GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2012

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

SCHOOL BOARD 1

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 2

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS 13

STATEMENT OF ACTIVITIES 14

BALANCE SHEET – GOVERNMENTAL FUNDS 15

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS 16

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS 17

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES 18

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND 19

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – MAJOR FOOD SERVICE FUND 20

NOTES TO BASIC FINANCIAL STATEMENTS 21

SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET 34

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL 35

FOOD SERVICE FUND

BALANCE SHEET 38

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL 39

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE 40

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

SINGLE AUDIT AND OTHER REQUIRED REPORTS

SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS	41
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*	42
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	44
REPORT ON MINNESOTA LEGAL COMPLIANCE	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	47

INTRODUCTORY SECTION

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
SCHOOL BOARD
JUNE 30, 2012

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Scott Flemming	6/30/12	Chair
Hannah Lang	6/30/13	Secretary
Hala Asamarai	6/30/12	Member
Janice Aziz	6/30/12	Member
Mohamed Selim	6/30/12	Member
Ziad Zahran	6/30/12	Member
Andrea Singer	6/30/13	Member
Rebecca Bauer	6/30/13	Member
Diaa Hassan	6/30/13	Member
Helen Fisk		Ex-officio Member
Mohamed Egeh		Ex-officio Member

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Charter School No. 4186
Global Academy
Columbia Heights, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Global Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior period partial comparative information has been derived from the School's June 30, 2011 financial statements and, in our report dated December 22, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Global Academy as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Board of Education
Charter School No. 4186
Global Academy

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements as a whole. The individual fund information and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented as supplemental information as required by the Minnesota Department of Education, are also not a required part of the basic financial statements the School. The individual fund information, the schedule of expenditures of federal awards and UFARS compliance table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2012

REQUIRED SUPPLEMENTARY INFORMATION

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

This Global Academy's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal period include the following:

- The fund balance of the General Fund increased by $13,883 from the prior year.
- Total General Fund revenues were $4,673,961 as compared to $4,650,238 of expenditures.
- Net assets decreased by $54,005 for the year ended June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis, (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net assets* and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

In the School-wide financial statements the School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, transportation, administration, and food services. State aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds* – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by debt covenants.
- The School may establish other funds to control and manage money for a specific purpose.

The School has one kind of fund:

- *Governmental Funds* – Most of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's *combined* net assets were $1,340,608 on June 30, 2012.

Table A-1
The School's Net Assets

	Governmental Activities		Percentage
	2012	2011	Change
Current and Other Assets	$ 1,894,450	$ 1,654,126	14.5 %
Capital and Non-Current Assets	278,332	301,788	(7.8)
Total Assets	2,172,782	1,955,914	11.1
Current Liabilities	832,174	561,301	48.3
Net Assets:			
Invested in Capital Assets Net of Related Debt	278,332	301,788	(7.8)
Unrestricted	1,062,276	1,092,825	(2.8)
Total Net Assets	$ 1,340,608	$ 1,394,613	(3.9)

Changes in Net Assets

The School's total revenues were $4,966,511 for the year ended June 30, 2012.

Table A-2
Change in Net Assets

	Governmental Activities for the Fiscal Year Ended June 30, 2012	2011	Total % Change
Revenues			
Program Revenues			
Operating Grants and Contributions	$ 1,387,883	$ 1,701,036	(18.4)%
General Revenues			
Unrestricted State Aid	3,525,741	3,202,611	10.1
Other	52,887	36,992	43.0
Total Revenues	4,966,511	4,940,639	0.5
Expenses			
Administration	215,074	149,624	43.7
District Support Services	378,191	377,792	0.1
Regular Instruction	2,157,025	1,949,845	10.6
Special Education Instruction	478,570	455,737	5.0
Instructional Support Services	83,080	105,531	(21.3)
Pupil Support Services	740,724	533,822	38.8
Sites and Buildings	612,780	563,425	8.8
Fiscal and Other Fixed Cost Programs	3,662	5,181	(29.3)
Food Service	346,822	321,251	8.0
Interest and Fiscal Charges on Long-Term Liabilities	4,588	10,756	(57.3)
Total Expenses	5,020,516	4,472,964	12.2
Change in Net Assets	(54,005)	467,675	
Beginning Net Assets	1,394,613	926,938	
Ending Net Assets	$ 1,340,608	$ 1,394,613	

The total cost of all programs and services was $5,020,516. Total expenses exceeded revenues by $54,005, resulting in ending Net Assets of $1,340,608 at June 30, 2012.

The cost of all *governmental* activities this year was $5,020,516.

- The federal and state governments subsidized certain programs with grants and contributions ($1,387,883).
- Most of the School's costs, however, were paid for by the taxpayers of our state through unrestricted state aid payments from the Minnesota Department of Education ($3,525,741).
- The remaining portion of unrestricted governmental activities was paid for with other general revenues ($52,887).

Figure A-1
Sources of School's Revenues for Fiscal 2012

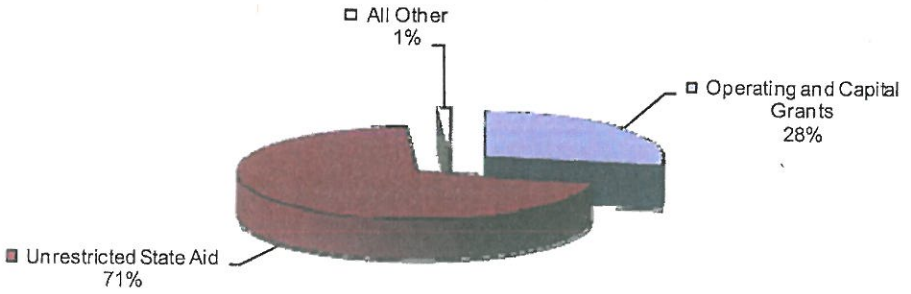


Figure A-2
School Expenses for Fiscal 2012

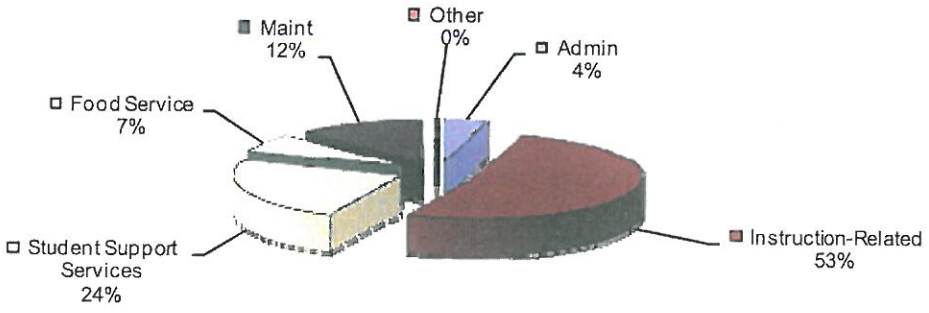


Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2012	2011	Change	2012	2011	Change
Administration	$ 215,074	$ 149,624	43.7 %	$ 215,074	$ 149,624	43.7 %
District Support Services	378,191	377,792	0.1	378,191	377,792	0.1
Regular Instruction	2,157,025	1,949,845	10.6	1,932,404	1,555,582	24.2
Special Education Instruction	478,570	455,737	5.0	(38,506)	(180,075)	N/A
Instructional Support Services	83,080	105,531	(21.3)	83,080	105,531	(21.3)
Pupil Support Services	740,724	533,822	38.8	740,724	533,822	38.8
Sites and Buildings	612,780	563,425	8.8	238,984	187,882	27.2
Fiscal and Other Fixed Cost Programs	3,662	5,181	(29.3)	3,662	5,181	(29.3)
Food Service	346,822	321,251	8.0	74,432	25,833	188.1
Interest and Fiscal Charges on Long-Term Liabilities	4,588	10,756	(57.3)	4,588	10,756	(57.3)
Total	$ 5,020,516	$ 4,472,964	12.2	$ 3,632,633	$ 2,771,928	31.1

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a *combined* fund balance of $1,062,276.

Revenues for the School's governmental funds were $4,946,351 while total expenditures were $4,997,060.

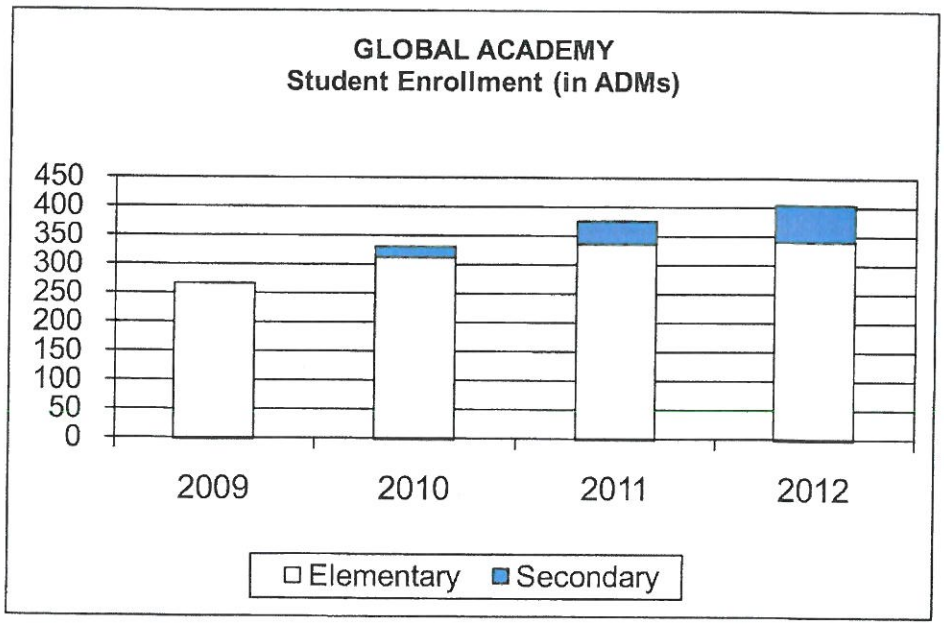
GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 8 including capital outlay projects.

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows the number of students for the four years the School has served students.

Table A-4
Average Daily Membership (ADM)



Over the last year, the School has continued to experience excellent growth in average daily membership as indicated by the fiscal 2012 enrollment of 407 students. It is anticipated the trend will stabilize as the program continues to mature. The School is developing an aggressive marketing plan to encourage parents now considering private school to select the Global Academy as the option of choice.

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2012	Year Ended June 30, 2011	Change Increase (Decrease)	Change Percent
Local Sources:				
Other	$ 32,727	$ 48,569	$ (15,842)	(32.6)%
State Sources	4,360,963	4,100,525	260,438	6.4
Federal Sources	280,271	494,084	(213,813)	(43.3)
Total General Fund Revenue	$ 4,673,961	$ 4,643,178	$ 30,783	0.7

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 2,114,226	$ 1,874,361	$ 239,865	12.8 %
Employee Benefits	632,886	562,687	70,199	12.5
Purchased Services	1,446,000	1,313,638	132,362	10.1
Supplies and Materials	270,853	246,018	24,835	10.1
Capital Expenditures	153,518	157,943	(4,425)	(2.8)
Other Expenditures	32,755	31,883	872	2.7
Total Expenditures	$ 4,650,238	$ 4,186,530	$ 463,708	11.1

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds carried over from the prior fiscal year
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs

Actual revenues were $178,446 more than expected based on the final amended budget in the General Fund.

The actual expenditures were $179,041 above the budgeted amount in the General Fund.

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by $14,318, the actual results for the year show a $13,883 surplus which was just $435 short of the budgeted amount.

OTHER MAJOR FUNDS

Expenditures exceeded revenues and transfers in for the Food Service Fund by $44,432, resulting in a deficit fund balance of $44,432 at year-end.

CAPITAL ASSETS

By the end of 2012, the School had invested $592,289 in capital assets, including computers and furniture (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was $109,694.

Table A-7
The School's Capital Assets

	2012	2011	Percentage Change
Equipment	$ 592,289	$ 506,051	17.0 %
Less: Accumulated Depreciation	(313,957)	(204,263)	53.7
Total	$ 278,332	$ 301,788	(7.8)

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. Due to the State's budget deficit, K-12 funding increase in the general education formula for the last fiscal year was 1%.

The School will strive to maintain its initial commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Global Academy, 4065 Central Avenue NE, Columbia Heights, MN 55421.

BASIC FINANCIAL STATEMENTS

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
STATEMENT OF NET ASSETS
JUNE 30, 2012
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)

	Governmental Activities	
	2012	2011
ASSETS		
Cash and Investments	$ 54,177	$ 198,980
Receivables:		
Other Governments	1,724,044	1,373,615
Prepaid Items	116,229	81,531
Capital Assets:		
Other Capital Assets, Net of Depreciation	278,332	301,788
Total Assets	2,172,782	1,955,914
LIABILITIES		
Short-Term Borrowing	570,000	300,000
Salaries Payable	230,266	246,709
Accounts and Contracts Payable	31,908	14,592
Total Liabilities	832,174	561,301
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	278,332	301,788
Unrestricted	1,062,276	1,092,825
Total Net Assets	$ 1,340,608	$ 1,394,613

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

Functions	2012 Expenses	2012 Program Revenues Operating Grants and Contributions	2012 Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities	2011 Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities				
Administration	$ 215,074	$ -	$ (215,074)	$ (149,624)
District Support Services	378,191	-	(378,191)	(377,792)
Regular Instruction	2,157,025	224,621	(1,932,404)	(1,555,582)
Special Education Instruction	478,570	517,076	38,506	180,075
Instructional Support Services	83,080	-	(83,080)	(105,531)
Pupil Support Services	740,724	-	(740,724)	(533,822)
Sites and Buildings	612,780	373,796	(238,984)	(187,882)
Fiscal and Other Fixed Cost Programs	3,662	-	(3,662)	(5,181)
Food Service	346,822	272,390	(74,432)	(25,833)
Interest and Fiscal Charges on Long-Term Liabilities	4,588	-	(4,588)	(10,756)
Total School	$ 5,020,516	$ 1,387,883	(3,632,633)	(2,771,928)
General Revenues				
State Aid Not Restricted to Specific Purposes			3,525,741	3,202,611
Miscellaneous			52,887	36,992
Total General Revenues			3,578,628	3,239,603
Change in Net Assets			(54,005)	467,675
Net Assets - Beginning			1,394,613	926,938
Net Assets - Ending			$ 1,340,608	$ 1,394,613

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)

	Major Funds		Total Governmental Funds	
	General	Food Service	2012	2011
ASSETS				
Cash and Investments	$ 54,177	$ -	$ 54,177	$ 198,980
Receivables:				
Due from Minnesota Department of Education	1,652,142	330	1,652,472	1,320,408
Due from Federal through Minnesota Department of Education	64,464	7,108	71,572	53,207
Due from Other Funds	51,870	-	51,870	25,243
Prepaid Items	116,229	-	116,229	81,531
Total Assets	$ 1,938,882	$ 7,438	$ 1,946,320	$ 1,679,369
LIABILITIES AND FUND BALANCE				
Liabilities:				
Short-Term Borrowing	$ 570,000	$ -	$ 570,000	$ 300,000
Salaries and Compensated Absences Payable	201,052	-	201,052	214,016
Payroll Deductions and Employer Contributions Payable	29,214	-	29,214	32,693
Accounts and Contracts Payable	31,908	-	31,908	14,592
Due to Other Funds	-	51,870	51,870	25,243
Total Liabilities	832,174	51,870	884,044	586,544
Fund Balance:				
Restricted for:				
Prepaid Items	116,229	-	116,229	81,531
Unassigned, Reported In:				
General Fund	990,479	-	990,479	1,011,294
Special Revenue Funds	-	(44,432)	(44,432)	-
Total Fund Balance	1,106,708	(44,432)	1,062,276	1,092,825
Total Liabilities and Fund Balance	$ 1,938,882	$ 7,438	$ 1,946,320	$ 1,679,369

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)

	2012	2011
Total Fund Balance for Governmental Funds	$ 1,062,276	$ 1,092,825
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Equipment, Net of Accumulated Depreciation	278,332	301,788
Total Net Assets of Governmental Activities	$ 1,340,608	$ 1,394,613

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	General	Food Service	Total Governmental Funds 2012	Total Governmental Funds 2011
REVENUES				
Local Sources:				
Other	$ 32,727	$ -	$ 32,727	$ 48,569
State Sources	4,360,963	15,086	4,376,049	4,117,872
Federal Sources	280,271	257,304	537,575	772,155
Total Revenues	4,673,961	272,390	4,946,351	4,938,596
EXPENDITURES				
Current:				
Administration	215,074	-	215,074	149,624
District Support Services	363,284	-	363,284	362,954
Regular Instruction	2,005,027	-	2,005,027	1,843,052
Special Education Instruction	472,842	-	472,842	453,147
Instructional Support Services	83,080	-	83,080	105,531
Pupil Support Services	740,724	-	740,724	533,822
Sites and Buildings	608,439	-	608,439	564,520
Fiscal and Other Fixed Cost Programs	3,662	-	3,662	5,181
Food Service	-	346,822	346,822	321,251
Capital Outlay	153,518	-	153,518	157,943
Debt Service:				
Interest and Fiscal Charges	4,588	-	4,588	10,756
Total Expenditures	4,650,238	346,822	4,997,060	4,507,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,723	(74,432)	(50,709)	430,815
OTHER FINANCING SOURCES (USES)				
Judgments for School	20,160	-	20,160	2,043
Transfers In	-	30,000	30,000	16,961
Transfers Out	(30,000)	-	(30,000)	(16,961)
Total Other Financing Sources (Uses)	(9,840)	30,000	20,160	2,043
Net Change in Fund Balance	13,883	(44,432)	(30,549)	432,858
Fund Balance - Beginning	1,092,825	-	1,092,825	659,967
Fund Balance - Ending	$ 1,106,708	$ (44,432)	$ 1,062,276	$ 1,092,825

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	2012	2011
Net Change in Fund Balance - Total Governmental Funds	$ (30,549)	$ 432,858
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, assets with an initial, individual cost of more than $2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlays	86,238	127,264
Depreciation Expense	(109,694)	(92,447)
Change in Net Assets of Governmental Activities	$ (54,005)	$ 467,675

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Other	$ 10,000	$ 64,200	$ 32,727	$ (31,473)
State Sources	4,043,118	4,127,881	4,360,963	233,082
Federal Sources	242,534	303,434	280,271	(23,163)
Total Revenues	4,295,652	4,495,515	4,673,961	178,446
EXPENDITURES				
Current:				
Administration	190,174	214,500	215,074	574
District Support Services	333,975	333,975	363,284	29,309
Elementary and Secondary Regular Instruction	1,718,600	1,980,300	2,005,027	24,727
Special Education Instruction	461,500	446,000	472,842	26,842
Instructional Support Services	79,300	62,200	83,080	20,880
Pupil Support Services	717,205	684,412	740,724	56,312
Sites and Buildings	618,952	570,700	608,439	37,739
Fiscal and Other Fixed Cost Programs	-	-	3,662	3,662
Capital Outlay	146,610	174,610	153,518	(21,092)
Debt Service:				
Interest and Fiscal Charges	4,500	4,500	4,588	88
Total Expenditures	4,270,816	4,471,197	4,650,238	179,041
Excess of Revenues Over Expenditures	24,836	24,318	23,723	(595)
OTHER FINANCING SOURCES (USES)				
Judgments for School	-	20,000	20,160	160
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	(30,000)	(10,000)	(9,840)	160
Net Change in Fund Balance	$ (5,164)	$ 14,318	13,883	$ (435)
FUND BALANCE				
Beginning of Year			1,092,825	
End of Year			$ 1,106,708	

See accompanying Notes to Basic Financial Statements.

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
State Sources	$ -	$ -	$ 15,086	$ 15,086
Federal Sources	227,327	227,327	257,304	29,977
Total Revenues	227,327	227,327	272,390	45,063
EXPENDITURES				
Current:				
Food Service	256,500	256,500	346,822	90,322
Deficiency of Revenues Under Expenditures	(29,173)	(29,173)	(74,432)	(45,259)
OTHER FINANCING SOURCES				
Transfer In	30,000	30,000	30,000	-
Net Change in Fund Balance	$ 827	$ 827	(44,432)	$ (45,259)
FUND BALANCE (DEFICIT)				
Beginning of Year			-	
End of Year			$ (44,432)	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4186 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Charter School No. 4186, also known as Global Academy (the School), is a nonprofit corporation that was formed and began operating in October 2007, in accordance with Minnesota Statutes. The School is authorized by Volunteers of America-Minnesota under the terms of an authorizer agreement that extends through fiscal 2015. The School opened for students in fiscal year 2009.

The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the School.

Aside from its authorizer role, Volunteers of America-Minnesota has no authority, control, power, or administrative responsibilities over Global Academy. Therefore, the School is not considered a component unit of Volunteers of America-Minnesota.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's financial statements as part of the General Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue and private grant funding is recorded in the year in which the related expenditure is made. Other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

The School may report unearned revenue on its statement of net assets and balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net assets and balance sheet and revenue is recognized.

Description of Funds

As required by state statute, Global Academy operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the school comply with Uniform Financial Accounting and Reporting Standards for Minnesota schools (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the fund included in this report is as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources other than those required to be accounted for in another fund. It includes the general operations of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. The primary source of revenue for the Food Service Fund is from state and federal meal reimbursements.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General and Food Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level. Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that changed the revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	$ 4,295,652	$ 199,863	$ 4,495,515
Expenditures			
General Fund	$ 4,270,816	$ 200,381	$ 4,471,197

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. Cash and Temporary Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of $2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment.

K. Accrued Employee Benefits

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits do not vest to employees.

L. Fund Balance

As of June 30, 2012, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. The School Board chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned amounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

N. Net Assets

Net assets represent the difference between assets and liabilities in the School-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

O. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations. Certain comparative information has been reclassified to conform to the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2012.

	Budget	Expenditures	Excess
General Fund	$ 4,471,197	$ 4,650,238	$ 179,041
Special Revenue Funds:			
Food Service Fund	256,500	346,822	90,322

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3 DEPOSITS

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency.

Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The School's deposits in banks at June 30, 2012 in the amount of $102,422 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Equipment	$ 506,051	$ 86,238	$ -	$ 592,289
Accumulated Depreciation for:				
Equipment	(204,263)	(109,694)	-	(313,957)
Governmental Activities Capital Assets, Net	$ 301,788	$ (23,456)	$ -	$ 278,332

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
District Support Services	$ 14,304
Elementary and Secondary Regular Instruction	89,389
Special Education Instruction	2,590
Sites and Buildings	3,411
Total Depreciation Expense, Governmental Activities	$ 109,694

NOTE 5 DEBT

Short-Term Debt

On January 20, 2011, the School obtained a loan from the Nonprofits Assistance Fund in the amount of $500,000. Interest on the loan is 8.0%. All principal and interest was due on October 31, 2011, and was paid in full. The balance on the loan as of June 30, 2011 was $300,000. The loan was secured by all of the School's business assets.

On February 9, 2012, the School obtained a loan from Park Midway Bank, N.A. in the amount of $570,000. Interest on the loan is 3.75% over the prime rate which at June 30, 2012 was the floor rate of 7.0%. The loan provides that 75% of the outstanding balance is due on July 31, 2012 with the remainder due at maturity. All remaining principal and interest is due on October 31, 2012. The balance on the loan as of June 30, 2012, was $570,000. The loan is secured by all of the School's business assets.

	Balance June 30, 2011	Draws	Payments	Balance June 30, 2012
Short-Term Borrowing:				
Line of Credit Loan	$ 300,000	$ 570,000	$ 300,000	$ 570,000

NOTE 6 RETIREMENT PLANS

Substantially all employees of the School are required by State Law to belong to a pension plan administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teachers Retirement Association (TRA)

1. Plan Description

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and a formula multiplier years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103-1855 or by calling (651) 296-6449 or 1-800-657-3853.

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5% and 9.0%, respectively, of their annual covered salary while the School is required to contribute at an actuarially determined rate. The School is required to contribute the following percentages of annual covered payroll: 5.5% for Coordinated Plan members and 9.5% for Basic Plan members. The contribution requirements of plan members and the School are established and may be amended by state statute. The School's contributions for the years ended June 30, 2012, 2011, and 2010 were $80,530, $79,350, and $50,602, respectively, equal to the required contributions for each year as set by state statute.

NOTE 6 RETIREMENT PLANS (CONTINUED)

A. Teachers Retirement Association (TRA) (Continued)

2. Funding Policy (Continued)

The 2010 legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5% each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5%.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the General Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, or by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by State Statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2010. Contributions rates in the Coordinated Plan increased to 6.25%, effective January 1, 2011.

NOTE 6 PENSION PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA)

2. Funding Policy (Continued)

The School was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERA members and 7.00% for Coordinated Plan PERA members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The School's contributions for the years ended June 30, 2012, 2011, and 2010 were $34,704, $35,026, and $30,553, respectively. The School's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 7 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

B. Lease Commitments and Terms

The School (tenant) leases 4065 Central Avenue NE, in Columbia Heights, Minnesota, from Columbia Heights Center, LLC (lessor). The original lease term was for the period from July 1, 2008 through June 30, 2013, and a monthly base rent of $20,800. Under the terms of the lease, the tenant provides for the cost of utilities. On August 25, 2008, the lease was amended for additional square footage. The amendment increased monthly rent payments by $400 through the end of the lease. On May 28, 2009, the lease was amended for additional square footage and extended through June 30, 2019. On July 17, 2010 an amendment was signed for additional square footage in fiscal 2011 with the lease returning to the original amended terms on July 1, 2011. The monthly base rent on the amended lease agreement is $29,040, effective July 1, 2011.

For fiscal 2012, the School qualified for state charter school lease aid which equaled 90% of the $416,090 state-approved lease costs, or $374,481. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitments and Terms (Continued)

The future minimum lease payments under the current lease agreement are as follows:

Fiscal Year Ending June 30,	Base Rent
2013	$ 357,196
2014	366,126
2015	375,279
2016	384,661
2017	394,278
Thereafter	1,242,967
Total	$ 3,120,507

The School's ability to make payments under this lease agreement is dependent on its revenues which are in turn, are largely dependent on sufficient enrollments being serviced at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

SUPPLEMENTAL INFORMATION

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
GENERAL FUND
BALANCE SHEET
JUNE 30, 2012
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)

	2012	2011
ASSETS		
Cash and Temporary Investments	$ 54,177	$ 198,980
Receivables:		
Due from Other Funds	51,870	25,243
Due from Minnesota Department of Education	1,652,142	1,316,445
Due from Federal through the Minnesota Department of Education	64,464	31,927
Prepaid Items	116,229	81,531
Total Assets	$ 1,938,882	$ 1,654,126
LIABILITIES AND FUND BALANCE		
Liabilities:		
Short-Term Borrowing	$ 570,000	$ 300,000
Salaries and Compensated Absences Payable	201,052	214,016
Payroll Deductions and Employer Contributions Payable	29,214	32,693
Accounts and Contracts Payable	31,908	14,592
Total Liabilities	832,174	561,301
Fund Balance:		
Reserved:		
Reserved for Prepaid Items	116,229	81,531
Unassigned	990,479	1,011,294
Total Fund Balance	1,106,708	1,092,825
Total Liabilities and Fund Balance	$ 1,938,882	$ 1,654,126

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	2012			2011
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Other	$ 64,200	$ 32,727	$ (31,473)	$ 48,569
State Sources	4,127,881	4,360,963	233,082	4,100,525
Federal Sources	303,434	280,271	(23,163)	494,084
Total Revenues	4,495,515	4,673,961	178,446	4,643,178
EXPENDITURES				
Current:				
Administration:				
Salaries	155,000	156,098	1,098	113,080
Employee Benefits	59,500	58,976	(524)	36,544
Total Administration	214,500	215,074	574	149,624
District Support Services:				
Salaries	118,000	119,769	1,769	170,583
Employee Benefits	19,200	19,736	536	14,055
Purchased Services	132,325	150,811	18,486	121,700
Supplies and Materials	42,000	44,801	2,801	35,489
Capital Expenditures	-	603	603	534
Other Expenditures	22,450	28,167	5,717	21,127
Total District Support Services	333,975	363,887	29,912	363,488
Elementary and Secondary Regular Instruction:				
Salaries	1,287,000	1,304,998	17,998	1,188,791
Employee Benefits	428,800	430,030	1,230	399,028
Purchased Services	63,000	62,881	(119)	58,489
Supplies and Materials	201,500	207,118	5,618	196,744
Capital Expenditures	172,110	148,847	(23,263)	152,236
Total Elementary and Secondary Regular Instruction	2,152,410	2,153,874	1,464	1,995,288

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	2012			2011
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	$ 268,600	$ 296,849	$ 28,249	$ 323,209
Employee Benefits	57,289	53,137	(4,152)	60,861
Purchased Services	120,000	120,354	354	68,057
Supplies and Materials	111	2,502	2,391	1,020
Capital Expenditures	2,500	3,138	638	-
Total Special Education Instruction	448,500	475,980	27,480	453,147
Instructional Support Services:				
Salaries	42,000	41,125	(875)	78,602
Employee Benefits	13,600	13,733	133	11,118
Purchased Services	6,600	28,222	21,622	15,811
Total Instructional Support Services	62,200	83,080	20,880	105,531
Pupil Support Services:				
Salaries	173,207	173,105	(102)	-
Employee Benefits	46,600	52,621	6,021	37,267
Purchased Services	464,605	514,998	50,393	496,555
Total Pupil Support Services	684,412	740,724	56,312	533,822
Sites and Buildings:				
Salaries	-	22,282	22,282	96
Employee Benefits	2,700	4,653	1,953	3,814
Purchased Services	555,000	565,072	10,072	547,845
Supplies and Materials	13,000	16,432	3,432	12,765
Capital Expenditures	-	930	930	5,173
Total Sites and Buildings	570,700	609,369	38,669	569,693
Fiscal and Other Fixed Cost Programs:				
Purchased Services	-	3,662	3,662	5,181

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	2012			2011
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Debt Service:				
Interest and Fiscal Charges	$ 4,500	$ 4,588	$ 88	$ 10,756
Total Expenditures	4,471,197	4,650,238	179,041	4,186,530
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,318	23,723	(595)	456,648
OTHER FINANCING SOURCES (USES)				
Judgments for the School	20,000	20,160	160	2,043
Transfers Out	(30,000)	(30,000)	-	(16,961)
Total Other Financing Sources (Uses)	(10,000)	(9,840)	160	(14,918)
Net Change in Fund Balance	$ 14,318	13,883	$ (435)	441,730
FUND BALANCE				
Beginning of Year		1,092,825		651,095
End of Year		$ 1,106,708		$ 1,092,825

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
FOOD SERVICE FUND
BALANCE SHEET
JUNE 30, 2012
(WITH COMPARATIVE DATA AS OF JUNE 30, 2011)

	2012	2011
ASSETS		
Receivables		
Due from Minnesota Department of Education	$ 330	$ 3,963
Due from Federal through the Minnesota Department of Education	7,108	21,280
Total Assets	$ 7,438	$ 25,243
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities:		
Due to Other Funds	$ 51,870	$ 25,243
Fund Balance (Deficit):		
Restricted for Food Service Program	(44,432)	-
Total Liabilities and Fund Balance (Deficit)	$ 7,438	$ 25,243

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2011)

	2012			2011
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
State Sources	$ -	$ 15,086	$ 15,086	$ 17,347
Federal Sources	227,327	257,304	29,977	278,071
Total Revenues	227,327	272,390	45,063	295,418
EXPENDITURES				
Current:				
Supplies and Materials	256,500	346,822	90,322	321,251
Deficiency of Revenues Under Expenditures	(29,173)	(74,432)	(45,259)	(25,833)
OTHER FINANCING SOURCES				
Transfer in	30,000	30,000	-	16,961
Net Change in Fund Balance	$ 827	(44,432)	$ (45,259)	(8,872)
FUND BALANCE				
Beginning of Year		-		8,872
End of Year		$ (44,432)		$ -

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2012

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 4,694,121	$ 4,694,114	$ 7
Total Expenditures	4,650,238	4,650,230	8
Nonspendable:			
460 Nonspendable Fund Balance	116,229	116,229	-
Restricted/Reserved:			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Restricted Fund Balance	-	-	-
Unassigned:			
422 Unassigned Fund Balance	990,479	990,479	-
02 FOOD SERVICE			
Total Revenue	272,390	272,388	2
Total Expenditures	346,822	346,821	1
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	(44,432)	(44,433)	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Restricted/Reserved:			
426 $25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unreserved:			
463 Unassigned Fund Balance	-	-	-

SINGLE AUDIT AND OTHER REQUIRED REPORTS

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
JUNE 30, 2012

Federal Agency/Pass-Through Grantor/Program Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Minnesota Department of Education:			
School Breakfast Program	10.553	*	$ 103,952
National School Lunch Program	10.555	*	161,104
Fresh Fruit and Vegetable Program	10.582		12,836
Total U.S. Department of Agriculture			277,892
U.S. DEPARTMENT OF EDUCATION			
Passed Through Minnesota Department of Education:			
ESEA Title I Grants to Local Educational Agencies	84.010	**	156,548
IDEA, Part B - Special Education Grants to States	84.027	***	74,544
Education Jobs Fund	84.410		20,849
Title II	84.367		28,528
Title III - English Language ACG Grant	84.365		31,729
Total U.S. Department of Education			312,198
Total Federal Awards			$ 590,090

* School Nutrition Cluster
** Title I Cluster
*** Special Education Cluster

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Charter School No. 4186.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the School.

Note 3:

The pass-through entity identifying number is unknown.

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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*

Board of Education
Charter School No. 4186
Global Academy
Columbia Heights, Minnesota

We have audited the financial statements of the governmental activities and the General Fund of Global Academy as of and for the period from inception through June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, listed as accompanying item Finding 2012-01, to be a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Education, management of the School, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Charter School No. 4186
Global Academy
Columbia Heights, Minnesota

Compliance

We have audited the compliance of Global Academy with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a director and material effect on each of Global Academy's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Board of Education
Charter School No. 4186
Global Academy

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02 to be a significant deficiency.

The School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Charter School No. 4186's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management of the School, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2012

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Charter School No. 4186
Global Academy
Columbia Heights, Minnesota

We have audited the financial statements of the governmental activities and the General Fund of Global Academy as of and for the period from inception through June 30, 2012, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 17, 2012.

We conducted our audit in accordance with auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers two main categories of compliance to be tested: uniform financial accounting and reporting standards, and charter schools. Our study included both of the listed categories.

The results of our tests indicate that, with respect to the items tested, the School complied, in all material respects, with the provisions referred to in the preceding paragraph.

This report is intended solely for the information and use of the Board of Education, management of the School, the Minnesota Department of Education, and the office of the Minnesota State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 17, 2012

GLOBAL ACADEMY
CHARTER SCHOOL NO. 4186
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Global Academy.

2. One instance of a material weakness was disclosed during the audit of the financial statements of Global Academy. See accompanying Finding 2012-01.

3. No instances of noncompliance material to the financial statements of Global Academy were disclosed during the audit.

4. One significant deficiency was disclosed during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for Global Academy expresses an unqualified opinion.

6. The audit disclosed one finding, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

7. The programs tested as major programs included:

Child Nutrition Cluster:	
School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Title I Cluster:	
ESEA Title I Grants to Local Educational Agencies	CFDA #84.010

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Global Academy was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

See accompanying Finding 2012-01

C. FINDINGS – FINANCIAL STATEMENT AUDIT

2012-01 MATERIAL AUDIT ADJUSTMENTS

Condition: Audit adjustments were identified during the audit and the amounts were material to the financial statements.

Criteria: Material audit adjustments are considered to be a deficiency in internal control as defined by auditing standards.

Questioned Costs: None

Context: The School has informed us that they will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with GAAP. Management will review and approve those entries prior to recording them.

Effect: By not having such controls there is an increased risk that financial statement misstatements may occur.

Cause: Unknown, however, the School's year end closing process did not timely identify all needed adjustments.

Recommendation: We recommend that the School continue efforts to improve its year end closing process to eliminate or at least reduce the number of needed adjustments.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The School will review prior year journal entries to determine training needs with the intent to perform all journal entries within a two-year period.

Official Responsible for Corrective Action:
Helen Fisk, Executive Director, is the official responsible for ensuring completion of the corrective action.

Planned Completion Date for CAP:
The planned completion date is June 30, 2013.

Plan to Monitor Completion of CAP:
The Board of Education will be monitoring this corrective action plan.

D. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2012-02

Significant Deficiency – Child Nutrition Cluster (CFDA 10.553, 10.555)

Criteria: Eligibility of students for free or reduced lunches is determined by using income guidelines and household sizes. Information regarding income and household size is taken from applications turned in by students.

Condition: Out of the forty students we tested from the list of students participating in the Free and Reduced Meal program, two students were given reduced price lunches when they should have been given free lunches.

Cause: The School incorrectly calculated the students' eligibility.

Effect: The students in question were incorrectly classified as receiving reduced prices on school lunches throughout the year when they should have been classified as receiving them for free.

Recommendation: We recommend that the School implement procedures to ensure that all students' eligibilities are correctly determined.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The School will begin establishing controls to ensure that all students' statuses are correct.

Official Responsible for Ensuring CAP:
Helen Fisk, Executive Director, is the official responsible for ensuring completion of the corrective action.

Planned Completion Date for CAP:
The planned completion date is June 30, 2013.

Plan to Monitor Completion of CAP:
The Board of Education will be monitoring this corrective action plan.

E. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None.