>\$ 1,443,848</u>	<u>\$ 3,307,273</u>	<u>\$ 123,524</u>

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

EXHIBIT “G”

NOTE 10 – LONG-TERM DEBT - Continued

At June 30, 2021, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 123,524	\$ 125,263
2023	128,368	120,419
2024	133,086	115,701
2025	138,621	110,166
2026	144,057	104,730
2027 - 2031	809,301	434,634
2032 - 2036	980,904	263,031
2037 - 2041	849,412	42,071
2042 - 2046	-	-
	<u>3,307,273</u>	<u>1,316,015</u>
Total Principal and Interest	\$ <u>3,307,273</u>	\$ <u>1,316,015</u>

NOTE 11 – FUND BALANCE CLASSIFICATION DETAILS

The Organization’s financial statements include the following amounts presented in the aggregate at June 30, 2021.

Nonspendable	
Prepaid Assets	\$ 24,787
Unassigned	<u>6,206,190</u>
Fund Balance, June 30, 2021	<u>\$ 6,230,977</u>

When multiple categories of fund balance are available for expenditure, the Organization’s policy is to spend from the most restricted category first before moving down to the next category with available funds.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 12 – RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the Organization as defined in O.C.G.A. §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple- employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The Organization’s contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual payroll. Employer contributions to the pension plan were \$1,175,119 for the year ended June 30, 2021.

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

At June 30, 2021, the Organization reported a liability of \$11,057,975 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The Organization’s proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2020. At June 30, 2020, the Organization’s proportion was 0.045649%, which was an increase of 0.004992% from its proportion measured as of June 30, 2019.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 12 – RETIREMENT PLAN – Continued

For the year ended June 30, 2021, the Organization recognized pension expense of \$2,842,575 for TRS. At June 30, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ 481,578	\$ - 0 -
Changes of assumptions	1,138,984	- 0 -
Net difference between projected and actual Earnings on pension plan investments	266,333	- 0 -
Changes in proportion and differences between Organization contributions and proportionate share of contributions	1,975,901	- 0 -
District contributions subsequent to the measurement date	<u>1,175,119</u>	<u>- 0 -</u>
Totals	<u>\$ 5,037,915</u>	<u>\$ - 0 -</u>

Organization contributions subsequent to the measurement date of \$1,175,119 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		<u>TRS</u>
2022	\$	1,224,457
2023		1,205,161
2024		1,039,610
2025		393,568
2026		-
Thereafter		-

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.50%
Salary increases	3.00% – 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

Asset class	TRS Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
Domestic large equities	51.00%	8.90%
Domestic small equities	1.50%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Total	100.00%	

* Rates shown are net of assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position 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 Organization’s proportionate share of the net pension liability to changes in the discount rate: The following presents the Organization’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Organization’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Teachers Retirement System:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Organization’s proportionate share of the net pension liability	\$ 17,535,308	\$ 11,057,975	\$ 4,261,303

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

EXHIBIT "G"

NOTE 17 – CONTINGENCIES

The Organization, in association with other Dekalb County charter schools, filed a complaint on August 19, 2020 in Superior Court of Fulton County, Georgia by which it alleges Dekalb County School District has improperly reduced its funding for per pupil allotment of QBE and local tax revenues below the contracted amounts, has failed to allocate taxpayer approved E-SPLOST revenues for technology upgrades to the charter school, has added restrictions on the transfer of federally sourced IDEA funds that are not allowed by federal law, and has not justified the deduction of the school district's admin fee. The charter contract requires that the school district treat the charter school no less favorably than its other non-charter schools. The Organization has budgeted for the 2021-2022 school year based upon these cuts. At this date management is unable to determine the outcome of the litigation.

THE GLOBE ACADEMY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.045649%	\$ 11,057,975	\$ -	\$ 11,057,975	\$ 6,165,367	179.36%	77.01%
2020	0.040657%	\$ 8,742,354	\$ -	\$ 8,742,354	\$ 5,906,438	148.01%	78.56%
2019	0.035049%	\$ 6,505,845	\$ -	\$ 6,505,845	\$ 5,051,215	128.80%	80.27%
2018	0.030110%	\$ 5,596,036	\$ -	\$ 5,596,036	\$ 4,230,678	132.27%	79.33%
2017	0.023282%	\$ 4,803,336	\$ -	\$ 4,803,336	\$ 3,493,784	137.48%	76.06%
2016	0.018130%	\$ 2,760,112	\$ -	\$ 2,760,112	\$ 2,581,787	106.91%	81.44%
2015	0.014995%	\$ 1,894,420	\$ -	\$ 1,894,420	\$ 1,969,293	96.20%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

THE GLOBE ACADEMY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE "2"

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2021	\$ 1,175,119	\$ 1,175,119	\$ -	\$ 6,165,367	19.06%
2020	\$ 1,248,621	\$ 1,248,621	\$ -	\$ 5,906,438	21.14%
2019	\$ 1,055,704	\$ 1,055,704	\$ -	\$ 5,051,215	20.90%
2018	\$ 711,177	\$ 711,177	\$ -	\$ 4,230,678	16.81%
2017	\$ 498,563	\$ 498,563	\$ -	\$ 3,493,784	14.27%
2016	\$ 368,421	\$ 368,421	\$ -	\$ 2,581,787	14.27%
2015	\$ 258,962	\$ 258,962	\$ -	\$ 1,969,293	13.15%
2014	\$ 187,855	\$ 187,855	\$ -	\$ 1,529,764	12.28%

This schedule is intended to show information for 10 years. Due to the Organization's retention policy, only eight years of information is displayed.

THE GLOBE ACADEMY, INC.
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE "3"

Changes of assumptions:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

THE GLOBE ACADEMY, INC.

Schedule "4"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>NONAPPROPRIATED BUDGETS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE OVER/UNDER</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Local Funds	\$ 4,758,630	\$ 4,190,384	\$ 4,190,384	\$ -
Federal Funds	411,432	396,993	416,357	19,364
State Funds	6,019,811	6,239,659	6,226,150	(13,509)
Charges for Services	400,000	151,827	151,827	-
Miscellaneous	420,000	289,379	289,380	1
Total Revenues	12,009,873	11,268,242	11,274,098	5,856
<u>EXPENDITURES</u>				
Instruction	7,061,549	6,904,520	7,208,101	(303,581)
Support Services				
Pupil Services	356,954	304,587	304,587	-
Improvement of Instructional Services	9,820	-	-	-
Instructional Staff Training	70,099	51,035	51,035	-
Educational Media Services	73,615	79,261	79,261	-
General Administration	425,202	450,903	455,561	(4,658)
School Administration	1,118,141	993,568	992,945	623
Business Administration	333,384	298,757	279,533	19,224
Maintenance and Operation of Plant Services	1,434,916	1,302,661	979,823	322,838
Other Support Services	22,100	11,743	11,743	-
Community Services	462,150	352,825	352,825	-
Food Services Operation	98,797	29,600	29,601	(1)
Capital Outlay	-	-	94,590	(94,590)
Debt Services				
Principal	118,863	118,863	118,863	-
Interest	25,191	17,081	139,420	(122,339)
Total Expenditures	11,610,781	10,915,404	11,097,888	(182,484)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	399,092	352,838	176,210	(176,628)
Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	399,092	352,838	176,210	176,628
FUND BALANCES - beginning of year	6,054,767	6,054,767	6,054,767	-
FUND BALANCES - end of year	\$ 6,453,859	\$ 6,407,605	\$ 6,230,977	\$ 176,628

BASIS OF PRESENTATION

The accompanying schedule of general fund revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of

SECTION II
COMPLIANCE AND INTERNAL CONTROL REPORT

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INDEPENDENT AUDITOR'S 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

September 15, 2021

To the Governing Body of
The GLOBE Academy, Inc.
Atlanta, Georgia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and the general fund information of The GLOBE Academy, Inc. as of and for the Year Ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The GLOBE Academy, Inc.'s basic financial statements and have issued our report thereon dated September 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The GLOBE Academy, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 GLOBE Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The GLOBE Academy, Inc.'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 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 weaknesses 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 The GLOBE Academy, Inc.'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 financial statements. 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.

C. Douglas Erwin, Jr., CPA

C. Douglas Erwin, Jr., CPA
Smyrna, Georgia
September 15, 2021

SECTION III
FINDINGS AND QUESTIONED COSTS

THE GLOBE ACADEMY, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

N/A - None

THE GLOBE ACADEMY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

There was not an audit of major federal award programs as of June 30, 2021 due to the total of federal awards expended being less than \$750,000.

There were no findings or questioned costs in the current period.

THE GLOBE ACADEMY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Program Services	Management & General	Fundraising	Totals
Revenues, Gains, and Other Support				
Governmental Sources	\$ 12,157,876	\$ -	\$ -	\$ 12,157,876
After School Program	151,827			151,827
Field Trips	4,170			4,170
Fundraising & Donations			284,802	284,802
Nutrition Program	407			407
Rental Income		-		-
Total Revenues	<u>12,314,280</u>	<u>-</u>	<u>284,802</u>	<u>12,599,082</u>
Expenditures				
Afterschool Program	353,645	-	-	353,645
Contracted Educational Services	827	-	-	827
Curriculum & Textbooks	43,711	-	-	43,711
Depreciation	7,287	176,445	-	183,731
Dues & Fees	-	39,193	-	39,193
Employee Benefits & Group Insurance	372,846	66,197	-	439,043
Equipment Rental	-	-	-	-
Expendable Equipment	184,164	-	-	184,164
Hazard Insurance	-	100,616	-	100,616
Information Technology	99,018	-	-	99,018
Interest Expense	-	135,944	-	135,944
Loss on Disposal of Capital Assets	-	148,693	-	148,693
Nutrition Program	1,132	-	-	1,132
Occupancy Costs	-	675,381	-	675,381
Office & Classroom Supplies	119,782	3,502	831	124,115
Payroll Taxes	96,945	33,429	-	130,374
Professional Fees	51,035	204,988	10,912	266,935
Retirement Benefits (A)	960,857	214,263	-	1,175,120
Salary & Wages	5,771,744	1,332,007	-	7,103,751
Telephone & Other Communications	-	4,960	-	4,960
Travel Including Field Trips	3,350	-	-	3,350
Total Expenses	<u>8,066,342</u>	<u>3,135,618</u>	<u>11,743</u>	<u>11,213,704</u>
Change in Net Position	<u>\$ 4,247,938</u>	<u>\$ (3,135,618)</u>	<u>\$ 273,059</u>	<u>\$ 1,385,378</u>

(A) Excludes non-cash entries required by GASB 68 for pension expense.

The notes to the basic financial statements are an integral part of this statements.