

CORNERSTONE CHARTER ACADEMY
MIAMI, FLORIDA
(A Charter School Under Cornerstone Charter Academy,
Inc.)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2021

CORNERSTONE CHARTER ACADEMY
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2021

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CORNERSTONE CHARTER ACADEMY
(A Charter School Under Cornerstone Charter Academy, Inc.)

5903 Randolph Avenue
Belle Isle, FL 32809
(407) 608-7171

2020-2021

BOARD OF DIRECTORS

William G. “Bill” Brooks, Board Chair
Caroline Landt, Vice-Chair
Dr. Keith Van Dyke, Secretary
Marc Ady, Director
Charlyne Cross, Director
Dr. Shavan Vyas, Director
Ralph Armstead, Director
Mayor Nick Fouraker, Ex-Officio (Non-Voting)

SCHOOL ADMINISTRATION

Dr. Renee Pancoast, Principal

BOARD COUNSEL

Gayle Owens



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cornerstone Charter Academy
Belle Isle, Florida

Report on the Financial Statements

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 Cornerstone Charter Academy, Inc., as of, and for the year ended June 30, 2021, 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.

Auditor's 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. 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 the School, as of June 30, 2021, 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, 2021, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Cornerstone Charter Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Cornerstone Charter Academy, Inc. as of June 30, 2021 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 on pages 5 through 9 and budgetary comparison information on page 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 24, 2021, 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, and 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 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.

A handwritten signature in blue ink that reads "Verdeja De Armas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 24, 2021

Management's Discussion and Analysis

Cornerstone Charter Academy

June 30, 2021

The corporate officers of Cornerstone Charter Academy (the "School") have prepared this narrative overview and analysis of the School's financial activities for the year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

1. The net position of the school at June 30, 2021 was \$6,583,584.
2. At year-end, the School had current assets on hand of \$7,758,080.
3. The School had an increase in net position of \$367,925 for the year ended June 30, 2021.
4. The unassigned fund balance at year-end was \$6,692,208.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2021, 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 basic 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. The difference 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 as soon as the underlying event resulting in the change 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 10-11 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. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 12-15 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 basic financial statements can be found on pages 16-27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a charter school's financial position. In the case of the School, net position was \$6,583,584 at the close of the fiscal year. A summary of the School's net position as of June 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,684,746	\$ 823,467
Restricted investments	5,320,118	5,230,044
Due from other agencies	560,045	-
Prepaid expenses and other assets	193,171	39,239
Capital assets, net	1,983,946	1,764,582
Total Assets	<u>\$9,742,026</u>	<u>\$7,857,332</u>

DEFERRED OUTFLOWS OF RESOURCES

Accounts payable and accrued liabilities	\$ 730,323	\$ 364,173
Notes payable- long term	<u>2,428,119</u>	<u>1,277,500</u>
Total Liabilities	<u>3,158,442</u>	<u>1,641,673</u>

DEFERRED INFLOWS OF RESOURCES

Net investment in capital assets	754,527	1,685,782
Restricted	142,378	154,100
Unrestricted	<u>5,686,679</u>	<u>4,375,777</u>
Total Net Position	<u>\$6,583,584</u>	<u>\$6,215,659</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, 2021 and 2020 follows:

REVENUES	<u>2021</u>	<u>2020</u>
Program Revenues		
Capital grants and contributions	\$ 510,296	\$ 502,356
Operating grants and contribution	817,565	28,474
Lunch programs and after-care program	68,899	138,776
Charges for services	316,445	221,115
General Revenues		
Local sources (FTE and other non specific)	7,882,659	7,761,831
Other revenue	9,594	54,850
Total Revenues	<u>\$9,605,458</u>	<u>\$8,707,402</u>
 EXPENSES		
Instruction	\$ 5,401,664	\$ 4,779,031
Student support services	99,668	149,113
Instructional staff training	7,107	7,660
Board	17,884	17,871
General administration	39,358	37,677
School administration	804,564	736,514
Facilities acquisition and construction	29,730	44,329
Fiscal services	146,775	149,550
Food services	150,769	231,801
Central services	182,338	185,138
Operation of plant	1,436,115	1,309,201
Maintenance of plant	504,605	470,956
Administrative technology services	90,110	86,455
Community services	130,235	137,046
Extracurricular activities	184,816	-
Interest expense	11,795	5,583
Total Expenses	<u>\$9,237,533</u>	<u>\$8,347,925</u>
Increase in net position	367,925	359,477
 Net Position at Beginning of Year	<u>6,215,659</u>	<u>5,856,182</u>
Net Position at End of Year	<u>\$6,583,584</u>	<u>\$6,215,659</u>

The School's revenues and expenses increased by \$898,056 and \$889,608 respectively in the current year. The School had an increase in its net position of \$367,925 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.

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 \$7,027,757. The fund balance unassigned and available for spending at the School's discretion is \$6,885,379. These funds will be available for the School's future operations.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2021, amounts to \$1,983,946 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures, and computer equipment.

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		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Program revenues:			
State capital outlay funding	\$ 487,750	\$ 510,296	\$ 510,296
Federal sources	315,961	744,758	886,464
Lunch program fees	88,900	88,900	57,680
General revenues:			
FTE nonspecific revenues	7,565,992	7,886,678	7,882,659
Charges and other revenues	257,200	257,200	268,359
TOTAL REVENUES	<u>\$ 8,715,803</u>	<u>\$9,487,832</u>	<u>\$9,605,458</u>
CURRENT EXPENDITURES			
Instruction	4,650,079	5,418,398	5,836,817
Student support services	121,907	104,903	99,668
Instructional staff training	8,000	8,000	7,107
Board	19,000	30,000	17,884
General administration	37,657	37,657	39,358
School administration	791,354	945,376	804,564
Fiscal services	146,175	148,275	146,775
Food services	166,784	277,516	148,742
Central services	164,285	182,775	180,249
Operation of plant	1,333,746	1,439,397	1,401,823
Maintenance of plant	411,889	487,000	356,954
Administrative technology services	67,285	95,818	90,110
Community services	110,200	351,000	130,235
Extracurricular activities	185,000	185,000	184,816
Debt services	30,000	182,000	181,176
TOTAL CURRENT EXPENDITURES	<u>\$ 8,243,361</u>	<u>\$9,893,115</u>	<u>\$9,626,278</u>

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

SCHOOL LOCATION AND LEASE FACILITY

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

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
STATEMENT OF NET POSITION
JUNE 30, 2021

	ASSETS	<u>Governmental Activities</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 1,684,746
Investment		5,320,118
Due from other agencies		560,045
Prepaid expenses and other assets		193,171
TOTAL CURRENT ASSETS		<u>7,758,080</u>
Capital assets, non-depreciable		209,118
Capital asstes, depreciable		4,622,338
Less: accumulated depreciation		<u>(2,847,510)</u>
		<u>1,983,946</u>
TOTAL ASSETS		<u>\$ 9,742,026</u>
DEFERRED OUTFLOWS OF RESOURCES		
		-
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		\$ 730,323
Current portions of long term debt		1,491,044
TOTAL CURRENT LIABILITIES		<u>2,221,367</u>
Notes payable- long term		937,075
TOTAL LIABILITIES		<u>3,158,442</u>
DEFERRED INFLOWS OF RESOURCES		
		-
NET POSITION		
Invested in capital assets		754,527
Restricted for extracurricular activities		142,378
Unrestricted		5,686,679
TOTAL NET POSITION		<u>6,583,584</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 9,742,026</u>

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

**CORNERSTONE CHARTER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,401,664	\$ -	\$ 731,581	\$ -	\$ (4,670,083)
Student support services	99,668	-	-	-	(99,668)
Instructional staff training	7,107	-	-	-	(7,107)
Board	17,884	-	-	-	(17,884)
General administration	39,358	-	-	-	(39,358)
School administration	804,564	-	-	-	(804,564)
Facilities acquisition and construction	29,730	-	-	-	(29,730)
Fiscal services	146,775	-	-	-	(146,775)
Food services	150,769	57,680	68,899	-	(24,190)
Central services	182,338	-	-	-	(182,338)
Operation of plant	1,436,115	-	37,084	510,296	(888,735)
Maintenance of plant	504,605	-	48,900	-	(455,705)
Administrative technology services	90,110	-	-	-	(90,110)
Community services	130,235	85,671	-	-	(44,564)
Extracurricular activities	184,816	173,094	-	-	(11,722)
Interest expense	11,795	-	-	-	(11,795)
Total Governmental Activities	\$ 9,237,533	\$ 316,445	\$ 886,464	\$ 510,296	\$ (7,524,328)
GENERAL REVENUES:					
FTE and other nonspecific revenues					\$ 7,882,659
Other revenues					9,594
					<hr/>
Change in net position					367,925
NET POSITION - BEGINNING, as restated					<hr/> 6,215,659
NET POSITION - ENDING					<hr/> <u>\$ 6,583,584</u>

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

**CORNERSTONE CHARTER ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,542,368	\$ 142,378	\$ 1,684,746
Investments	5,320,118	-	5,320,118
Due from other agencies	560,045	-	560,045
Prepaid expenses and other assets	193,171	-	193,171
TOTAL ASSETS	<u>\$ 7,615,702</u>	<u>\$ 142,378</u>	<u>\$ 7,758,080</u>
DEFERRED OUTFLOW OF RESOURCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 730,323	\$ -	\$ 730,323
TOTAL LIABILITIES	<u>730,323</u>	<u>-</u>	<u>730,323</u>
DEFERRED INFLOW OF RESOURCES			
FUND BALANCE			
Nonspendable, not in spendable form	193,171	-	193,171
Restricted for extracurricular activities	-	142,378	142,378
Unassigned	6,692,208	-	6,692,208
TOTAL FUND BALANCE	<u>6,885,379</u>	<u>142,378</u>	<u>7,027,757</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 7,615,702</u>	 <u>\$ 142,378</u>	 <u>\$ 7,758,080</u>

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

**CORNERSTONE CHARTER ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT
OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Total Fund Balance - Governmental Funds \$ 7,027,757

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

Capital assets, net of accumulated depreciation of used in the governmental activities are not financial resources and, therefore, are not as assets in governmental funds.

Capital assets	4,831,456
Accumulated depreciation	(2,847,510)

Note payable in governmental activities are not due and payable in the current period and, therefore, is not reported in the governmental funds.

Note payable	(2,428,119)
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Total Net Position - Governmental Activities	\$ 6,583,584
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The accompanying notes are an integral part of this financial statement.

CORNERSTONE CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
State capital outlay funding	\$ -	\$ 510,296	\$ 510,296
Federal funding	-	817,565	817,565
State passed through local	7,882,659	-	7,882,659
Federal lunch program	-	68,899	68,899
Lunch program fees	-	57,680	57,680
Charges for services and other revenues	95,265	173,094	268,359
TOTAL REVENUES	7,977,924	1,627,534	9,605,458
EXPENDITURES			
Current:			
Instruction	4,305,670	731,581	5,037,251
Student support services	99,668	-	99,668
Instructional staff training	7,107	-	7,107
Board	17,884	-	17,884
General administration	39,358	-	39,358
School administration	804,564	-	804,564
Fiscal services	146,775	-	146,775
Food services	22,163	126,579	148,742
Central services	180,249	-	180,249
Operation of plant	854,443	547,380	1,401,823
Maintenance of plant	308,054	48,900	356,954
Administrative technology services	90,110	-	90,110
Community services	130,235	-	130,235
Extracurricular activities	-	184,816	184,816
Capital Outlay:			
Other capital outlay	799,566	-	799,566
Debt Service:			
Interest	11,795	-	11,795
Repayment of principal	169,381	-	169,381
TOTAL EXPENDITURES	7,987,022	1,639,256	9,626,278
Excess (deficit) of revenues over expenditures	(9,098)	(11,722)	(20,820)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term financing	1,320,000	-	1,320,000
Transfers in (out)	-	-	-
Total other financing sources (uses)	1,320,000	-	1,320,000
Net change in fund balance	1,310,902	(11,722)	1,299,180
Fund balance at beginning of year, as restated	5,574,477	154,100	5,728,577
Fund balance at end of year	<u>\$ 6,885,379</u>	<u>\$ 142,378</u>	<u>\$ 7,027,757</u>

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

**CORNERSTONE CHARTER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance - Governmental Funds \$ 1,299,180

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.

Depreciation expense	(580,202)
Capital outlays	799,566

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds from financing is other financing sources in the governmental funds, but the payable is a liability in the statement of net assets.

Repayments of principal	169,381
Proceeds from financing	(1,320,000)

Change in Net Position of Governmental Activities	\$ 367,925
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The accompanying notes are an integral part of this financial statement.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cornerstone Charter Academy (the "School") is a charter school located in Belle, Isle, Florida. The School's charter is sponsored by Cornerstone Charter Academy, 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 grade and is funded by the District. These financial statements are for the year ended June 30, 2021, when, on average, 995 students were enrolled in the School.

Upon inception, Cornerstone Charter Academy, 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.

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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Non-Major Governmental Funds – This fund includes special revenue funds to account for federal and certain state grants that are legally restricted to expenditures for particular purposes. This fund is also used to administer funds raised and earned by the various clubs and activities that are part of the School. Finally, the fund includes state and local capital outlay funding that are legally restricted to expenditures for particular purposes.

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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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 2).

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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Estimated useful lives, in years, for depreciable assets are as follows:

Textbooks	3 Years
Furniture, equipment and software	5 Years
Improvements	10-20 Years

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.

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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources (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.
- 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.
- 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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

Cornerstone Charter Academy, 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 24, 2021, 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.

NOTE 2– CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2021, the School's deposits consisted of cash balances of \$1,474,386.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Cornerstone Charter Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Cornerstone Charter Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2021, bank balances in potential excess of FDIC coverage totaled \$1,224,386; including fiduciary account bank balances.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2– 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, 2021, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$5,320,118 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.

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, 2021, 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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3– CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2021:

	Balance			Balance
	June 30, 2020	Additions	Deletions	June 30, 2021
Capital Assets: Non-depreciable				
Land	\$ 209,118	\$ -	\$ -	\$ 209,118
Capital Assets: Depreciable				
Leasehold improvements	2,074,890	685,861	-	2,760,751
Computer software and hardware	1,211,961	5,496	(190,315)	1,027,142
Furniture, equipment and textbooks	1,895,142	108,209	(1,168,906)	834,445
Total Capital Assets	<u>\$ 5,391,111</u>	<u>\$ 799,566</u>	<u>\$ (1,359,221)</u>	<u>\$ 4,831,456</u>
Less Accumulated Depreciation:				
Leasehold improvements	\$ (1,340,311)	\$ (202,323)	\$ -	\$ (1,542,634)
Computer software and hardware	(756,968)	(199,503)	190,315	(766,156)
Furniture, equipment and textbooks	(1,529,250)	(178,376)	1,168,906	(538,720)
Total Accumulated Depreciation	<u>(3,626,529)</u>	<u>(580,202)</u>	<u>1,359,221</u>	<u>(2,847,510)</u>
Capital Assets, net	<u>\$ 1,764,582</u>	<u>\$ 219,364</u>	<u>\$ -</u>	<u>\$ 1,983,946</u>

For the fiscal year ended June 30, 2021, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 364,413
Facilities acquisition	29,730
Food services	2,027
Central services	2,089
Operation of plant	34,292
Maintenance of plant	147,651
TOTAL DEPRICIATION EXPENSE	<u>\$ 580,202</u>

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 Cornerstone Charter Academy, 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, 2021, the School incurred \$440,325, in fees.

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

During 2021, the School incurred approximately \$8,786 in virtual fees paid to Academica International Studies and Academica Virtual Education, affiliates of the education service and support provider.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 5–TRANSACTIONS WITH OTHER DIVISIONS OF CORNERSTONE CHARTER ACADEMY, INC. During 2021, the School shared its facility with Cornerstone Charter High School (another charter school under Cornerstone Charter Academy, 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 extracurricular activities account is recorded in the School’s books.

NOTE 6– COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

On October 1, 2012 Cornerstone Charter Academy, 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 School (a charter school under Cornerstone Charter Academy, 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 2021 was allocated based on enrollment for both schools and was approximately 66% to the School and 34% to the High School. Payments on the lease during 2021 totaled \$711,734.

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			
2022	\$	738,076	
2023		700,822	
2024		695,912	
2025		696,255	
2026		698,009	
2027-2031		3,479,806	For a five year period
2032-2036		3,478,904	For a five year period
2037-2041		3,482,497	For a five year period
2042-2043	\$	1,572,778	For a two year period

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 6 – COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)

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, 2021, administrative fees withheld by the School District totaled \$39,358.

NOTE 7 - NOTES PAYABLE

The School obtained the following equipment loans:

Notes Payable	Interest Rate	Maturity Rate	Balances as of June 30, 2021
\$165,920 loan for lighting*	3.95%	September 5, 2021	\$ 35,852
Total			\$ 35,852

**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, 2021:

	Balance June 30, 2020	Advances	Repayments	Balance at June 30, 2021
Note payable	\$ 78,800	\$ -	\$ 42,948	\$ 35,852
Total notes payable	\$ 78,800	\$ -	\$ 42,948	\$ 35,852

Paycheck Protection Program

On April 22, 2020, Cornerstone Charter Academy, Inc. was granted a loan from a financial institution in the aggregate amount of \$1,198,700, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. The proceeds from the loan were recorded on the books of Cornerstone Charter Academy and will be distributed equitably among the network schools in accordance with the provisions of the CARES Act. The loan was fully forgiven subsequent to year end and will be recorded as other income in the June 30, 2022 fiscal year.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7 –NOTE PAYABLE (Continued)

Below is a summary of changes for this note payable for the year ended June 30, 2021:

	Balance			Balance at
	June 30, 2020	Advances	Repayments	June 30, 2021
Note payable	\$ 1,198,700	\$ -	\$ -	\$ 1,198,700
	<u>\$ 1,198,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,700</u>

Finally, the Cornerstone Charter Academy, Inc. obtained a loan on January 28, 2021 in the amount of \$1,320,000. The entire amount of the loan has been recorded in Cornerstone Charter Academy. The purpose of the loan is for the construction of facilities for the School. The loan bears interest annually at 1.90% and requires monthly principal and interest payments of \$23,079. The loan matures on January 28, 2026. Below is a summary of changes for this loan payable for the year ended June 30, 2021:

	Balance			Balance at
	July 1, 2020	Borrowings	Repayments	June 30, 2021
Note payable	\$ -	\$ 1,320,000	\$ 126,433	\$ 1,193,567
	<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ 126,433</u>	<u>\$ 1,193,567</u>

Future maturities of all notes payables are as follows:

Year Ended June 30,	
2022	\$ 1,491,044
2023	261,408
2024	266,418
2025	271,524
2026	137,725
	<u>\$ 2,428,119</u>

NOTE 8 – 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.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 – 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 \$58,038 for the year ended, June 30, 2020. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

NOTE 10 – RESTATEMENT OF NET POSITION AND FUND BALANCE

GASB No. 84, Fiduciary Activities, effective for fiscal year ended June 30, 2021, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds, which requires a change to the way the School reports its internal accounts. Internal account activity will now be reported in the Non-Major Governmental Fund. This treatment requires the restatement of the net position and fund balances as of June 30, 2020. The restatement are as follows:

Fund balance, June 30, 2020	\$ 5,574,477
Removal of due to agency fund	154,100
Restated fund balances, June 30, 2020	<u>\$ 5,728,577</u>
Net position, June 30, 2020	\$ 6,061,559
Removal of due to agency fund	154,100
Restated net position, June 30, 2020	<u>\$ 6,215,659</u>

NOTE 11 – COVID-19

The World Health Organization (“WHO”) has declared the coronavirus (COVID-19) a global pandemic and public health emergency. At this point, the School cannot reasonably estimate the extent to which this disruption may continue to impact the School’s financial statements and future results of operations.

REQUIRED SUPPLEMENTAL INFORMATION

**CORNERSTONE CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund		
	Original budget	Fund Budget	Actual
REVENUES			
State passed through local	\$ 7,565,992	\$ 7,736,678	\$ 7,882,659
Charges for services	18,000	51,800	95,265
TOTAL REVENUES	7,583,992	7,788,478	7,977,924
EXPENDITURES			
Current:			
Instruction	4,334,118	4,318,398	4,305,670
Student support services	121,907	105,903	99,668
Instructional staff training	8,000	8,000	7,107
Board	19,000	18,000	17,884
General administration	37,657	40,150	39,358
School administration	791,354	825,376	804,564
Facilities, acquisition and construction	-	-	-
Food services	166,784	39,929	22,163
Fiscal Services	146,175	148,275	146,775
Central services	164,285	182,775	180,249
Operation of plant	845,996	951,017	854,443
Maintenance of plant	164,285	327,000	308,054
Administrative technology services	67,285	95,818	90,110
Community service	110,200	151,000	130,235
Debt service	30,000	182,000	181,176
Total current expenditures	7,007,046	7,393,641	7,187,456
Capital Outlay			
Total capital outlay	104,504	800,120	799,566
TOTAL EXPENDITURES	7,111,550	8,193,761	7,987,022
Excess of revenue over expenditures	472,442	(405,283)	(9,098)
Other financing sources (uses):			
Proceeds from loan financing	-	1,320,000	1,320,000
Transfers in (out)	-	-	-
	-	1,320,000	1,320,000
Net change in fund balance	472,442	914,717	1,310,902
Fund balance at beginning of the year	5,574,477	5,574,477	5,574,477
Fund balance at end of the year	\$ 6,046,919	\$ 6,489,194	\$ 6,885,379

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*

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, 2021, 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 24, 2021.

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 (internal control) 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*.

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 24, 2021



MANAGEMENT LETTER

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 (the “School”) as of the year ended June 30, 2021, and have issued our report thereon dated September 24, 2021.

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 Auditor's 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 is dated September 24, 2021, 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 of the entity and the school code assigned by the Florida Department of Education of the entity is Cornerstone Charter Academy and #130102.

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 the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School 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 the School. It is management's responsibility to monitor the 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. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2021 is not deteriorating.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 the 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 the 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, requires 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 have 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 the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and Cornerstone Charter Academy is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 24, 2021