

THE GLOBE ACADEMY, INC.

ANNUAL FINANCIAL REPORT  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The GLOBE Academy, Inc.  
Table of Contents

Page  
Number

**SECTION 1 - FINANCIAL**

INDEPENDENT AUDITOR’S REPORT ..... 2-4  
MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 5-9

**Exhibits BASIC FINANCIAL STATEMENTS**

Organization-wide Financial Statements

A Statement of Position .....10  
B Statement of Activities ..... 11

Fund Financial Statements

C Balance Sheet – Governmental Funds .....12  
D Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Governmental Funds .....13  
E Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Position .....14  
F Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities.....15  
G Notes to the Basic Financial Statements ..... 16-29

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule 1 Schedule of Proportionate Share of the Net Pension Liability  
Teachers’ Retirement System of Georgia .....31  
Schedule 2 Schedule of Contributions – Teachers’ Retirement System  
Of Georgia .....32  
Schedule 3 Notes to Required Supplementary Information - Pensions .....33  
Schedule 4 Schedule of Revenues, Expenditures, and Changes in Fund  
Balances – Budget and Actual – General Fund .....34

**SECTION II- COMPLIANCE AND INTERNAL CONTROL REPORTS**

Independent Auditor’s Report on Internal Controls and Compliance ..... 36-37

**SECTION III - FINDINGS AND QUESTIONED COSTS**

Schedule of Prior Year Findings, Questioned Costs, and Current Status .....39  
Schedule of Current Year Findings and Questioned Costs .....40

**SECTION IV – OTHER SUPPLEMENTARY INFORMATION**

Statement of Activities – Non-Profit Format .....41

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October 9, 2017

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), component unit of Dekalb County Board of Education, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 and schedule of proportionate share of the net pension liability, schedule of contributions to retirement systems, and budgetary comparison information as presented on pages 31-34 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 41, 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 9, 2017 on my consideration of the organization's internal control over financial reporting and on 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 blue ink that reads "C. Douglas Erwin, Jr., CPA". The signature is written in a cursive style with a large initial "C" and a long horizontal flourish at the end.

**C. Douglas Erwin, Jr., CPA**

Smyrna, Georgia

October 9, 2017

**THE GLOBE ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

Management of The GLOBE Academy Charter School (GLOBE) offers readers of GLOBE's financial statements this narrative discussion and analysis for the fiscal year ended June 30, 2017. 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.

**FY17 Financial Highlights**

- Our assets exceed our liabilities and deferred inflows by \$647,460 (see Figure 2 or Exhibit A).
- Our enrollment continues to increase, rising by 109 students this fiscal year, a 18% increase. We added sixth grade and additional students across other grades. We spent \$4,454,579 to educate our students (see Figure 3 or Exhibit B).
- Our governmental funds have combined fund balances of \$1,438,436, an increase of \$825,944 in comparison with FY16 (see Exhibit C).

**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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Basic Financial Statements**

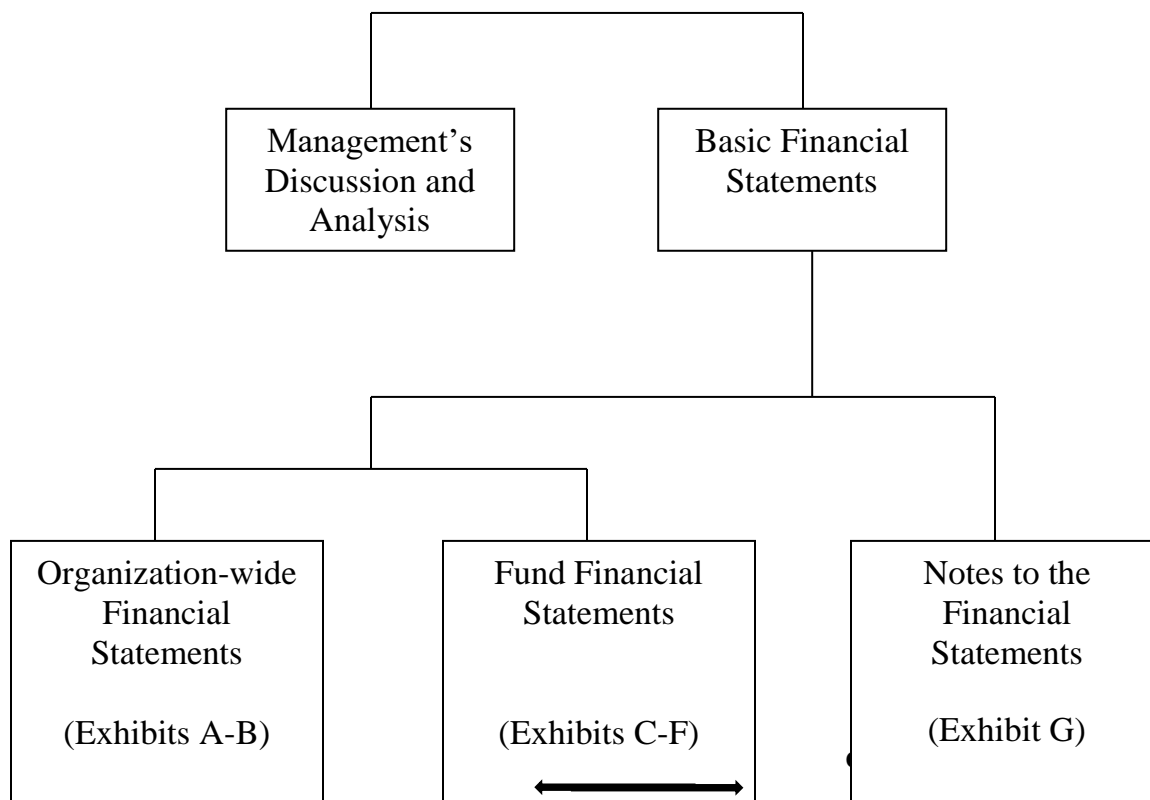
The Statement of Net Position (see Exhibit A) and the Statement of Activities (see Exhibit B) in the basic financial statements are our **government-wide financial statements**. These exhibits provide both end-of-year and annual information about GLOBE's financial status.

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

Exhibit D and Exhibit F are reconciliation statements which reconcile the fund financial statements with the government-wide financial statements and demonstrate the differences in accounting methods between those statements.

The last section of the basic financial statements includes our **notes** and **supplementary information**. The notes to the financial statements explain some of the data contained in those statements. In particular, Note 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 and also discloses information about long-term pension plans in which the school participates.

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



**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide our readers with a broad overview of GLOBE’s finances. The format is similar to private-sector financial statements. Government-wide statements report GLOBE’s net position and how it has changed. Net position is the difference between 1) GLOBE’s combined total assets and deferred outflows, and 2) its combined total liabilities and deferred inflows. GLOBE’s activities include basic governmental functions such as instruction, support services, and non-instructional services. State and county funds from Dekalb County Board of Education provide virtually all of the funding for our school functions. Our business-type activities are those services for which GLOBE charges a fee which include Community Service (after-school care for students who remain on campus but not in extracurricular activities) and Food Service (lunches).

**Government-Wide Financial Analysis**

As of June 30, 2017, GLOBE’s combined assets and deferred outflows exceeded our combined liabilities and deferred inflows by \$647,460 (see Figure 2 or Exhibit A). We are proud of the net position, an increase from FY16, when GLOBE’s net position stood at \$462,937. Our net position before transfers increased by \$184,523, compared to a decrease of \$42,637 in FY16 (see Figure 3 or Exhibit B). GLOBE’s unrestricted net position was \$96,095, compared to -\$116,277 for FY15 (see Figure 2 or Exhibit A).

**The GLOBE Academy Charter School's Net Position**  
**Figure 2**

	<b>Net Position</b>	
	2017	2016
Current and other assets	\$ 1,754,803	\$ 822,948
Capital assets	551,365	579,214
Total assets	<u>\$ 2,306,168</u>	<u>\$ 1,402,162</u>
Deferred outflows of resources	<u>\$ 3,484,748</u>	<u>\$ 2,444,979</u>
Current liabilities	\$ 316,367	\$ 156,541
Long-term liabilities	4,803,336	2,970,568
Total liabilities	<u>\$ 5,119,703</u>	<u>\$ 3,127,109</u>
Deferred inflows of resources	<u>\$ 23,753</u>	<u>\$ 257,095</u>
Net Position:		
Net investment in capital assets	\$ 551,365	\$ 579,214
Unrestricted	96,095	(116,277)
Total Net Position	<u><u>\$ 647,460</u></u>	<u><u>\$ 462,937</u></u>



**The GLOBE Academy Charter School Changes in Net Position**  
**Figure 3**

	Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 446,563	\$ 351,851
General revenues:		
County, State, and Federal funds	6,231,195	4,255,089
Other	309,238	240,955
Total revenues	<u>6,986,996</u>	<u>4,847,895</u>
Expenses:		
Instructional services	4,454,579	3,057,164
Other Services	431,874	271,290
Educational Media Services	21,898	12,877
Administration	898,686	741,025
Maintenance & Operations	581,722	471,613
Community Services	410,828	315,930
Interest on long-term debt	2,886	20,633
Total expenses	<u>6,802,473</u>	<u>4,890,532</u>
Increase in net position before transfers	184,523	(42,637)
Transfers	<u>-</u>	<u>-</u>
Increase (decrease) in net position	184,523	(42,637)
Net position, July 1	<u>462,937</u>	<u>505,574</u>
Net position, June 30	<u>\$ 647,460</u>	<u>\$ 462,937</u>

**Fund Financial Statements**

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

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

**Financial Analysis of GLOBE’s Funds**

The general fund is the chief operating fund of GLOBE. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,387,604, while total fund balance reached \$1,438,436 (see Exhibit C).

GLOBE’s investment in capital assets for its governmental activities, net of accumulated depreciation, totaled \$551,365 (see Figure 2 or Exhibit D). These assets included leasehold improvements, furniture, equipment, and construction in progress.

There were no major capital-asset transactions during the year.

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

	Governmental Activities	
	2017	2016
Leasehold improvements	\$ 534,917	\$ 562,149
Furniture and equipment	16,448	17,065
Total	<u>\$ 551,365</u>	<u>\$ 579,214</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 Financial Officer, The GLOBE Academy, 2225 Heritage Drive, Atlanta, GA 30345.

**THE GLOBE ACADEMY, INC.**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2017**

Exhibit "A"

<u><b>ASSETS</b></u>	<b>Governmental Activities</b>
Cash and Cash Equivalents	\$ 1,703,787
Receivables, Net	184
Prepaid Items	50,832
Capital Assets, Depreciable (Net of Accumulated Depreciation)	551,365
Total Assets	<u><u>2,306,168</u></u>
 <u><b>DEFERRED OUTFLOWS OF RESOURCES</b></u> 	
Related to Defined Benefit Pension Plans	<u>3,484,748</u>
Total Deferred Outflows of Resources	<u><u>3,484,748</u></u>
 <u><b>LIABILITIES</b></u> 	
Accounts Payable	58,175
Salaries and Benefits Payable	258,192
Net Pension Liability	4,803,336
Total Liabilities	<u><u>5,119,703</u></u>
 <u><b>DEFERRED INFLOWS OF RESOURCES</b></u> 	
Related to Defined Benefit Pension Plans	<u>23,753</u>
Total Deferred Inflow of Resources	<u><u>23,753</u></u>
 <u><b>NET POSITION</b></u> 	
Net Investment in Capital Assets	551,365
Unrestricted	96,095
Total Net Position	<u><u>\$ 647,460</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, 2017**

Exhibit "B"

<b>GOVERNMENTAL ACTIVITIES</b>	<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	\$ 4,454,579			(4,454,579)
Support Services				-
Pupil Services	294,941			(294,941)
Improvement of Instructional Services	94,756			(94,756)
Educational Media Services	21,898			(21,898)
General Administration	63,594			(63,594)
School Administration	621,035			(621,035)
Business Administration	214,057			(214,057)
Maintenance and Operation of Plant Services	581,722			(581,722)
Other Support Services	12,466			(12,466)
Operations of Non-Instructional Services				
Community Services	410,828	446,563		35,735
Food Services	29,711			(29,711)
Interest on Short-Term and Long-Term Debt	2,886			(2,886)
 Total Governmental Activities	 \$ 6,802,473	 \$ 446,563	 \$ -	 \$ (6,355,910)
 <b>GENERAL REVENUES</b>				
Dekalb County Board of Education				6,231,195
Miscellaneous				309,238
 Total General Revenues				 \$ 6,540,433
 <b>CHANGE IN NET POSITION</b>				 \$ 184,523
 <b>NET POSITION - Beginning of Year</b>				 462,937
 <b>NET POSITION - End of Year</b>				 \$ 647,460

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, 2017**

EXHIBIT "C"

- Assets -

Current Assets

Cash and Cash Equivalents	\$ 1,703,787
Receivables, Net	184
Prepaid Items	50,832
Total Assets	<u>\$ 1,754,803</u>

- Liabilities and Fund Balances -

Current Liabilities

Accounts Payable	\$ 58,175
Salaries and Benefits Payable	258,192
Total Liabilities	<u>316,367</u>

Fund Balances

Nonspendable	50,832
Unassigned	1,387,604
Total Fund Balances	<u>1,438,436</u>

Total Liabilities and Fund Balances	<u>\$ 1,754,803</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, 2017**

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 1,438,436

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	693,865	
Furniture & Equipment	20,270	
Accumulated Depreciation	<u>(162,770)</u>	
Total Capital Assets		551,365

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

Net Pension Liability	(4,803,336)
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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.

3,460,995

Net Position of Governmental Activities (Exhibit "A")	<u>\$ 647,460</u>
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The notes to the basic financial statements are an integral part of this statement.

**THE GLOBE ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

EXHIBIT "E"

**Revenues**

Dekalb County Board of Education	\$ 6,231,195
Charges for Services	446,563
Miscellaneous	309,238
Total Revenues	6,986,996

**Expenditures**

Instruction	3,833,141
Support Services	
Pupil Services	259,990
Improvement of Instructional Services	94,756
Educational Media Services	21,898
General Administration	63,594
School Administration	552,510
Business Administration	180,986
Maintenance and Operation of Plant	511,603
Other Support Services	12,466
Community Services	410,828
Food Services Operation	29,711
Capital Outlay	30,142
Debt Services	
Principal	156,541
Interest	2,886
Total Expenditures	6,161,052
Excess of Revenues over (under) Expenditures	825,944
Other Financing Sources (Uses)	
Proceeds of Long-Term Capital Related Debt	-
Net Change in Fund Balances	825,944
Fund Balances (Deficit) - Beginning	612,492
Fund Balances - Ending	\$ 1,438,436

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, 2017**

EXHIBIT "F"

Total Change in Fund Balances - Government Funds (Exhibit "E") \$ 825,944

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	30,142	
Depreciation Expense	<u>(57,991)</u>	
		(27,849)

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	-	
Capital Related Debt Payments	<u>156,541</u>	
		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		(770,113)
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Change in Net Position of Governmental Activities (Exhibit "B")		<u><u>\$ 184,523</u></u>
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The notes to the basic financial statements are an integral part of this statement.



THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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

**GOVERNMENT-WIDE STATEMENTS:**

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

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

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**BASIS OF ACCOUNTING**

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

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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 2017, the School District adopted Governmental Accounting Standards Board (GASB) *Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to *Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the Organization's financial statements.

**CASH AND CASH EQUIVALENTS**

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

**RECEIVABLES**

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

THE GLOBE ACADEMY, INC.  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2017

EXHIBIT “G”

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**PREPAID ITEMS**

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

**CAPITAL ASSETS**

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

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.

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

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

**DEFERRED OUTFLOWS/INFLOWS of RESOURCES**

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**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.

**LONG-TERM LIABILITIES**

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

**PENSIONS**

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

**FUND BALANCES**

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

The Organization's fund balances are classified as follows:

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

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

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**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.

**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 9, 2017, the date the financial statements were available to be issued. One significant event was noted for disclosure. On September 14, 2017, the Organization agreed to purchase a building located adjacent to the school on Briarcliff Road at a price of \$308,000 which is expected to close on October 23, 2017.

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 GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 4 - BUDGETARY DATA - Continued

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 aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one or any combination of the following:

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 5 – DEPOSITS - Continued

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The Organization’s policy is that all deposits not secured by Federal depository insurance will be secured by collateral as described above. At June 30, 2017, the Organization had deposits in two financial institutions with a combined carrying amount of \$1,703,787 and a combined bank balance of \$1,760,363. Bank balances are insured by Federal depository insurance up to \$250,000 at each bank for a total of \$316,261 at June 30, 2017. 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 \$1,500,000. At June 30, 2017, \$1,444,102 was collateralized by the letter of credit. Cash balances were fully insured and collateralized as required.

NOTE 6 – CAPITAL ASSETS

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

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets Being Depreciated				
Leasehold Improvements	663,722	30,142	-	693,864
Furniture and Equipment	20,270	-	-	20,270
Less Accumulated Depreciation for:				
Leasehold Improvements	101,573	57,374	-	158,947
Furniture and Equipment	3,205	617		3,822
Total Capital Assets, Being Depreciated, Net	<u>\$ 579,214</u>	<u>\$ (27,849)</u>	<u>\$ -</u>	<u>\$ 551,365</u>
Governmental Activity Capital Assets, Net	<u>\$ 579,214</u>	<u>\$ (27,849)</u>	<u>\$ -</u>	<u>\$ 551,365</u>
Current year depreciation expense by function is as follows:				
Instruction			\$ 1,529	
Support Services				
Maintenance & Operation of Plant Services			56,462	
			<u>\$ 57,991</u>	



THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

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.

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 leases facilities and equipment under the provisions of long-term lease agreements described below which are classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$210,754 for facilities and \$11,964 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.

Modular space was added at the Heritage Drive location by terms of a lease agreement with Mobile Modular. The lease commences July 1, 2014 and had an original term of one year. The lease was extended for an additional two years and another two-year extension was executed in the current period such that it terminates on July 1, 2019. 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 GLOBE ACADEMY, INC.  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2017

EXHIBIT "G"

NOTE 9 – OPERATING LEASES - Continued

The Organization leases copier equipment under the terms of an agreement dated October 14, 2015 and for a term of sixty months with monthly minimum payments due in the amount of \$396.

The Organization executed a lease on July 2, 2015 for an educational facility at 4105 Briarcliff; Atlanta, Georgia which commenced on August 1, 2015 and continues 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.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2018	\$ 242,808
2019	289,592
2020	246,144
2021	19,968
2022	- 0 -
Thereafter	- 0 -
Total	<u>\$ 798,512</u>

NOTE 10 – LONG-TERM DEBT

**Governmental Activities**

The Organization executed a promissory note in the amount of \$200,000 on July 29, 2015 with Resurgens Bank. This note was modified to increase the available funds to \$250,000. The loan was 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. As of June 30, 2016, \$142,031 was owed on this debt. The loan was paid in full during the current period. Principal payments (decreases) were paid totaling \$142,031. No increases were recorded in long-term debt. Amounts due within one year are \$0 as of June 30, 2017. Interest was paid on this loan in the current period of \$2,886.

NOTE 11 – FUND BALANCE CLASSIFICATION DETAILS

The Organization's financial statements include the following amounts presented in the aggregate at June 30, 2017.

Nonspendable	
Prepaid Assets	\$ 50,832
Unassigned	<u>1,387,604</u>
Fund Balance, June 30, 2017	<u>\$ 1,438,436</u>

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT "G"

NOTE 11 – FUND BALANCE CLASSIFICATION DETAILS

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.

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](http://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 2017. The Organization's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual payroll. For the current fiscal year, employer contributions to the pension plan were \$498,563.

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

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, 2017, the Organization reported a liability of \$4,803,336 for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

At June 30, 2016, the Organization’s TRS proportion was 0.023282%, which was an increase of 0.005152% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Organization recognized pension expense of \$770,113 for TRS.

At June 30, 2017, 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	\$ 71,557	\$ 23,753
Changes of Assumptions	124,496	- 0 -
Net difference between projected and actual earnings on pension plan investments	607,642	- 0 -
Changes in proportion and differences between Organization contributions and proportionate share of contributions	2,182,490	- 0 -
Organization contributions subsequent to the measurement date	<u>498,563</u>	<u>- 0 -</u>
Total	<u>\$ 3,484,748</u>	<u>\$ 23,753</u>

Organization contributions subsequent to the measurement date of \$498,563 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, 2018. 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, 2017

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

<u>Year Ended June 30,</u>	<u>TRS</u>
2018	843,837
2019	843,837
2020	809,877
2021	422,570
2022	42,311
Thereafter	- 0 -

**Actuarial assumptions:** The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

***Teachers Retirement System:***

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries’ projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries’ projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. The actuarial assumptions used in the June 30, 2015 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:

THE GLOBE ACADEMY, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

EXHIBIT “G”

NOTE 12 – RETIREMENT PLAN – Continued

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20%	9.00%
Domestic mid stocks	3.40%	12.00%
Domestic small stocks	1.40%	13.50%
International developed market stocks	17.80%	8.00%
International emerging market stocks	5.20%	12.00%
Alternative	5.00%	10.50%
Total	100.00%	

\* Rates shown are net of the 2.75% 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 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	\$ 7,476,452	\$ 4,803,336	\$ 2,602,466

**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](http://www.trsga.com/publications).

REQUIRED SUPPLEMENTARY INFORMATION

THE GLOBE ACADEMY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE "1"

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.023282%	\$ 4,803,336	\$ -	\$ 4,803,336	\$ 3,493,784	137.48%	76.06%
2016	0.018130%	\$ 2,760,112	\$ -	\$ 2,760,112	\$ 2,581,787	106.91%	81.44%
2015	0.014995%	\$ 1,894,420	\$ -	\$ 1,894,420	\$ 1,969,293	96.20%	84.03%

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



THE GLOBE ACADEMY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2017

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
2017	\$ 498,563	\$ 498,563	\$ -	\$ 3,493,784	14.27%
2016	\$ 368,421	\$ 368,421	\$ -	\$ 2,581,787	14.27%
2015	\$ 258,962	\$ 258,962	\$ -	\$ 1,969,293	13.15%
2014	\$ 187,855	\$ 187,855	\$ -	\$ 1,529,764	12.28%

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

THE GLOBE ACADEMY, INC.  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE "3"

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

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

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, 2017**

	<u>NONAPPROPRIATED BUDGETS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE OVER/UNDER</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b><u>REVENUES</u></b>				
State Funds	\$ 5,464,400	\$ 6,230,803	\$ 6,231,195	\$ 392
Charges for Services	388,263	384,747	446,563	61,816
Miscellaneous	136,242	236,220	309,238	73,018
Total Revenues	<u>5,988,905</u>	<u>6,851,770</u>	<u>6,986,996</u>	<u>135,227</u>
<b><u>EXPENDITURES</u></b>				
Instruction	3,773,792	4,086,558	3,833,141	253,417
Support Services				
Pupil Services	219,966	228,894	259,990	(31,096)
Improvement of Instructional Services	115,000	134,587	94,756	39,831
Educational Media Services	24,470	22,614	21,898	716
General Administration	61,980	77,080	63,594	13,486
School Administration	502,195	573,197	552,510	20,687
Business Administration	165,660	184,721	180,986	3,735
Maintenance and Operation of Plant Services	509,288	463,869	511,603	(47,734)
Other Support Services	4,590	9,590	12,466	(2,876)
Community Services	359,362	375,701	410,828	(35,127)
Food Services Operation	30,000	30,000	29,711	289
Capital Outlay	-	-	30,142	(30,142)
Debt Service	12,100	12,100	159,427	(147,327)
Total Expenditures	<u>5,778,403</u>	<u>6,198,911</u>	<u>6,161,052</u>	<u>250,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>210,502</u>	<u>652,859</u>	<u>825,944</u>	<u>385,393</u>
Other Financing Sources (Uses)				
Proceeds of Long-Term Capital Related Debt	-	-	-	-
NET CHANGE IN FUND BALANCES	210,502	652,859	825,944	(173,085)
FUND BALANCES - beginning of year	612,492	612,492	612,492	-
FUND BALANCES - end of year	<u>\$ 822,994</u>	<u>\$ 1,265,351</u>	<u>\$ 1,438,436</u>	<u>\$ (173,085)</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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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 9, 2017

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, 2017, 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 9, 2017.

**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 9, 2017.

**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.

A handwritten signature in blue ink that reads "C. Douglas Evin Jr. CPA". The signature is written in a cursive style with a large, stylized "C" at the beginning and "CPA" at the end.

Smyrna, Georgia  
October 9, 2017

SECTION III  
FINDINGS AND QUESTIONED COSTS

THE GLOBE ACADEMY, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

N/A - None



THE GLOBE ACADEMY, INC.  
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

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, 2017**

	<u>Program</u> <u>Services</u>	<u>Management &amp;</u> <u>General</u>	<u>Fundraising</u>	<u>Totals</u>
<b>Revenues, Gains, and Other Support</b>				
Governmental Sources	\$ 6,231,195	\$ -	\$ -	\$ 6,231,195
After School Program	446,563			446,563
Field Trips	59,407			59,407
Fundraising & Donations			249,831	249,831
Total Revenues	<u>6,737,165</u>	<u>-</u>	<u>249,831</u>	<u>6,986,996</u>
<b>Expenditures</b>				
Afterschool Program	410,828	-	-	410,828
Contracted Educational Services	119,005	-	-	119,005
Curriculum & Textbooks	82,565	-	-	82,565
Depreciation	1,529	56,462	-	57,991
Dues & Fees	-	31,074	400	31,474
Employee Benefits & Group Insurance	133,353	30,711	-	164,064
Equipment Rental	11,963	-	-	11,963
Expendable Equipment	78,600	-	-	78,600
Hazard Insurance	15,124	19,620	-	34,744
Information Technology	11,066	30	-	11,096
Interest Expense	-	2,886	-	2,886
Nutrition Program	29,711			29,711
Occupancy Costs	-	502,762	-	502,762
Office & Classroom Supplies	54,261	29,029	4,035	87,325
Payroll Taxes	75,568	8,911	-	84,479
Professional Fees	29,904	112,592	8,032	150,528
Retirement Benefits (A)	423,949	74,614	-	498,563
Salary & Wages	3,102,148	495,159	-	3,597,307
Telephone & Other Communications	-	5,171	-	5,171
Travel Including Field Trips	71,279	20	-	71,299
Total Expenses	<u>4,650,853</u>	<u>1,369,041</u>	<u>12,467</u>	<u>6,032,361</u>
Change in Net Position	<u>\$ 2,086,313</u>	<u>\$ (1,369,041)</u>	<u>\$ 237,364</u>	<u>\$ 954,635</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.