



Cornerstone Charter High School  
(A charter school under City of Belle Isle Charter Schools, Inc.)  
W/L #0146

Belle Isle, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2019

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Cornerstone Charter High School  
(A charter school under City of Belle Isle Charter Schools, Inc.)  
W/L #0146  
5903 Randolph Avenue  
Belle Isle, FL 32809

2018-2019

BOARD OF DIRECTORS

William G. "Bill" Brooks, Board Chair  
Caroline Landt, Vice-Chair  
Larry Ady, Director  
Dr. Keith Van Dyke, Secretary  
Karl Shuck, Director  
Cheryl Colpitts, Treasurer  
Dr. Shavan Vyas, Director  
Mayor Lydia Pisano, Director

SCHOOL ADMINISTRATION

Dr. Renee Pancoast, Principal

BOARD COUNSEL

Gayle Owens



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Cornerstone Charter High School  
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 High School (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 High School as 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 High School 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 28 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 High School  
June 30, 2019

The corporate officers of Cornerstone Charter High School 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 as of June 30, 2019 was \$1,875,572.
2. At year-end, the School had current assets on hand of \$1,710,794.
3. The School had an increase in net position of \$179,496 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was \$1,421,314.

**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 of resources, liabilities and deferred inflows of resources. 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 special purpose governmental fund financial statements can be found on pages 11 – 14 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 15 - 27 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 \$1,875,572 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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 229	\$ 6,146
Investments	1,644,000	1,277,915
Due from other agencies	18,699	6,430
Prepaid expenses and other current assets	47,866	83,055
Capital Assets, net	<u>442,232</u>	<u>401,625</u>
<b>Total Assets</b>	<u>2,153,026</u>	<u>1,775,171</u>
<b>Deferred outflows of resources</b>	<u>-</u>	<u>-</u>
Accounts payable	50,733	-
Salaries and wages payable	130,600	79,095
Due to Other Divisions of City of Belle Isle Charter Schools, Inc.	47,439	-
Note Payable - long term	<u>48,682</u>	<u>-</u>
<b>Total Liabilities</b>	<u>228,772</u>	<u>79,095</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets	393,550	401,625
Unrestricted	<u>1,482,022</u>	<u>1,294,451</u>
<b>Total Net Position</b>	<u>\$ 1,875,572</u>	<u>\$ 1,696,076</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 year ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Program Revenues		
Capital Grants and Contributions	\$ 253,030	\$ 234,656
Federal sources	11,025	-
Lunch Program	60,239	62,037
General Revenues		
Local Sources (FTE and other non specific)	3,357,839	3,092,811
Other Revenues	69,090	41,298
<b>Total Revenues</b>	<u>\$ 3,751,223</u>	<u>\$ 3,430,802</u>
<b>EXPENSES</b>		
Instruction	\$ 2,013,432	\$ 1,732,227
Student support services	139,733	42,665
Instructional staff training	1,772	5,526
Board	12,907	14,035
School administration	350,783	363,410
Facilities acquisition and construction	21,833	30,633
Fiscal services	71,175	67,800
Food services	85,439	75,331
Central services	77,646	89,820
Operation of plant	665,124	563,296
Maintenance of plant	91,517	163,854
Administrative technology services	37,805	16,047
Interest	2,561	-
<b>Total Expenses</b>	<u>3,571,727</u>	<u>3,164,644</u>
Increase in Net Position	179,496	266,158
Net Position at Beginning of Year	1,696,076	1,429,918
Net Position at End of Year	<u>\$ 1,875,572</u>	<u>\$ 1,696,076</u>

The School's revenue increased by \$320,421 in the current year and expenses increased by \$407,083 as a result of an increase in student enrollment. The School had an increase in its net position of \$179,496 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.

### **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 \$1,469,180. The fund balance unassigned and available for spending at the School's discretion is \$1,421,314. These funds will be available for the School's future operations.

### **Achievements**

In 2019, Cornerstone Charter Academy High School (CCAHS) completed its eighth year of operations, and increased enrollment to 459 students in grades 9-12. The school earned a letter grade of "A" under the State of Florida Accountability Program, ranking among the top public high schools in Orange County.

The mission of the Cornerstone Charter Academy High School 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.

Teachers at CCAHS use differentiated instruction and highly individualized learning so that every student will maximize their social-emotional and academic potential. The school provides students with a rigorous curriculum that prepares students for college and career with the following academic opportunities:

- Gifted programs
- Advanced Placement courses
- Early college through Dual Enrollment in college courses
- The opportunity to complete two years of college prior to high school graduation
- Robust arts program that enhances the academic experiences
- Extensive K-12 Project Lead the Way program: Cornerstone is in its 8th year of implementation of the Project Lead the Way, Biomedical Sciences Program

This past year, students also participated in sports such as Football, Cheerleading, Basketball, Baseball, Softball, and Volleyball, as well as extracurricular programs including Student Council, Journalism Club, Art Club, Drama Club, and the PLTW (Project Lead the Way) Biomedical Sciences Program.

The mission of the Cornerstone Charter Academy High School 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. Cornerstone is a member of the Florida High School Athletic Association (FHSAA) and provides a comprehensive athletic program. Dual enrollment courses are also offered to students through Valencia College, and the developing STEM Academy offers students a challenging curriculum in Science, Technology, Engineering, and Mathematics. Cornerstone is fully accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI).

### **School Location and Lease of Facility**

The School leases a facility located 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.

### Capital Assets

The School's investment in capital assets as of June 30, 2019 amounts to \$442,232 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. The School has \$48,682 of 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
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 251,000	\$ 230,133	\$ 253,030
Federal sources	11,000	11,000	11,025
Lunch program	55,000	59,300	60,239
General Revenues			
FTE nonspecific revenues	3,470,498	3,385,149	3,357,839
Charges and other revenues	49,500	70,918	69,090
Total Revenues	<u>3,836,998</u>	<u>3,756,500</u>	<u>3,751,223</u>
<b>CURRENT EXPENDITURES</b>			
Instruction	1,907,427	1,927,247	1,923,220
Student support services	133,302	139,767	139,733
Instructional staff training	3,000	3,000	1,772
Board	20,000	13,416	12,907
School administration	440,630	355,150	348,767
Fiscal services	75,300	71,175	71,175
Food services	88,500	85,840	85,268
Central services	92,300	78,175	77,646
Operation of plant	738,767	606,788	606,030
Maintenance of plant	65,000	68,716	67,904
Administrative technology services	39,876	39,724	37,805
Interest	3,000	2,700	2,561
Total Current Expenditures	<u>\$ 3,607,102</u>	<u>\$ 3,391,698</u>	<u>\$ 3,374,788</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 High School  
(A charter school under City of Belle Isle Charter Schools, Inc.)

Statement of Net Position  
June 30, 2019

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<b><u>Assets</u></b>	<b>Governmental Activities</b>
Current assets:	
Cash and cash equivalents	\$ 229
Investments	1,644,000
Due from other agencies	18,699
Prepaid expenses and other current assets	47,866
	<hr/> 1,710,794
Capital assets, depreciable	1,594,704
Less: accumulated depreciation	(1,152,472)
	<hr/> 442,232
	<hr/>
Total Assets	<hr/> 2,153,026
	<hr/>
<b><u>Deferred Outflows of Resources</u></b>	<hr/> -
	<hr/>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	50,733
Salaries and wages payable	130,600
Due to Other Divisions of City of Belle Isle Charter Schools, Inc.	47,439
Current portion of long term debt	15,592
	<hr/> 33,090
Note Payable - long term	33,090
Total Liabilities	<hr/> 277,454
	<hr/>
<b><u>Deferred Inflows of Resources</u></b>	<hr/> -
	<hr/>
<b><u>Net Position</u></b>	
Net investment in capital assets	393,550
Unrestricted	1,482,022
Total Net Position	<hr/> \$ 1,875,572

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

Cornerstone Charter High School  
(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	
<b>Governmental activities:</b>					
Instruction	\$ 2,013,432	\$ -	\$ 11,025	\$ -	\$ (2,002,407)
Student support services	139,733	-	-	-	(139,733)
Instructional staff training	1,772	-	-	-	(1,772)
Board	12,907	-	-	-	(12,907)
School administration	350,783	-	-	-	(350,783)
Facilities acquisition and construction	21,833	-	-	-	(21,833)
Fiscal services	71,175	-	-	-	(71,175)
Food services	85,439	37,871	60,239	-	12,671
Central services	77,646	-	-	-	(77,646)
Operation of plant	665,124	-	-	253,030	(412,094)
Maintenance of plant	91,517	-	-	-	(91,517)
Administrative technology services	37,805	-	-	-	(37,805)
Interest	2,561	-	-	-	(2,561)
<b>Total governmental activities</b>	<b>3,571,727</b>	<b>37,871</b>	<b>71,264</b>	<b>253,030</b>	<b>(3,209,562)</b>
General revenues:					
FTE nonspecific revenues					3,357,839
Other revenue					31,219
Change in net position					179,496
Net position , beginning					1,696,076
Net position, ending					<u>\$ 1,875,572</u>

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

Cornerstone Charter High School  
(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
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 229	\$ -	\$ 229
Investments	1,644,000	-	1,644,000
Due from other agencies	-	18,699	18,699
Due from fund	18,699	12,842	31,541
Prepaid expenses	47,866	-	47,866
Total Assets	<u>1,710,794</u>	<u>31,541</u>	<u>1,742,335</u>
<b><u>Deferred Outflows of Resources</u></b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>			
Salaries and wages payable	130,600	-	130,600
Due to Other Divisions of City of Belle Isle Charter Schools, Inc.	47,439	-	47,439
Accounts payable	50,733	-	50,733
Due to fund	12,842	18,699	31,541
Total Liabilities	<u>241,614</u>	<u>18,699</u>	<u>260,313</u>
<b><u>Deferred Inflows of Resources</u></b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	47,866	-	47,866
Assigned	-	12,842	12,842
Unassigned	1,421,314	-	1,421,314
	<u>1,469,180</u>	<u>12,842</u>	<u>1,482,022</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,710,794</u>	<u>\$ 31,541</u>	<u>\$ 1,742,335</u>

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

Cornerstone Charter High School  
(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

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Total Fund Balance - Governmental Funds \$ 1,482,022

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

Capital assets of \$1,594,704 net of accumulated depreciation of \$1,152,472 used in governmental activities are not financial resources and therefore are not reported in the fund. 442,232

Long term liabilities of \$48,682 were not due and payable in the current period and, therefore, are not reported in the fund financial statements (48,682)

Total Net Position - Governmental Activities \$ 1,875,572

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

Cornerstone Charter High School  
(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	\$ -	\$ 253,030	\$ 253,030
State passed through local	3,357,839	-	3,357,839
Federal sources	-	11,025	11,025
Lunch program	-	60,239	60,239
Charges and other revenue	31,219	37,871	69,090
<b>Total Revenues</b>	<b>3,389,058</b>	<b>362,165</b>	<b>3,751,223</b>
Expenditures:			
Current			
Instruction	1,912,195	11,025	1,923,220
Student support services	139,733	-	139,733
Instructional staff training	1,772	-	1,772
Board	12,907	-	12,907
School administration	348,767	-	348,767
Fiscal services	71,175	-	71,175
Food services	-	85,268	85,268
Central services	77,646	-	77,646
Operation of plant	353,000	253,030	606,030
Maintenance of plant	67,904	-	67,904
Administrative technology services	37,805	-	37,805
Interest	-	2,561	2,561
Capital Outlay:			
Other capital outlay	188,864	-	188,864
<b>Total Expenditures</b>	<b>3,211,768</b>	<b>351,884</b>	<b>3,563,652</b>
Excess (deficit) of revenues over expenditures	177,290	10,281	187,571
Other financing sources (uses)			
Transfers in (out)	(2,561)	2,561	-
Net change in fund balance	174,729	12,842	187,571
Fund Balance at beginning of year	1,294,451	-	1,294,451
Fund Balance at end of year	<b>\$ 1,469,180</b>	<b>\$ 12,842</b>	<b>\$ 1,482,022</b>

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

Cornerstone Charter High School  
(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

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Net Change in Fund Balance - Governmental Funds \$ 187,571

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 \$188,864 differed from depreciation expense of \$196,939.

(8,075)

Change in Net Position of Governmental Activities \$ 179,496

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



## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Cornerstone Charter High School (the "School"), is a charter school located in Belle Isle, Florida. The Schools charter is held 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 City of Belle Isle Charter Schools, Inc., 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 ninth through twelfth grades and is funded by the District. These financial statements are for the year ended June 30, 2019, when on average 459 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

##### *Government-wide 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 funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, 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.

#### 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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.

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).

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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 the 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.

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.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Net position and Fund balance classifications

*Government-wide financial statements*

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

- a) Net investment 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 fund 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.
- 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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

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**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, depreciable:				
Building and improvements	\$ 463,554	\$ 19,099	\$ -	\$ 482,653
Furniture and equipment	593,011	161,345	48,682	803,038
Computer equipment	300,593	8,420	-	309,013
Total Capital Assets	<u>1,357,158</u>	<u>188,864</u>	<u>48,682</u>	<u>1,594,704</u>
Less Accumulated Depreciation:				
Building and improvements	(211,062)	(53,818)	-	(264,880)
Furniture and equipment	(557,647)	(106,690)	-	(664,337)
Computer equipment	(186,824)	(25,452)	(10,979)	(223,255)
Total Accumulated Depreciation	<u>(955,533)</u>	<u>(185,960)</u>	<u>(10,979)</u>	<u>(1,152,472)</u>
Capital Assets, net	<u>\$ 401,625</u>	<u>\$ 2,904</u>	<u>\$ 37,703</u>	<u>\$ 442,232</u>

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

Instruction	\$	90,212
School administration		2,016
Facilities acquisition		21,833
Food services		171
Operation of plant		59,094
Maintenance of Plant		23,613
Total Depreciation Expense	<u>\$</u>	<u>196,939</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 \$1,023.

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 \$1,023.



### **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 \$1,760,000 valued using Level 2 inputs.

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 and 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 \$213,525 in fees.

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

During 2019, the school incurred approximately \$97,199 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 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, the School's student activities account is recorded in the books of Cornerstone Charter School.

**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.

**Note 6 – Commitments, Contingencies and Concentrations (continued)**

Rent expense for 2019 was allocated based on enrollment for both schools and was approximately 32% to the School and 68% to the Cornerstone Charter Academy. Rent expense pertaining to the lease during 2019 totaled \$329,504 by the School.

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:

<u>Year</u>			
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% of the qualifying revenues of the School. For the year ended June 30, 2019, administrative fees withheld by the School District totaled \$34,459.

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

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**Note 7 – Note Payable**

Notes Payable	Interest Rate	Maturity Date	Balance as of June 30, 2019
\$48,682 loan for lighting*	3.95%	September 5, 2021	\$ 48,682
			<u>\$ 48,682</u>

\*Total original balance of \$244,000 is split between the School (32%) and Cornerstone Elementary (68%).

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	\$ 48,682	\$ -	\$ -	\$ 48,682
Total Notes Payable	<u>\$ 48,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,682</u>

Future maturities of the notes payable are as follows:

Year	Principal	Interest
2020	\$ 15,592	\$ 1,958
2021	16,219	1,331
2022	16,871	679
Total	<u>\$ 48,682</u>	<u>\$ 9,390</u>

**Note 8 – Inter-Fund Transfers**

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

	General Fund	Governmental Funds- Non Major
To fund debt service fund for principal and interest payments	\$ (2,561)	\$ 2,561
Total Transfers, net	<u>\$ (2,561)</u>	<u>\$ 2,561</u>
Due to General Fund from Non Major Governmental Funds for capital outlay	\$ 18,699	\$ (18,699)
Due to Non Major Governmental Funds from General Fund for lunch surplus	\$ (12,842)	\$ 12,842
Total Due from/(Due to)	<u>\$ 5,857</u>	<u>\$ (5,857)</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**

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 \$28,076 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 High School  
(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
<b>REVENUES</b>			
State passed through local	\$ 3,470,498	\$ 3,385,149	\$ 3,357,839
Charges and other revenue	13,000	30,678	31,219
Total Revenues	<u>3,483,498</u>	<u>3,415,827</u>	<u>3,389,058</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,896,427	1,916,247	1,912,195
Student support services	133,302	139,767	139,733
Instructional staff training	3,000	3,000	1,772
Board	20,000	13,416	12,907
School administration	440,630	355,150	348,767
Fiscal services	75,300	71,175	71,175
Central services	92,300	78,175	77,646
Operation of plant	487,767	365,655	353,000
Maintenance of plant	65,000	68,716	67,904
Administrative technology services	39,876	39,724	37,805
Total Current Expenditures	<u>3,253,602</u>	<u>3,051,025</u>	<u>3,022,904</u>
Excess of Revenues Over Current Expenditures	<u>229,896</u>	<u>364,802</u>	<u>366,154</u>
Capital Outlay	<u>166,509</u>	<u>220,000</u>	<u>188,864</u>
Total Expenditures	<u>3,420,111</u>	<u>3,271,025</u>	<u>3,211,768</u>
Excess of Revenues Over Expenditures	63,387	144,802	177,290
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(2,561)</u>
Net change in fund balance	63,387	144,802	174,729
Fund Balance at beginning of year	<u>1,294,451</u>	<u>1,294,451</u>	<u>1,294,451</u>
Fund Balance at end of year	<u>\$ 1,357,838</u>	<u>\$ 1,439,253</u>	<u>\$ 1,469,180</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*

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To the Board of Directors of  
Cornerstone Charter High School  
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 High School (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 28, 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

Board of Directors of  
Cornerstone Charter High School  
Belle Isle, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Cornerstone Charter High School 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 High School, (W/L#0146).

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## **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 High School0146 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 High School0146 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 High School. It is management's responsibility to monitor Cornerstone Charter High School'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 recommendations:

### **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 High School 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 High School 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 Grainger, CPA". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2019