

THE GLOBE ACADEMY, INC.

ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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October 20, 2016

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities and the general fund of The GLOBE Academy, Inc. (the Organization), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of The GLOBE Academy, Inc. as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 32-35 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.

I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 36, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2016 on my consideration of the organization's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, reading "C. Douglas Erwin, Jr., CPA". The signature is written in a cursive style with a large, stylized "E" and "C".

C. Douglas Erwin, Jr., CPA

Smyrna, Georgia

October 20, 2016

THE GLOBE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As management of The GLOBE Academy Charter School (GLOBE), we offer readers of GLOBE's financial statements this narrative discussion and analysis for Fiscal Year 2016, ended June 30, 2016. 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.

FY16 Financial Highlights

- Our assets exceed our liabilities and deferred inflows by \$462,937 (see Figure 2 or Exhibit A).
- Our enrollment continues to increase, rising by 102 students this fiscal year, a 23% increase. We added fifth grade and additional students across other grades. We spent \$4,890,532 to educate our students (see Figure 3 or Exhibit B).
- Our governmental funds have combined fund balances of \$612,492, an increase of \$239,026 in comparison with FY15 (see Exhibit C).
- We are leasing a second site to accommodate our additional students. We converted the second site to a 4th and 5th grade academy by making leasehold improvements of \$348,096 (see Figure 4 or Exhibit G6).

Overview of the Financial Statements

This 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) organization-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

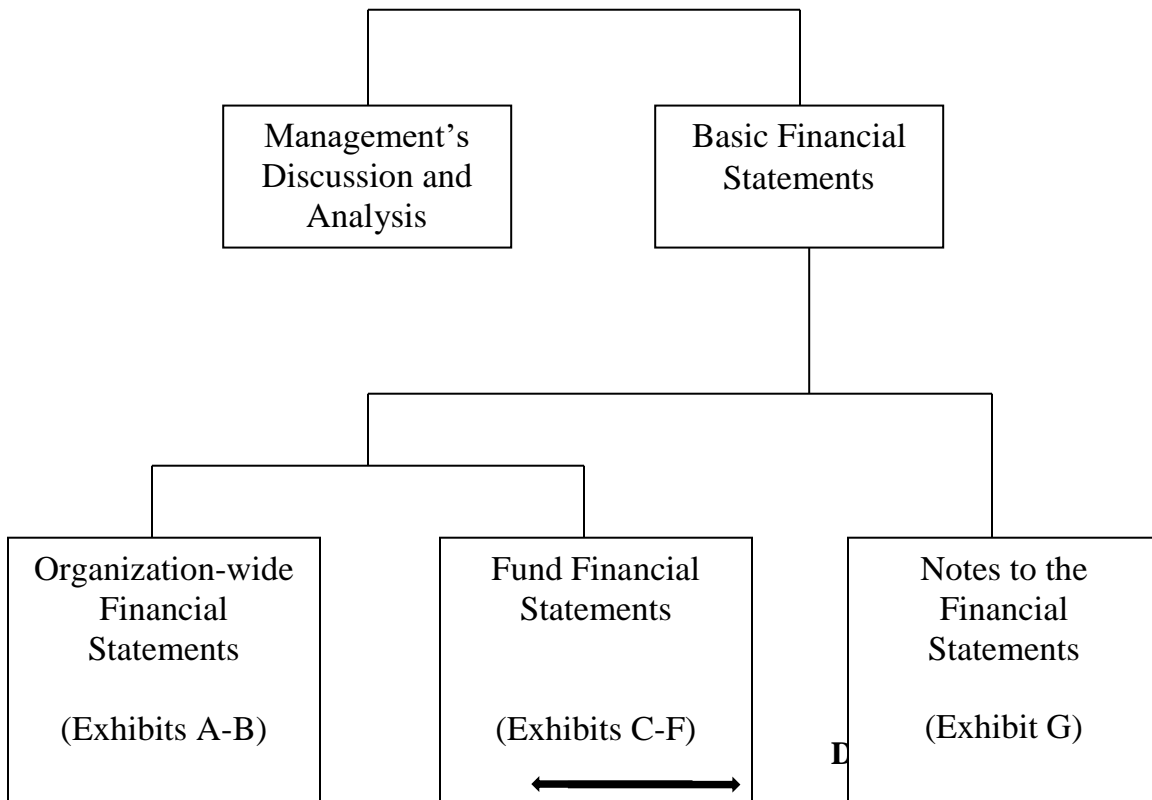
Basic Financial Statements

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

The Balance Sheet (see Exhibit C), Reconciliation of Exhibit C (see Exhibit D), Statement of Revenues, Expenditures, and Changes in Fund Balances (see Exhibit E), and Reconciliation of Exhibit E (see Exhibit F) are **Fund Financial Statements**. These exhibits focus on our charter school as a governmental operation and provide more detail than our organization-wide 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 6 explains changes in our leasehold improvements and other capital assets, Note 9 explains our operating leases for our two school sites, and Note 10 explains our Line of Credit for improving our second school site. The supplementary information explains GLOBE's individual funds and budgetary information.

**Required Components of Annual Financial Report
Figure 1**



Organization-Wide Financial Statements

The organization-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. Organization-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, county, and federal funds provide virtually all of the funding for our governmental functions. Our business-type activities are those services for which GLOBE charges its students and other customers: these include Community Service (after-school care for students who remain on campus but not in extracurricular activities) and Food Service (lunches).

Organization-Wide Financial Analysis

As of June 30, 2016, GLOBE’s combined assets and deferred outflows exceeded our combined liabilities and deferred inflows by \$462,937 (see Figure 2 or Exhibit A). We are proud of this net position, but it is a decrease from FY15, when GLOBE’s net position stood at **\$505,574**. Our net position before transfers decreased by \$42,637, compared to an increase of **\$97,372** in FY15 (see Figure 3 or Exhibit B). GLOBE’s unrestricted net balance was -\$116,277, compared to **\$233,637** for FY15 (see

Figure 2 or Exhibit A). Three particular aspects of GLOBE’s financial operations influenced our decline in unrestricted governmental net position:

- **Federal Grants** — GLOBE did not receive any federal grants in FY16. We were awarded a federal Implementation Grant in FY15.
- **Local Allotments** — GLOBE receives monthly allotments from DeKalb County School System (DCSS). These allotments increased by 26.3 percent relative to FY15, but were proportionate to our increase in student population. Since new students are relatively expensive as they require additional space, the larger enrollment did not benefit our net position this year. We expect our larger enrollment will be beneficial after we have recovered the costs of our leasehold improvements to our second site.
- **Long-Term Debt** — As of June 30, 2016, GLOBE had total debt outstanding of \$156,541 (see Figure 2 or Exhibit A). The debt consists of a line of credit with Resurgens Bank for our leasehold improvements.

The GLOBE Academy Charter School’s Net Position
Figure 2

Net Position		
	2016	2015
Current and other assets	\$ 822,948	\$ 730,409
Capital assets	579,214	299,033
Total assets	<u>\$ 1,402,162</u>	<u>\$ 1,029,442</u>
Long-term liabilities outstanding	\$ 156,541	\$ 1,894,420
Other liabilities	2,970,568	356,973
Total liabilities	<u>\$ 3,127,109</u>	<u>\$ 2,251,393</u>
Deferred inflows of resources	<u>\$ 257,095</u>	<u>\$ 660,435</u>
Net Position:		
Net investment in capital assets	\$ 579,214	\$ 271,937
Unrestricted	(116,277)	233,637
Total Net Position	<u>\$ 462,937</u>	<u>\$ 505,574</u>

The GLOBE Academy Charter School Changes in Net Position
Figure 3

	Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions		574,981
Capital grants and contributions	-	-
General revenues:		
County, State, and Federal funds	4,255,089	3,430,147
Grants and contributions not restricted to specific programs	240,955	130,328
Other	351,851	293,555
Total revenues	<u>4,847,895</u>	<u>4,429,011</u>
Expenses:		
Instructional services	3,057,164	2,834,889
Other Services	271,290	247,923
Educational Media Services	12,877	882
Administration	741,025	519,750
Maintenance & Operations	471,613	484,357
Community Services	315,930	243,839
Interest on long-term debt	20,633	-
Total expenses	<u>4,890,532</u>	<u>4,331,640</u>
Increase in net position before transfers	(42,637)	97,371
Transfers	-	-
Increase (decrease) in net position	(42,637)	97,371
Net position, July 1	<u>505,574</u>	<u>408,202</u>
Net position, June 30	<u>\$ 462,937</u>	<u>\$ 505,573</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 G2). 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 \$559,861, while total fund balance reached \$612,492 (see Exhibit C).

GLOBE’s investment in capital assets for its governmental activities, net of accumulated depreciation, totaled \$579,214 (see Figure 2 or Exhibit D). These assets included leasehold improvements, furniture, equipment, and construction in progress.

The major capital-asset transactions during the year were leasehold improvements on a second facility for \$348,096 (see Figure 4 or Exhibit G6).

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

	Governmental Activities	
	2016	2015
Leasehold improvements	\$ 348,096	\$ -
Furniture and equipment	-	20,270
<hr/>		
Total	<u>\$ 348,096</u>	<u>\$ 20,270</u>

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 Finance Officer, The GLOBE Academy, 2225 Heritage Drive, Atlanta, GA 30345.

THE GLOBE ACADEMY, INC.
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Exhibit "A"

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 770,317
Prepaid Items	52,631
Capital Assets, Depreciable (Net of Accumulated Depreciation)	579,214
Total Assets	<u><u>1,402,162</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>2,444,979</u>
Total Deferred Outflows of Resources	<u><u>2,444,979</u></u>
<u>LIABILITIES</u>	
Accounts Payable	69,780
Salaries and Benefits Payable	140,676
Net Pension Liability	2,760,112
Long-Term Liabilities	
Due Within One Year	156,541
Due in More Than One Year	-
Total Liabilities	<u><u>3,127,109</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>257,095</u>
Total Deferred Inflow of Resources	<u><u>257,095</u></u>
<u>NET POSITION</u>	
Investment in Capital Assets	579,214
Unrestricted	(116,277)
Total Net Position	<u><u>\$ 462,937</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, 2016

Exhibit "B"

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net Revenues</u> <u>(Expenses) and</u> <u>Changes In</u> <u>Net Position</u>
		<u>Charges For</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Instruction	\$ 3,057,164			(3,057,164)
Support Services				-
Pupil Services	203,811			(203,811)
Improvement of Instructional Services	56,297			(56,297)
Educational Media Services	12,877			(12,877)
General Administration	66,757			(66,757)
School Administration	504,830			(504,830)
Business Administration	169,438			(169,438)
Maintenance and Operation of Plant Services	471,613			(471,613)
Other Support Services	4,471			(4,471)
Operations of Non-Instructional Services				
Community Services	315,930	351,851		35,921
Food Services	6,711			(6,711)
Interest on Short-Term and Long-Term Debt	20,633			(20,633)
 Total Governmental Activities	 <u>\$ 4,890,532</u>	 <u>\$ 351,851</u>	 <u>\$ -</u>	 <u>\$ (4,538,681)</u>
 GENERAL REVENUES				
Dekalb County Board of Education				4,255,089
Miscellaneous				240,955
 Total General Revenues				 <u>\$ 4,496,044</u>
 CHANGE IN NET POSITION				 \$ (42,637)
 NET POSITION - Beginning of Year				 505,574
 NET POSITION - End of Year				 <u>\$ 462,937</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, 2016

EXHIBIT "C"

- Assets -

Current Assets

Cash and Cash Equivalents	\$	770,317
Prepaid Items		52,631
Total Assets	\$	<u><u>822,948</u></u>

- Liabilities and Fund Balances -

Current Liabilities

Accounts Payable	\$	69,780
Salaries and Benefits Payable		140,676
Total Liabilities		<u>210,456</u>

Fund Balances

Nonspendable		52,631
Unassigned		559,861
Total Fund Balances		<u>612,492</u>

Total Liabilities and Fund Balances	\$	<u><u>822,948</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, 2016

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 612,492

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 as assets in governmental funds. These assets consist of:

Leasehold Improvements	663,723	
Furniture & Equipment	20,270	
Accumulated Depreciation	<u>(104,779)</u>	
Total Capital Assets		579,214

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

Net Pension Liability	(2,760,112)
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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.

2,187,884

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

Capital Related Long-Term Debt	(156,541)
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Net Position of Governmental Activities (Exhibit "A") \$ 462,937

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, 2016

EXHIBIT "E"

Revenues

Dekalb County Board of Education	\$ 4,255,089
Charges for Services	351,851
Miscellaneous	240,954
Total Revenues	4,847,894

Expenditures

Instruction	2,740,793
Support Services	
Pupil Services	186,636
Improvement of Instructional Services	56,297
Educational Media Services	12,877
General Administration	66,757
School Administration	462,978
Business Administration	148,971
Maintenance and Operation of Plant	421,325
Other Support Services	4,471
Community Services	315,930
Food Services Operation	6,711
Capital Outlay	321,030
Debt Services	
Principal	93,459
Interest	20,633
Total Expenditures	4,858,868
Excess of Revenues over (under) Expenditures	(10,974)
Other Financing Sources (Uses)	
Proceeds of Long-Term Capital Related Debt	250,000
Net Change in Fund Balances	239,026
Fund Balances (Deficit) - Beginning	373,466
Fund Balances - Ending	\$ 612,492

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, 2016

EXHIBIT "F"

Total Change in Fund Balances - Government Funds (Exhibit "E") \$ 239,026

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	321,030	
Depreciation Expense	(40,819)	
Excess of Capital Outlay over Depreciation Expense		280,211

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.

Proceeds of Capital Related Debt	(250,000)	
Capital Related Debt Payments	93,459	
		(156,541)

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		(405,333)
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Change in Net Position of Governmental Activities (Exhibit "B")		\$ (42,637)
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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, 2016

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, 2013 and authorizes the Organization to provide public education to students in grades K-7 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 Organization 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 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, 2016

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 taxes, 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. 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 governmental 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, 2016

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.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The provisions of this statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Organization did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2016, the Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The Organization does not participate in an external investment pool.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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 periods subsequent to June 30, 2016, are recorded as prepaid items.

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.

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 activities 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.

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT “G”

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Land	All		N/A
Land Improvements	\$ 5,000		10-60 years
Buildings and Improvements	\$ 5,000		10-60 years
Equipment	\$ 5,000		8-25 years

DEFERRED OUTFLOWS/INFLOWS of RESOURCES

In addition to assets, the statement of net position and/or the balance sheet 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 net position and/or the balance sheet 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.

COMPENSATED ABSENCES

Compensated absences payable consists of vacation leave employees earned based on services already rendered. Members of the Teacher Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the Organization’s financial statements.

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.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Superintendent, 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.

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.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 October 20, 2016, the date the financial statements were available to be issued.

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 Organization's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and the budget is approved. After approval of the budget by the Board, such budget is advertised by publication to the Organization's website. All unexpended budget authority lapses at fiscal year-end.

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 GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "G"

NOTE 5 – DEPOSITS - Continued

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.

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. At June 30, 2016, the Organization had deposits in two financial institutions with a combined carrying amount of \$770,317 and a combined bank balance of \$791,191. Bank balances are insured by Federal depository insurance up to \$250,000 at each bank. Collateral was provided for public funds in excess of FDIC insurance by virtue of a standby letter of credit from Federal Home Loan Bank in the amount of \$450,000, however cash balances exceeded this amount and therefore, at June 30, 2016 \$75,251 was not collateralized or insured. However, subsequently on August 8, 2016, the Organization corrected this matter by increasing the collateral held by the bank to secure the deposits to \$750,000.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “G”

NOTE 6 – CAPITAL ASSETS

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

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 27,066	\$ -	\$ (27,066)	\$ -
Total Capital Assets, Not Being Depreciated	<u>\$ 27,066</u>	<u>\$ -</u>	<u>\$ (27,066)</u>	<u>\$ -</u>
Capital Assets Being Depreciated				
Leasehold Improvements	315,626	348,096	-	663,722
Furniture and Equipment	20,270	-	-	20,270
Less Accumulated Depreciation for:				
Leasehold Improvements	63,125	38,448	-	101,573
Furniture and Equipment	834	2,371	-	3,205
Total Capital Assets, Being Depreciated, Net	<u>\$ 271,937</u>	<u>\$ 307,277</u>	<u>\$ -</u>	<u>\$ 579,214</u>
Governmental Activity Capital Assets, Net	<u>\$ 299,003</u>	<u>\$ 307,277</u>	<u>\$ (27,066)</u>	<u>\$ 579,214</u>
Current year depreciation expense by function is as follows:				
Instruction			\$ 2,371	
Support Services				
Maintenance & Operation of Plant Services			38,448	
			<u>\$ 40,819</u>	

NOTE 7 – RISK MANAGEMENT

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 acts of God.

The Organization has obtained commercial insurance for risk of loss associated with torts, assets and errors or omissions, job related illness or injuries to employees and acts of God. 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.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 – OPERATING LEASES

The Organization has entered into various leases as lessee which are considered for accounting purposes to be operating leases. Lease expenditures for governmental funds amounted to \$161,794 for facilities and \$17,754 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. 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. Additional modular space was added at this location. The lease commences July 1, 2014 and had an original term of one year. The lease was extended for an additional two years such that it terminates on July 1, 2017. Monthly rental payments are due in the amount of \$3,520.

The Organization leases copier equipment under the terms of an agreement dated December 10, 2014 and for a term of sixty months with monthly minimum payments due in the amount of \$445.

The Organization began leasing facilities at 4046 Chamblee Tucker Rd in Atlanta, Georgia on August 1, 2015 for a term of three months with an extension option on a month-to-month basis through December 31, 2015. The lease amount is \$7,500 per month.

The Organization executed a lease on July 2, 2015 for an educational facility at 4105 Briarcliff; Atlanta, Georgia scheduled to commence on August 1, 2015 and continuing for five years. Rent is due monthly in the amount of \$10,816 for the first year of the lease and then escalates in successive years due to additional space to be utilized by the charter school.

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "G"

NOTE 9 – OPERATING LEASES - Continued

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2017	\$ 201,956
2018	195,816
2019	242,600
2020	243,176
2021	19,968
Thereafter	<u>- 0 -</u>
Total	<u>\$ 903,516</u>

NOTE 10 – SHORT-TERM DEBT

The Organization executed a promissory note in the amount of \$200,000 on July 29, 2015. This note was modified to increase the available funds to \$250,000. The loan is payable in monthly installments of \$14,511 with interest at 5.5% beginning December 5, 2015 and continuing for a total of seventeen payments. The proceeds were used for construction activities in renovating the new Briarcliff facility.

NOTE 11 – FUND BALANCE CLASSIFICATION DETAILS

The Organization's financial statements include the following amounts presented in the aggregate at June 30, 2016.

Nonspendable	
Prepaid Assets	\$ 52,631
Unassigned	<u>559,861</u>
Fund Balance, June 30, 2016	<u>\$ 612,492</u>

When multiple categories of fund balance are available for expenditure, the Organization will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT "G"

NOTE 12 – RETIREMENT PLANS

The Organization participates in various retirement plans administered by the State of Georgia, as further explained below.

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. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. 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 2016. The Organization's contractually required contribution rate for the year ended June 30, 2016 was 14.27%. For the current fiscal year, employer contributions to the pension plan were \$368,421.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN - Continued

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

At June 30, 2016, the Organization reported a liability of \$2,760,112 for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

At June 30, 2015, the Organization’s TRS proportion was 0.018130%, which was an increase of 0.003135% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Organization recognized pension expense of \$773,754 for TRS.

At June 30, 2016, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>TRS</u> Deferred Outflow of <u>Resources</u>	<u>TRS</u> Deferred Inflow of <u>Resources</u>
Differences between expected and actual experience	\$ - 0 -	\$ 24,277
Net difference between projected and actual earnings on pension plan investments	- 0 -	232,818
Changes in proportion and differences between Organization contributions and proportionate share of contributions	2,076,558	- 0 -
Organization contributions subsequent to the measurement date	<u>368,421</u>	<u>- 0 -</u>
Total	<u>\$ 2,444,979</u>	<u>\$ 257,095</u>

Organization contributions subsequent to the measurement date of \$368,421 for TRS 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

<u>Year Ended June 30,</u>	<u>TRS</u>
2017	472,691
2018	472,691
2019	472,691
2020	382,002
2021	19,388
Thereafter	- 0 -

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009. The long-term expected rate of return on TRS 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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

Discount rate: The discount rate used to measure the total TRS pension liability was 7.50%. 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 TRS 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:

	1% Decrease (6.5%)	Current discount rate (7.50%)	1% Increase (8.50%)
Organization's proportionate share of the net pension liability	\$ 4,743,045	\$ 2,760,112	\$ 1,125,705

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.

REQUIRED SUPPLEMENTARY INFORMATION

THE GLOBE ACADEMY, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	Total	School District's covered-employee payroll	School District's proportionate share of net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.018130%	\$ 2,760,112.00	\$ 2,760,112.00	\$ 519,811.00	530.98%	81.44%
2015	0.014995%	\$ 1,894,420.00	\$ 1,894,420.00	\$ 546,015.00	346.95%	84.03%

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

THE GLOBE ACADEMY, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2016

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
2016 \$	368,421.00	\$ 368,421.00	\$ -	\$ 2,581,787.00	14.27%
2015 \$	258,962.00	\$ 258,962.00	\$ -	\$ 1,969,293.00	13.15%
2014 \$	187,855.00	\$ 187,855.00	\$ -	\$ 1,529,764.00	12.28%
2013 \$	-	\$ -	\$ -	-	#DIV/0!
2012 \$	-	\$ -	\$ -	-	#DIV/0!
2011 \$	-	\$ -	\$ -	-	#DIV/0!
2010 \$	-	\$ -	\$ -	-	#DIV/0!
2009 \$	-	\$ -	\$ -	-	#DIV/0!
2008 \$	-	\$ -	\$ -	-	#DIV/0!
2007 \$	-	\$ -	\$ -	-	#DIV/0!

This schedule is intended to show information for 10 years. Due to the Organization's retention policy, the Organization is only able to display 3 years of information.

Teachers Retirement System

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.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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, 2016**

	<u>NONAPPROPRIATED BUDGETS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE OVER/UNDER</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
State Funds	\$ 4,524,000	\$ 4,524,000	\$ 4,255,089	\$ (268,911)
Charges for Services	312,000	312,000	351,851	39,851
Miscellaneous	122,000	122,000	240,954	118,954
Total Revenues	4,958,000	4,958,000	4,847,894	(110,105)
<u>EXPENDITURES</u>				
Instruction	2,865,000	2,865,000	2,740,793	124,207
Support Services				
Pupil Services	233,000	190,000	186,636	3,364
Improvement of Instructional Services	80,000	70,000	56,297	13,703
Educational Media Services	47,000	12,000	12,877	(877)
General Administration	73,000	70,000	66,757	3,243
School Administration	428,000	427,000	462,978	(35,978)
Business Administration	143,000	143,000	148,971	(5,971)
Maintenance and Operation of Plant Services	399,000	470,900	421,325	49,575
Other Support Services	11,000	4,500	4,471	29
Community Services	307,000	307,000	315,930	(8,930)
Food Services Operation	30,000	8,000	6,711	1,289
Capital Outlay	321,000	321,000	321,030	(30)
Debt Service	6,200	20,000	114,092	(94,092)
Total Expenditures	4,943,200	4,908,400	4,858,868	151,295
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,800	49,600	(10,974)	41,190
Other Financing Sources (Uses)				
Proceeds of Long-Term Capital Related Debt	-	-	250,000	(250,000)
NET CHANGE IN FUND BALANCES	14,800	49,600	239,026	(189,426)
FUND BALANCES - beginning of year	373,466	373,466	373,466	-
FUND BALANCES - end of year	\$ 388,266	\$ 423,066	\$ 612,492	\$ (189,426)

BASIS OF PRESENTATION

The accompanying schedule of general fund revenues, expenses 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 the fund financial statements. See notes to the basic financial statements.

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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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

October 20, 2016

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

I 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 and general fund of The GLOBE Academy, Inc. as of and for the Year Ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The GLOBE Academy, Inc.'s basic financial statements and have issued my report thereon dated October 20, 2016.

Internal Control over Financial Reporting

In planning and performing my audit, I considered The GLOBE Academy, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my 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, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

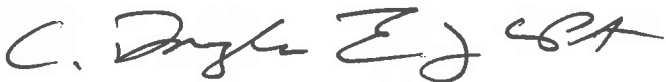
As part of obtaining reasonable assurance about whether The GLOBE Academy, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Management Letter

I noted certain matters that were not considered material but which management should consider which are reported in a letter to management of The GLOBE Academy, Inc. dated October 20, 2016.

Purpose of this Report

This purpose of this report is solely to describe the scope of my 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.



Smyrna, Georgia
October 20, 2016

SECTION III
FINDINGS AND QUESTIONED COSTS

THE GLOBE ACADEMY, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

N/A - None

THE GLOBE ACADEMY, INC.
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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

THE GLOBE ACADEMY, INC.
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF ACTIVITIES - NON-PROFIT FORMAT
YEARS ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Totals</u>
Revenues, Gains, and Other Support				
Governmental Sources	\$ 4,255,089	\$ -	\$ -	\$ 4,255,089
After School Program	351,851			351,851
Field Trips	27,280			27,280
Fundraising & Donations			213,671	213,671
Total Revenues	<u>4,634,220</u>	<u>-</u>	<u>213,671</u>	<u>4,847,891</u>
Expenditures				
Afterschool Program	315,930	-	-	315,930
Curriculum & Textbooks	21,707	-	-	21,707
Dues & Fees	-	21,473	-	21,473
Employee Benefits & Group Insurance	101,501	25,349	-	126,850
Equipment Rental	17,754	-	-	17,754
Expendable Equipment	10,814	-	-	10,814
Hazard Insurance	13,180	23,859	-	37,039
Information Technology	9,560	350	-	9,910
Interest Expense	-	20,633	-	20,633
Occupancy Costs	-	471,613	-	471,613
Office & Classroom Supplies	31,449	30,983	-	62,432
Payroll Taxes	62,845	9,032	-	71,877
Professional Fees	91,777	83,337	-	175,114
Retirement Benefits (A)	301,016	56,643	-	357,659
Salary & Wages	2,311,036	425,644	-	2,736,680
Telephone & Other Communications		6,142	-	6,142
Travel Including Field Trips	26,334	7,075	-	33,409
Total Expenses	<u>3,314,903</u>	<u>1,182,133</u>	<u>-</u>	<u>4,497,036</u>
Change in Net Position	<u>\$ 1,319,317</u>	<u>\$ (1,182,133)</u>	<u>\$ 213,671</u>	<u>\$ 350,855</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.