

THE GLOBE ACADEMY, INC.

ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The GLOBE Academy, Inc.
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October 21, 2015

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, 2015, 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, 2015, 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.

Emphasis of Matter**Other Matters***Description of Auditee*

The audit of the basic financial statements for the year ended June 30, 2014 was conducted by other auditors. That auditor's opinion was qualified as to the amount recognized for expenditures for the fiscal year ended June 30, 2014 but was otherwise unqualified.

As a part of my examination of transactions occurring in the fiscal year ended June 30, 2015 I tested balances of accounts at the beginning of the accounting period which would have an effect upon the initial balances of the general fund and on net position. I noted transactions during that testing that should have been recorded in the prior accounting period, but which were paid and expensed in the current period, however those transactions were not material to the current period financial statements or to the initial net position and general fund balance and therefore no adjustment was proposed to the prior period financials as a result of my review of those transactions. I did not audit the financial statements for the year ended June 30, 2014 except as described above and have provided no opinion or assurance upon those financial statements.

As described in Note 2 to the financial statements, in 2015, The GLOBE Academy, Inc. adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. My opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, schedule of contributions to retirement systems, and budgetary comparison information as presented on pages 27-29 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.

Required Supplementary Information Omitted

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. My opinion on the basic financial statements is not affected by this missing information.

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 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 21, 2015 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 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,



C. Douglas Erwin, Jr., CPA
Smyrna, Georgia
October 21, 2015

THE GLOBE ACADEMY, INC.
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Exhibit "A"

<u>ASSETS</u>	Governmental Activities
Cash and Cash Equivalents	\$ 566,595
Accounts Receivables, net	
Federal Government	112,129
Prepaid Items	51,715
Capital Assets, Non-Depreciable	27,066
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>271,937</u>
Total Assets	<u><u>1,029,442</u></u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u> 	
District Pension Contribution	258,962
District Proportionate Share of Collective Deferred Outflows related to Net Pension Liability	<u>2,128,998</u>
Total Deferred Outflows of Resources	<u><u>2,387,960</u></u>
 <u>LIABILITIES</u> 	
Accounts Payable	70,553
Salaries and Benefits Payable	87,945
Short-Term Debt	198,475
Long-Term Liabilities	
Proportionate Share of Net Pension Liability	<u>1,894,420</u>
Total Liabilities	<u><u>2,251,393</u></u>
 <u>DEFERRED INFLOWS OF RESOURCES</u> 	
District Proportionate Share of Collective Deferred Inflows related to Net Pension Liability	<u>660,435</u>
Total Deferred Inflow of Resources	<u><u>660,435</u></u>
 <u>NET POSITION</u> 	
Investment in Capital Assets	271,937
Unrestricted	<u>233,637</u>
Total Net Position	<u><u>\$ 505,574</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, 2015

Exhibit "B"

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>PROGRAM REVENUES</u>	<u>Net Revenues</u>
		<u>Charges For</u>	<u>(Expenses) and</u>
		<u>Services</u>	<u>Changes In</u>
		<u>Operating</u>	<u>Net Position</u>
		<u>Grants and</u>	
		<u>Contributions</u>	
Instruction	\$ 2,861,877		367,267 (2,494,610)
Support Services			-
Pupil Services	143,471		9,895 (133,576)
Improvement of Instructional Services	86,889		76,907 (9,982)
Educational Media Services	882		106,586 105,704
General Administration	65,087		6,827 (58,260)
School Administration	400,165		- (400,165)
Business Administration	54,498		7,500 (46,998)
Maintenance and Operation of Plant Services	484,357		- (484,357)
Student Transportation Services	-		- -
Central Support Services	-		- -
Other Support Services	13,331		- (13,331)
Operations of Non-Instructional Services			
Community Services	216,851	293,555	- 76,704
Food Services	4,232		- (4,232)
Total Governmental Activities	<u>\$ 4,331,640</u>	<u>\$ 293,555</u>	<u>\$ 574,982</u> <u>\$ (3,463,103)</u>
 GENERAL REVENUES			
Dekalb County Board of Education			3,430,147
Miscellaneous			130,328
Total General Revenues			<u>\$ 3,560,475</u>
 CHANGE IN NET POSITION			
NET POSITION - Beginning of Year (Restated)			\$ 97,372
NET POSITION - End of Year			<u>\$ 505,574</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, 2015

EXHIBIT "C"

- Assets -

Current Assets

Cash and Cash Equivalents	\$	566,595
Accounts Receivable, net		
Federal Government		112,129
Prepaid Items		51,715
Total Assets	\$	<u><u>730,439</u></u>

- Liabilities and Fund Balances -

Current Liabilities

Accounts Payable	\$	70,553
Salaries and Benefits Payable		87,945
Short-Term Debt		198,475
Total Liabilities		<u><u>356,973</u></u>

Fund Balances

Nonspendable		51,715
Unassigned		321,751
Total Fund Balances		<u><u>373,466</u></u>

Total Liabilities and Fund Balances	\$	<u><u>730,439</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, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 373,466

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	315,627	
Construction in Progress	27,066	
Furniture & Equipment	20,270	
Accumulated Depreciation	<u>(63,960)</u>	
Total Capital Assets		299,003

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds. (1,894,420)

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions		2,128,998
Differences between Expected and Actual Experience		(660,435)
District Contributions subsequent to Measurement Date		258,962

Net Position of Governmental Activities (Exhibit "A") \$ 505,574

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, 2015

EXHIBIT "E"

Revenues

State Funds	\$ 3,430,147
Federal Funds	574,982
Charges for Services	293,555
Miscellaneous	130,328
Total Revenues	4,429,012

Expenditures

Instruction	2,557,163
Support Services	
Pupil Services	138,143
Improvement of Instructional Services	86,889
Educational Media Services	882
General Administration	65,087
School Administration	383,570
Business Administration	50,862
Maintenance and Operation of Plant	485,340
Other Support Services	13,331
Community Services	216,851
Food Services Operations	4,232
Total Expenditures	4,002,350
Excess of Revenues over (under) Expenditures	426,662
Other Financing Sources (Uses)	-
Net Change in Fund Balances	426,662
Fund Balances (Deficit) - Beginning	(53,196)
Fund Balances - Ending	\$ 373,466

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, 2015

EXHIBIT "F"

Total Change in Fund Balances - Government Funds (Exhibit "E") \$ 426,662

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

Capital outlays are reported as expenditures in Governmental Funds. 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	47,336	
Depreciation Expense	(21,876)	
Excess of Capital Outlay over Depreciation Expense		25,460

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions		258,962
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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. These activities consist of:

Pension expense	(613,712)	
Total Additional Expenditures		(613,712)

Change in Net Position of Governmental Activities (Exhibit "B")		\$ 97,372
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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, 2015

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

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 of the Organization.

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 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 nonmajor 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.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The Organization-wide governmental financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the Organization's proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share to each participating employer. 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.

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.

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2015, the Organization made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014 net position in Governmental Activities. The result is an increase in Net Position at July 1, 2014 of \$187,855. This change is in accordance with generally accepted accounting principles.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position, July 1, 2014, as previously reported	\$ 220,347
Prior Period adjustment – Implementation of GASB 68:	
Deferred Outflows – Organization’s contribution made during fiscal year 2014	
TRS	<u>187,855</u>
Net Position, July 1, 2014, as restated	<u>\$ 408,202</u>

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Organization’s financial statements.

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Organization did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the Organization’s financial statements.

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB No. 68. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions.

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT “G”

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2015, are recorded as prepaid items.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the Government-wide financial statements, all purchased capital assets are valued 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. Disposals are deleted at depreciated recorded cost. 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. Depreciation is computed using the straight-line method. The Organization does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the Organization.

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

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized. There are no recorded intangible assets in the current year financial statements.

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. Under the full accrual method of accounting, the Organization has reported the contributions to the cost sharing benefit pension plan subsequent to the measurement date and prior to the fiscal year end as deferred outflows of resources. The Organization has also reported the actuarial changes in the Organization's proportionate share of the governmental nonemployer cost sharing benefit pension plan, as discussed in Note 10 - Retirement Plans.

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. Under the full accrual method of accounting, the Organization has reported the actuarial changes in the Organization's proportionate share of the governmental nonemployer cost sharing benefit pension plan, as discussed in Note 10 - Retirement Plans. This item is reported only in the Government-wide Statement of Net Position.

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 fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and additions to/deductions from TRS fiduciary net position have been determined on the same basis as they are reported by TRS. 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. See Note 11 - Retirement Plans.

NET POSITION

The Organization's net position in the Government-wide Statements are classified as follows:

Net investment in capital assets - This represents the Organization's total investment in capital assets, net of 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.

Restricted net position - This represent resources for which the Organization is legally or contractually obligated to spend resources for bus replacement, continuation of Federal Programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrestricted net position - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Investment of Capital Assets and Restricted net position.

FUND BALANCES

The Organization's fund balances are classified as follows:

Non-spendable - Amounts 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 - Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislations.

Committed - Amounts 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 - Amounts that are 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 - The residual classification for the General Fund. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2015 are as follows:

Nonspendable	
Prepaid Assets	\$ 51,715
Unassigned	<u>321,751</u>
Fund Balance, June 30, 2015	<u>\$ 373,466</u>

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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, 2015

EXHIBIT "G"

NOTE 3 - 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 Schedule 3 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4 – 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,

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 4 – DEPOSITS - Continued

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, 2015, the Organization had deposits in two financial institutions with a carrying amount of \$566,595 and a bank balance of \$616,039. The bank balances insured by Federal depository insurance were \$250,000 at one bank and \$26,613 at the other bank. No collateral was provided for public funds in excess of FDIC insurance and therefore at June 30, 2015 \$336,514 was not collateralized or insured.

NOTE 5 – 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.

NOTE 6 – 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 to its overall position.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 7 – CAPITAL ASSETS

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

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 27,066	\$ -	\$ 27,066
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 27,066</u>	<u>\$ -</u>	<u>\$ 27,066</u>
Capital Assets Being Depreciated				
Leasehold Improvements	315,627	-	-	315,627
Furniture and Equipment	-	20,270	-	20,270
Less Accumulated Depreciation for:				
Leasehold Improvements	42,084	21,041	-	63,125
Furniture and Equipment	-	834		834
Total Capital Assets, Being Depreciated, Net	<u>\$ 273,543</u>	<u>\$ (1,605)</u>	<u>\$ -</u>	<u>\$ 271,938</u>
Governmental Activity Capital Assets, Net	<u>\$ 273,543</u>	<u>\$ 25,461</u>	<u>\$ -</u>	<u>\$ 299,004</u>
Current year depreciation expense by function is as follows:				
Instruction			\$ 834	
Support Services				
Maintenance & Operation of Plant Services			21,041	
			<u>\$ 21,875</u>	

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 8 – 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 \$42,240 for facilities and \$9,326 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.

The Organization added educational space at its Heritage Drive location by executing a rental agreement for two modular buildings. The lease commences July 1, 2014 and had an original term of one year. The lease was extended during the year 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.

Subsequent Events

The Organization began leasing on August 1, 2015 facilities at 4046 Chamblee Tucker Rd in Atlanta, Georgia for a term 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 Organization began paying rent in October 2015 but had not yet occupied the facility as of the date of this report as renovation activities are in progress.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2016	\$ 166,556
2017	205,496
2018	199,072
2019	244,956
2020	242,286
Thereafter	- 0 -
Total	<u>\$1,058,366</u>

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 9 – SHORT-TERM DEBT

The Organization executed a commercial credit agreement which created a line of credit with Resurgens Bank. The loan date was March 10, 2015 and matures on August 15, 2015. The line of credit has a maturity date of less than one year, therefore it is presented in both the government-wide and fund financial statements as short-term debt.

The line of credit was utilized by the Organization to purchase equipment and other items that were reimbursable by grant funds and so funds were drawn to purchase those items and then repaid as grant funds were received.

The line of credit has a maximum availability of \$200,000. During the year a total of \$373,157 was drawn and \$174,683 was repaid such that as of June 30, 2015, \$198,475 was owed on the line of credit. Interest accrues at 5.5% per annum. The unpaid advances and accrued interest are secured by all inventory, accounts, equipment, intangibles, fixtures, chattel paper and all additions, replacements, and substitutions of the foregoing. The loan was repaid in full on August 7, 2015.

Subsequent Event

The Organization executed a promissory note in the amount of \$200,000 on July 29, 2015. Interest is due monthly at 5.5% beginning August 5, 2015 and continuing until November 5, 2015 then principal and interest at 5.5% is due monthly in the amount of \$22,741.66 beginning December 5, 2015 and continuing until August 5, 2016. The proceeds are to be used for construction activities in renovating the new Briarcliff facility.

NOTE 10 – RETIREMENT PLAN

The Organization participates in the Teacher Retirement System of Georgia ("TRS"), a retirement plan administered by the State of Georgia. TRS issues separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

Plan Description: All teachers of the Organization as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) 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.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT “G”

NOTE 10 – RETIREMENT PLAN - Continued

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 2015. The Organization’s contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual Organization payroll. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 258,962
2014	100%	\$ 187,855
2013	100%	\$ - 0 -

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

At June 30, 2015, the Organization reported a liability of \$1,894,420 for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 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, 2014. At June 30, 2014, the Organization’s TRS proportion was 0.0014995%, which was an increase of 0.0014995% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Organization recognized pension expense of \$354,750 for TRS.

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "G"

NOTE 10 – RETIREMENT PLAN - Continued

At June 30, 2015, 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 Resources	<u>TRS</u> Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	\$ - 0 -	\$ 660,435
Changes in proportion and differences between Organization contributions and proportionate share of contributions	2,128,998	- 0 -
Organization contributions subject to the measurement date	<u>258,962</u>	<u>- 0 -</u>
Total	<u>\$ 2,387,960</u>	<u>\$ 660,435</u>

Organization contributions subsequent to the measurement date of June 30, 2014 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>TRS</u>
2016	318,754
2017	318,754
2018	318,754
2019	318,754
2020	193,547
Thereafter	- 0 -

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, 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

THE GLOBE ACADEMY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT “G”

NOTE 10 – RETIREMENT PLAN – Continued

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, 2013 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	<u>100.00%</u>	

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

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 nonemployer 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:

THE GLOBE ACADEMY, INC.
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "G"

NOTE 10 – RETIREMENT PLAN – Continued

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	\$ 3,491,163	\$ 1,894,420	\$ 579,536

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 publically 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, 2015

SCHEDULE "1"

	<u>2015</u>
Organization's proportion of the net pension liability	0.0014995%
Organization's proportionate share of the net pension liability	\$ 1,894,420
Organization's covered-employee payroll	\$ 1,969,293
Organization's proportionate share of the net pension liability as a percentage of its covered employee payroll	96.20%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. The GLOBE Academy, Inc. was created on July 1, 2013 (FY14). Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by The GLOBE Academy, Inc.

THE GLOBE ACADEMY, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 258,962	\$ 187,855
Contributions in relation to the contractually required contribution	<u>258,962</u>	<u>187,855</u>
Contribution deficiency (excess)	- 0 -	- 0 -
Organization's covered employee payroll	\$1,969,293	\$1,529,764
Contributions as a percentage of covered employee payroll	13.15%	12.28%

This schedule is intended to show information for 10 years. The GLOBE Academy, Inc. was created on July 1, 2013 (FY14). Additional years will be displayed as they become available.

THE GLOBE ACADEMY, INC.

Schedule "3"

**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, 2015**

	<u>NONAPPROPRIATED BUDGE</u>		<u>ACTUAL</u> AMOUNTS	<u>VARIANCE</u> OVER/UNDER
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
State Funds	\$ 3,457,776	\$ 3,457,776	\$ 3,430,147	\$ (27,629)
Federal Funds	575,000	575,000	574,982	(18)
Charges for Services	305,000	305,000	293,555	(11,445)
Miscellaneous	-	-	130,328	130,328
Total Revenues	<u>4,337,776</u>	<u>4,337,776</u>	<u>4,429,012</u>	<u>91,237</u>
<u>EXPENDITURES</u>				
Instruction	2,666,782	2,666,782	2,557,163	109,619
Support Services				
Pupil Services	115,812	115,812	138,143	(22,331)
Improvement of Instructional Services	47,000	47,000	86,889	(39,889)
Educational Media Services	47,000	47,000	882	46,118
General Administration	40,250	40,250	65,087	(24,837)
School Administration	323,130	323,130	383,570	(60,440)
Business Administration	52,690	52,690	50,862	1,828
Maintenance and Operation of Plant Services	552,815	552,815	485,340	67,475
Other Support Services	500	500	13,331	(12,831)
Community Services	280,000	280,000	216,851	63,149
Food Services	15,000	15,000	4,232	10,768
Total Expenditures	<u>4,140,979</u>	<u>4,140,979</u>	<u>4,002,350</u>	<u>64,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>196,797</u>	<u>196,797</u>	<u>426,662</u>	<u>155,949</u>
NET CHANGE IN FUND BALANCES	196,797	196,797	426,662	(229,865)
FUND BALANCES - beginning of year	(53,196)	(53,196)	(53,196)	-
FUND BALANCES - end of year	<u>\$ 143,601</u>	<u>\$ 143,601</u>	<u>\$ 373,466</u>	<u>\$ (229,865)</u>

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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Certified Public Accountants
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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 21, 2015

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, 2015, 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 21, 2015.

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 21, 2015.

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 21, 2015

SECTION III
FINDINGS AND QUESTIONED COSTS

THE GLOBE ACADEMY, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

The prior year audit indicates in the report on internal control and compliance that there were findings including material weaknesses in internal control and instances of non-compliance, however the report did not cite findings by number. No schedule of findings is included in the audit report for fiscal year ended June 30, 2014. Instead, the auditor elected to report those matters as management letter comments in the audit report. Whereas findings are presented in a form designed to explain the condition, criteria, cause, effect, and the auditor's recommendation, management letter comments give a brief summary of the auditor's observation and recommendation and generally indicate matters that management should correct but which are not expected to have a material effect upon the financial statements. The management letter comments included in the report do not include enough factual information for this auditor to determine their effect if any upon the current report. Since management letter comments do not require a report on current status by a successor auditor, no response is included with this report.

THE GLOBE ACADEMY, INC.
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

There were not 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, 2015

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Totals</u>
Revenues, Gains, and Other Support				
Governmental Sources	\$ 4,005,129	\$ -	\$ -	\$ 4,005,129
After School Program	293,555			293,555
Field Trips	27,676			27,676
Fundraising & Donations			102,652	102,652
Total Revenues	<u>4,326,360</u>	<u>-</u>	<u>102,652</u>	<u>4,429,012</u>
Expenditures				
Afterschool Program	216,851	-	-	216,851
Curriculum & Textbooks	79,476	-	-	79,476
Dues & Fees	1,045	38,212	-	39,257
Employee Benefits & Group Insurance	122,041	22,177	-	144,218
Equipment Rental	9,326	-	-	9,326
Expendable Equipment	252,568	-	-	252,568
Hazard Insurance	797	21,570	-	22,367
Information Technology	26,108	248	-	26,356
Interest Expense	-	2,931	-	2,931
Occupancy Costs	-	484,357	-	484,357
Office & Classroom Supplies	79,295	28,107	-	107,403
Payroll Taxes	43,117	1,411	-	44,527
Professional Fees	119,389	87,407	-	206,796
Retirement Benefits	541,300	55,670	-	596,970
Salary & Wages	1,761,185	269,492	-	2,030,677
Telephone & Other Communications		2,648	-	2,648
Travel Including Field Trips	57,472	7,440	-	64,912
Total Expenses	<u>3,309,970</u>	<u>1,021,670</u>	<u>-</u>	<u>4,331,641</u>
Change in Net Position	<u>\$ 1,016,390</u>	<u>\$ (1,021,670)</u>	<u>\$ 102,652</u>	<u>\$ 97,372</u>

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