



Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)
W/L# 0133

Belle Isle, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

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Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)
W/L# 0133
5903 Randolph Avenue
Belle Isle, FL 32809

2018-2019

BOARD OF DIRECTORS

William G. "Bill" Brooks, Board Chair
Caroline Landt, Vice-Chair
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Dr. Keith Van Dyke, Secretary
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Cheryl Colpitts, Treasurer
Dr. Shavan Vyas, Director
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SCHOOL ADMINISTRATION

Dr. Renee Pancoast, Principal

BOARD COUNSEL

Gayle Owens



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cornerstone Charter Academy
Belle Isle, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cornerstone Charter Academy (the "School"), a charter school under City of Belle Isle Charter Schools, Inc., as of, and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the School'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Cornerstone Charter Academy as of June 30, 2019, 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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Cornerstone Charter Academy as of June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of City of Belle Isle Charter Schools, Inc. These financial statements do not purport to and do not present fairly the financial position of City of Belle Isle Charter Schools, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 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* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2019

Management's Discussion and Analysis
Cornerstone Charter Academy
June 30, 2019

The corporate officers of Cornerstone Charter Academy have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2019.

Financial Highlights

1. The net position of the school at June 30, 2019 was \$5,702,082.
2. At year-end, the School had current assets on hand of \$4,006,325.
3. The School had an increase in net position of \$617,810 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was \$3,509,529.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's special purpose financial statements. The School's financial statements for the year ended June 30, 2019 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the special purpose financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows, liabilities and deferred in-flows. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 – 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was \$5,702,082 at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 is as follows:

	2019	2018
Cash and cash equivalents	\$ 15,998	\$ 11,154
Investments	3,807,000	2,922,760
Due from affiliate	47,439	-
Due from other agencies	39,137	15,419
Prepaid expenses and other assets	96,751	205,346
Capital Assets, net	<u>2,231,393</u>	<u>2,288,907</u>
Total Assets	<u>6,237,718</u>	<u>5,443,586</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Due to fiduciary fund	-	30,846
Accounts payable and accrued liabilities	392,756	261,383
Notes payable - long term	<u>142,880</u>	<u>67,085</u>
Total Liabilities	<u>535,636</u>	<u>359,314</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	2,088,513	2,221,822
Unrestricted	<u>3,613,569</u>	<u>2,862,450</u>
Total Net Position	<u>\$ 5,702,082</u>	<u>\$ 5,084,272</u>

At the end of the year, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
REVENUES		
Program Revenues		
Capital Grants and Contributions	\$ 598,309	\$ 577,678
Operating Grants and Contributions	152,730	134,093
Lunch Program and after care program	60,476	55,182
Charges for Services	207,983	193,254
General Revenues		
Local Sources (FTE and other non specific)	7,450,318	7,099,341
Other Revenues	134,601	56,602
Total Revenues	<u>\$ 8,604,417</u>	<u>\$ 8,116,150</u>
EXPENSES		
Instruction	\$ 4,359,866	\$ 4,303,455
Student support services	114,919	45,960
Instructional staff training	5,771	14,388
Board	21,390	29,515
School administration	733,973	731,708
Facilities acquisition and construction	61,272	64,265
Fiscal services	150,225	146,550
Food services	183,478	162,005
Central services	178,384	171,902
Operation of plant	1,479,977	1,193,870
Maintenance of plant	448,315	400,720
Administrative technology services	75,104	87,242
Community Services	166,473	161,182
Interest expense	7,460	3,091
Total Expenses	<u>7,986,607</u>	<u>7,515,853</u>
Increase in Net Position	617,810	600,297
Net Position at Beginning of Year	5,084,272	4,483,975
Net Position at End of Year	<u>\$ 5,702,082</u>	<u>\$ 5,084,272</u>

The School's revenues and expenses increased by \$488,267 and \$470,754 respectively in the current year. The School had an increase in its net position of \$617,810 for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

School Location and Lease of Facility

The School leases a facility located at 5903 Randolph Avenue, Belle, Isle, Florida, 32809

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$3,606,280. The fund balance unassigned and available for spending at the School's discretion is \$3,509,529. These funds will be available for the School's future operations.

Achievements

In 2019, Cornerstone Charter Academy successfully completed its 9th year of operations, serving 1,001 students in grades K-8. The school earned a letter grade of "A" for the 6th consecutive year, ranking among the highest performing public elementary schools in Orange County.

The mission of the Cornerstone Charter Academy is to provide a college preparatory educational environment with a curricular emphasis on biotechnology and life sciences that furthers the philosophy of respect and high expectations for all, enabling students to become confident, self-directed, and responsible life-long learners.

At CCA, students are academically challenged. Teachers use differentiated instruction and highly individualized learning so that every student will maximize their social-emotional and academic potential. CCA provides a rigorous curriculum that prepares students for college with the following academic opportunities:

- Gifted programs.
- Honors and Pre-Advanced Placement Program in Middle School with the opportunity to take High School credit starting in 7th grade.
- Robust arts program that enhances the academic experiences
- Project Lead the Way program - Biomedical Sciences Program & Gateway to Technology: The school is entering into its 7th year of Project Lead the Way's Gateway to Technology. 6th grade students are taking Design & Modeling, while the 7th and 8th grade students are taking Medical Detectives.
- K-5 Launch Program: Kindergarten - Structure & Function. First Grade - Sun, Moon, & Stars Second Grade - Materials Science, Matter. Third Grade - Simple & Compound Machines Fourth Grade - Forces and Motion. Fifth Grade - Infection Detection, Biomed

Cornerstone is accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI).

Capital Assets

The School's investment in capital assets as of June 30, 2019 amounts to \$2,231,393 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. The School had approximately \$143,000 in outstanding debt associated to capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 495,000	\$ 487,728	\$ 598,309
Federal sources	120,000	127,585	152,730
Lunch program fees	70,000	80,000	60,476
General Revenues			
FTE nonspecific revenues	7,189,786	7,560,417	7,450,318
Charges and other revenues	275,328	341,411	342,584
Total Revenues	<u>\$ 8,150,114</u>	<u>\$ 8,597,141</u>	<u>\$ 8,604,417</u>
CURRENT EXPENDITURES			
Instruction	\$ 4,074,284	\$ 3,899,192	\$ 3,905,809
Student support services	103,538	115,177	114,919
Instructional staff training	8,000	7,500	5,771
Board	30,500	26,917	21,390
School administration	722,229	737,361	733,973
Fiscal services	148,500	150,225	150,225
Food services	190,000	182,987	181,195
Central services	178,500	178,500	178,384
Operation of plant	1,386,592	1,426,953	1,370,953
Maintenance of plant	383,500	335,000	333,570
Administrative technology services	78,640	76,959	75,104
Community Services	165,000	167,400	166,473
Total Current Expenditures	<u>\$ 7,469,283</u>	<u>\$ 7,304,171</u>	<u>\$ 7,237,766</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida, 33143.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Net Position
June 30, 2019

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 15,998
Investments	3,807,000
Due from affiliate	47,439
Due from other agencies	39,137
Prepaid expenses and other assets	96,751
	<u>4,006,325</u>
Capital assets, non-depreciable	209,118
Capital assets, depreciable	5,697,445
Less: accumulated depreciation	<u>(3,675,170)</u>
	<u>2,231,393</u>
Total Assets	<u>6,237,718</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	392,756
Current portion of long term debt	67,087
Total Liabilities	<u>459,843</u>
Notes payable - long term	75,793
Total Liabilities	535,636
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net investment in capital assets	2,088,513
Unrestricted	3,613,569
Total Net Position	<u>\$ 5,702,082</u>

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Activities
For the year ended June 30, 2019

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,359,866	\$ -	\$ 24,722	\$ -	\$ (4,335,144)
Student support services	114,919	-	-	-	(114,919)
Instructional staff training	5,771	-	-	-	(5,771)
Board	21,390	-	-	-	(21,390)
School administration	733,973	-	-	-	(733,973)
Facilities acquisition and construction	61,272	-	-	-	(61,272)
Fiscal services	150,225	-	-	-	(150,225)
Food services	183,478	60,476	128,008	-	5,006
Central services	178,384	-	-	-	(178,384)
Operation of plant	1,479,977	-	-	598,309	(881,668)
Maintenance of plant	448,315	-	-	-	(448,315)
Administrative technology services	75,104	-	-	-	(75,104)
Community Services	166,473	207,983	-	-	41,510
Interest expense	7,460	-	-	-	(7,460)
Total governmental activities	7,986,607	268,459	152,730	598,309	(6,967,109)
General revenues:					
FTE and other nonspecific revenues					7,450,318
Other revenue					<u>134,601</u>
Change in net position					617,810
Net position, beginning					<u>5,084,272</u>
Net position, ending					<u>\$ 5,702,082</u>

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 8,709	\$ 7,289	\$ 15,998
Investments	3,807,000	-	3,807,000
Due from affiliate	47,439	-	47,439
Due from other agencies	-	39,137	39,137
Due from fund	39,137	-	39,137
Prepaid expenses and other assets	96,751	-	96,751
Total Assets	<u>3,999,036</u>	<u>46,426</u>	<u>4,045,462</u>
<u>Deferred Outflows of Resources</u>			
	-	-	-
<u>Liabilities</u>			
Accounts payable and accrued liabilities	392,756	-	392,756
Due to fund	-	39,137	39,137
Total Liabilities	<u>392,756</u>	<u>39,137</u>	<u>431,893</u>
<u>Deferred Inflows of Resources</u>			
	-	-	-
<u>Fund balance</u>			
Nonspendable, not in spendable form	96,751	-	96,751
Assigned	-	7,289	7,289
Unassigned	3,509,529	-	3,509,529
	<u>3,606,280</u>	<u>7,289</u>	<u>3,613,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,999,036</u>	<u>\$ 46,426</u>	<u>\$ 4,045,462</u>

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds \$ 3,613,569

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$5,906,563 net of accumulated depreciation of \$3,675,170 used in governmental activities are not financial resources and therefore are not reported in the fund. 2,231,393

Notes payable in governmental activities are not due and payable in the current period and therefore, is not reported in the governmental funds. (142,880)

Total Net Position - Governmental Activities \$ 5,702,082

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 598,309	\$ 598,309
State passed through local	7,450,318	-	7,450,318
Federal lunch program	-	128,008	128,008
Lunch program fees	-	60,476	60,476
Charges for services and other revenues	342,584	-	342,584
Total Revenues	7,792,902	811,515	8,604,417
Expenditures:			
Current			
Instruction	3,881,087	24,722	3,905,809
Student support services	114,919	-	114,919
Instructional staff training	5,771	-	5,771
Board	21,390	-	21,390
School administration	733,973	-	733,973
Fiscal services	150,225	-	150,225
Food services	-	181,195	181,195
Central services	178,384	-	178,384
Operation of plant	772,644	598,309	1,370,953
Maintenance of plant	333,570	-	333,570
Administrative technology services	75,104	-	75,104
Community Services	166,473	-	166,473
Capital Outlay:			
Other capital outlay	580,418	-	580,418
Debt Service			
Interest	-	7,460	7,460
Repayment of principal	-	27,654	27,654
Total Expenditures	7,013,958	839,340	7,853,298
Excess (deficit) of revenues over expenditures	778,944	(27,825)	751,119
Other financing sources (uses)			
Transfers in (out)	(35,114)	35,114	-
Net change in fund balance	743,830	7,289	751,119
Fund Balance at beginning of year	2,862,450	-	2,862,450
Fund Balance at end of year	\$ 3,606,280	\$ 7,289	\$ 3,613,569

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2019

Net Change in Fund Balance - Governmental Funds \$ 751,119

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$585,860 exceeded depreciation expense of \$741,381. (160,963)

Increase in notes payable is revenue in the governmental funds, but a decrease or repayment of such payables reduces liabilities in the statement of net position. This is the amount by which repayments of \$27,654 exceeded increases in notes payable of \$0 in the current period. 27,654

Change in Net Position of Governmental Activities \$ 617,810

The accompanying notes are an integral part of this financial statement.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Net Position - Fiduciary Funds
June 30, 2019

	<u>Agency funds</u>
<u>Assets</u>	
Cash	\$ 2,406
Investments	<u>126,000</u>
Total Assets	<u>128,406</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	128,406
Total Liabilities	<u>128,406</u>
<u>Deferred Inflows of Resources</u>	
	<u>-</u>
<u>Net Position</u>	
	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Cornerstone Charter Academy (the "School") is a Charter School located in Belle, Isle, Florida. The Schools' charter is sponsored by City of Belle Isle Charter Schools, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Cornerstone Charter Academy, which is composed of eight members and also governs other charter schools. The board of directors has determined that no component units exists that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Orange County, Florida (the "District"). The current charter expires on June 30, 2027 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School serves students from kindergarten through eighth grades and is funded by the District. These financial statements are for the year ended June 30, 2019, when on average 1,001 students were enrolled in the School.

Upon inception, City of Belle Isle Charter Schools, Inc. entered into an Affiliate Cooperation Agreement with Somerset Academy, Inc., where both entities shall be affiliated not-for-profit corporations and where the School became a member of the Somerset Academy School District, which is accredited by the Southern Association of Colleges and Schools. As a member of such district, the School will adopt the district's best practices and implement its standards, strategies, policies and procedures. This agreement may be terminated at any time upon thirty-day written notice to the other party.

Basis of presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

Note 1 – Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures. The school reports the following major governmental funds with all other non-major funds aggregated in a single column:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Additionally, the School reports separately the following fiduciary fund types:

Agency Fund – Schools internal funds accounts for resources of the schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full 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.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 3).

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10-20 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. Employees may “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

Revenues for current operations are received primarily from State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Note 1 – Summary of Significant Accounting Policies (continued)

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net position and Fund balance classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a) Net investments in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.

Note 1 – Summary of Significant Accounting Policies (continued)

- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances at year end pertain to the National School Lunch Program.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted and assigned fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as unassigned fund balances. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes

City of Belle Isle Charter Schools, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2019, which is the date the financial statements were available to be issued.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)
Notes to Financial Statements
June 30, 2019

Note 2 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2019:

	Balance 07/01/18	Additions	Reclassification/ Retirements	Balance 06/30/19
Capital Assets: Non-depreciable				
Land	\$ 209,118	\$ -	\$ -	\$ 209,118
Capital Assets: Depreciable				
Leasehold improvements	1,968,565	104,613	-	2,073,178
Computer software and hardware	1,216,048	249,638	-	1,465,686
Furniture, equipment and textbooks	1,828,965	226,167	103,449	2,158,581
Total Capital Assets	<u>5,222,696</u>	<u>580,418</u>	<u>103,449</u>	<u>5,906,563</u>
Less Accumulated Depreciation:				
Leasehold improvements	(810,140)	(266,309)	-	(1,076,449)
Computer software and hardware	(579,203)	(226,512)	-	(805,715)
Furniture, equipment and textbooks	(1,544,446)	(225,229)	(23,331)	(1,793,006)
Total Accumulated Depreciation	<u>(2,933,789)</u>	<u>(718,050)</u>	<u>(23,331)</u>	<u>(3,675,170)</u>
Capital Assets, net	<u>\$ 2,288,907</u>	<u>\$ (137,632)</u>	<u>\$ 80,118</u>	<u>2,231,393</u>

For the fiscal year ended June 30, 2019, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	454,057
Facilities acquisition		61,272
Food service		2,283
Operation of plant		109,024
Maintenance of Plant		114,745
Total Depreciation Expense	<u>\$</u>	<u>741,381</u>

Note 3 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2019, the School's deposits consisted of cash balances of \$12,014.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under City of Belle Isle Charter Schools, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of City of Belle Isle Charter Schools, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2019, bank balances in potential excess of FDIC coverage totaled \$19,560; including fiduciary account bank balances.

Note 3 – Cash, Cash Equivalents and Investments (continued)

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$3,430,000 valued using Level 2 inputs (including fiduciary account).

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of July 31, 2019, maturities of the fund's portfolio holdings are approximately 81% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2019, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting, and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with City of Belle Isle Charter Schools, Inc. for a period of five years, through June 30, 2024, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred \$450,675, in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

During 2019, the School incurred approximately \$23,017 in virtual fees paid to Academica International Studies and Academica Virtual Education, affiliates of the education service and support provider.

Note 5 – Transactions with other Divisions of City of Belle Isle Charter Schools, Inc.

During 2019, the School shared its facility with Cornerstone Charter High School (another charter school under City of Belle Isle Charter Schools, Inc.). Through the board, management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses based on student enrollment and usage of facilities and staff to this school. Revenues and expenses related to the lunch program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. In addition, Cornerstone Charter High School's student activities account is recorded in the School's books.

Note 6 – Commitments, Contingencies and Concentrations

On October 1, 2012 the City of Belle Isle Charter Schools, Inc. entered into a lease agreement with the City of Belle Isle, Florida for the School's facility which is shared with Cornerstone Charter Academy (a charter school under City of Belle Isle Charter Schools, Inc.). The lease commencement date is October 25, 2012 and terminates on July 31, 2043. Under this agreement, the annual minimum rent payment is \$700 per student enrolled in the School. At minimum, the School is obligated to pay all amounts sufficient to pay all sinking fund installments and other principal payments with respect to the series 2012 Bonds, and to pay interest on such bonds when due. All payments are made directly to the Trustee for the benefit of the landlord pursuant to the terms of the Indenture to the extent that charter school revenues are sufficient for such purposes. All of the School's interest in the facilities, building, fixture, equipment and revenues are pledged to secure payment of the bond. The maximum amount the School may be required to pay as a guarantor is \$9,625,000 (original bond issue) plus any accrued interest.

Rent expense for 2019 was allocated based on enrollment for both schools and was approximately 69% to the School and 31% to the High School. Payments on the lease during 2019 totaled \$700,196.

Note 6 – Commitments, Contingencies and Concentrations (continued)

The School must also meet certain requirements and covenants under the lease agreement including maintaining a “Debt Service Coverage Ratio” of at least 1.20 and maintaining 45 days cash and unrestricted available funds on hand.

Estimated future minimum base rent payments for the full lease are as follows:

Year		
2020	\$	697,958
2021	\$	697,755
2022	\$	698,076
2023	\$	697,489
2024	\$	695,912
2025-2029	\$	3,483,371 For a five year period
2030-2034	\$	3,477,767 For a five year period
2035-2039	\$	3,482,240 For a five year period
2040-2043	\$	3,006,025 For a four year period

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% (or 2% if the school is high performing) of the qualifying revenues of the School and up to and including 250 students. For the year ended June 30, 2019, administrative fees withheld by the School District totaled \$36,949.

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)
Notes to Financial Statements
June 30, 2019

Note 7 - Notes Payable

The School obtained the following equipment loans:

Notes Payable	Interest Rate	Maturity Date	Balance as of June 30, 2019
\$165,920 loan for lighting*	3.95%	September 5, 2021	\$ 103,449
\$146,000 loan to acquire equipment	5.55%	August 11, 2020	\$ 39,431
Total			\$ 142,880

**Total original balance of \$244,000 is split between the School (68%) and Cornerstone Charter High School (32%) based on FTE.*

The School's debt agreements contain various covenants, restrictions and financial test requirements. In the event of default, the maturity can be accelerated and / or the underlying collateral may be forfeited.

The following schedule provides a summary of changes in notes payable for the year ended June 30, 2019:

	Balance 07/01/18	Advances	Repayments	Balance 06/30/19
Notes payable	\$ 170,534	\$ -	\$ (27,654)	\$ 142,880
Total Notes Payable	\$ 170,534	\$ -	\$ (27,654)	\$ 142,880

Future maturities of the notes payable are as follows:

Year	Principal	Interest
2020	\$ 67,087	\$ 5,092
2021	39,941	2,856
2022	35,852	1,442
Total	\$ 142,880	\$ 9,390

Note 8– Inter-fund Transfers

Inter-fund transfers in governmental funds as of June 30, 2019 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund
To fund Debt Service Fund for principal and interest payments	\$ (35,114)	\$ 35,114	\$ -
Total Transfers, net	<u>\$ (35,114)</u>	<u>\$ 35,114</u>	<u>\$ -</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 39,137	\$ -	\$ (39,137)
Total Due from/(Due to)	<u>\$ 39,137</u>	<u>\$ -</u>	<u>\$ (39,137)</u>

Note 9– Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource Group, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 10 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$63,840 for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Cornerstone Charter Academy
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 7,189,786	\$ 7,560,417	\$ 7,450,318
Charges for services	275,328	341,411	342,584
Total Revenues	<u>7,465,114</u>	<u>7,901,828</u>	<u>7,792,902</u>
EXPENDITURES			
Current:			
Instruction	4,074,284	3,899,192	3,881,087
Student support services	103,538	115,177	114,919
Instructional staff training	8,000	7,500	5,771
Board	30,500	26,917	21,390
School administration	722,229	737,361	733,973
Fiscal services	148,500	150,225	150,225
Central services	178,500	178,500	178,384
Operation of plant	891,592	839,225	772,644
Maintenance of plant	383,500	335,000	333,570
Administrative technology services	78,640	76,959	75,104
Community Services	165,000	167,400	166,473
Total Current Expenditures	<u>6,784,283</u>	<u>6,533,456</u>	<u>6,433,540</u>
Excess of Revenues			
Over Current Expenditures	<u>680,831</u>	<u>1,368,372</u>	<u>1,359,362</u>
Capital Outlay	<u>410,000</u>	<u>590,000</u>	<u>580,418</u>
Total Capital Outlay	<u>410,000</u>	<u>590,000</u>	<u>580,418</u>
Total Expenditures	<u>7,194,283</u>	<u>7,123,456</u>	<u>7,013,958</u>
Excess of Revenues Over Expenditures	270,831	778,372	778,944
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>(29,672)</u>	<u>(35,114)</u>
Net change in fund balance	270,831	748,700	743,830
Fund Balance at beginning of year	<u>2,862,450</u>	<u>2,862,450</u>	<u>2,862,450</u>
Fund Balance at end of year	<u>\$ 3,133,281</u>	<u>\$ 3,611,150</u>	<u>\$ 3,606,280</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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*

To the Board of Directors of
Cornerstone Charter Academy
Belle Isle, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cornerstone Charter Academy (the “School”) as of, and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated, September 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued a separate management letter dated September 30, 2019 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2019



MANAGEMENT LETTER

To the Board of Directors of
Cornerstone Charter Academy
Belle Isle, Florida

Report on the Financial Statements

We have audited the financial statements of Cornerstone Charter Academy as of and for the year ended June 30, 2019 and have issued our report thereon dated September 30, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Cornerstone Charter Academy, (W/L#0133).

Financial Condition and Management

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Cornerstone Charter Academy0133 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Cornerstone Charter Academy0133 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Cornerstone Charter Academy. It is management's responsibility to monitor Cornerstone Charter Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation:

ML – 19-01 CAPITAL ASSETS

Criteria: The School is required to maintain an inventory of capital assets purchased with public funds in accordance with local, state or federal regulations.

Condition: We noted that the School does not have a formal process for reconciling the capital assets inventory report to the capital assets of the Schools trial balance.

Cause: The condition results from school personnel not consistently performing an inventory of all fixed assets and reconciling to the Schools trial balance.

Effect: Failure to perform the procedures mentioned above could result in a misstated Annual Property Inventory.

**Recom-
mendation:** We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.

**Views of-
Responsible
Officials:** Management will adhere to auditor's recommendation. The ESSP is assisting the schools with identifying the proper support to ensure schools are in full compliance with inventory requirements.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Cornerstone Charter Academy maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In Connection with our audit, we determined that Cornerstone Charter Academy maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, require us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Orange County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "HLB Gravier, CPA". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2019