

**CORNERSTONE CHARTER HIGH SCHOOL**  
(A charter school under Cornerstone Charter Academy,  
Inc.)  
W/L #0146

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

JUNE 30, 2021

**CORNERSTONE CHARTER HIGH SCHOOL**  
**BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**  
**JUNE 30, 2021**

TABLE OF CONTENTS

	PAGES
General Information.....	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Independent Auditor’s Report.....	2-3
Management’s Discussion and Analysis (not covered by Independent Auditor’s Report).....	4-8
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statement:</i>	
Statement of Net Position.....	9
Statement of Activities.....	10
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	14
<i>Notes to Basic Financial Statements</i> .....	15-25
<b>Required Supplemental Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	26
<i>Note to Required Supplemental Information</i> .....	27
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 <i>Government Auditing Standards</i> .....	28-29
Management Letter.....	30-31

**CORNERSTONE CHARTER HIGH SCHOOL**  
(A charter school under Cornerstone Charter Academy, Inc.)  
W/L #0146

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

2020-2021

**BOARD OF DIRECTORS**

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

**SCHOOL ADMINISTRATION**

Dr. Renee Pancoast, Principal  
Mr. Don Smith

**BOARD COUNSEL**

Mr. Gayle Owens, Board Attorney



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cornerstone Charter High School  
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 High School (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 High School 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 4 through 8 and budgetary comparison information on page 26 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 24, 2021

## Management's Discussion and Analysis

Cornerstone Charter High School

June 30, 2021

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

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to the financial statements, as listed in the table of contents.

### FINANCIAL HIGHLIGHTS

1. The net position of the School as of June 30, 2021 was \$2,599,264.
2. At year-end, the School had current assets on hand of \$2,581,573.
3. The School had an increase in net position of \$477,589 during the current fiscal year of operations.
4. The unassigned fund balance at year-end was \$2,334,694

### *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 periods.

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. *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.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for its general and special revenue fund. A budgetary comparison statement has been provided for the School's governmental funds to demonstrate compliance with the School's budget. The basic 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 basic financial statements can be found on pages 15-25 of this report.

### **SCHOOL LOCATION**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time net position may serve as a useful indicator of a school's financial position. A summary of the School's net position as of June 30, 2021 and 2020 follows:

<b>Assets</b>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 329	\$ 149,728
Investments	2,229,973	1,800,015
Due from other agencies	296,605.00	-
Prepaid expenses and other current assets	54,666	9,049
Capital assets, net	<u>226,775</u>	<u>329,716</u>
Total Assets	<u><u>2,808,348</u></u>	<u><u>2,288,508</u></u>
<b>Liabilities and Position</b>		
Deferred outflows of resources	<u>-</u>	<u>-</u>
Accounts payable	69,140	8,846
Salaries and wages payable	123,073	124,933
Note payable - long-term	<u>16,871</u>	<u>33,054</u>
Total Liabilities	209,084	166,833
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	209,904	296,662
Unrestricted	<u>2,389,360</u>	<u>1,825,013</u>
Total Net Position	<u><u>2,599,264</u></u>	<u><u>2,121,675</u></u>
Total Liabilities and Net Position	<u><u>\$ 2,808,348</u></u>	<u><u>\$ 2,288,508</u></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 is as follows:

<b>REVENUES</b>	2021	2020
Program Revenues		
Capital Grants and Contributions	\$ 264,577	\$ 241,101
Federal sources	420,698	1,999
Lunch Program	35,493	-
General Revenues		
Local Sources (FTE and other non specific)	3,917,928	3,595,112
Other Revenues	30,207	24,593
Total Revenues	<u>\$ 4,668,903</u>	<u>\$ 3,862,805</u>
 <b>EXPENSES</b>		
Instruction	\$ 2,386,375	\$ 2,031,181
Student support services	139,989	102,231
Instructional staff training	2,968	3,633
Board	12,500	10,094
General administration	37,133	35,132
School administration	417,123	358,759
Facilities acquisition and construction	-	6,899
Fiscal services	77,775	73,725
Food services	78,072	3,192
Central services	92,690	89,522
Operation of plant	733,852	694,802
Maintenance of plant	164,035	163,028
Administrative technology services	47,435	42,582
Interest	1,367	1,922
Total Expenses	<u>\$ 4,191,314</u>	<u>\$ 3,616,702</u>
Increase in Net Position	477,589	246,103
Net Position at Beginning of Year	<u>2,121,675</u>	<u>1,875,572</u>
Net Position at End of Year	<u>\$ 2,599,264</u>	<u>\$ 2,121,675</u>

The School's revenue increased by approximately \$806,000 in the current year and expenses increased by \$575,000 as a result of primarily an increase in student enrollment and grant funding. The School had an increase in its net position of approximately \$478,000 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, *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 \$2,389,360. The fund balance unassigned and available for spending at the School’s discretion is \$2,334,694. These funds will be available for the School’s future operations.

**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, 2021, amounts to \$226,775 (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		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 256,250	\$ 264,576	\$ 264,577
Federal sources	235,375	335,375	420,698
Lunch program	24,510	29,510	35,493
General Revenues			
FTE nonspecific revenues	3,603,593	3,865,546	3,917,928
Charges and other revenues	25,000	25,000	30,207
Total Revenues	4,144,728	4,520,007	4,668,903
<b>CURRENT EXPENDITURES</b>			
Instruction	2,366,969	2,338,633	2,338,007
Student support services	97,705	140,717	139,989
Instructional staff training	3,500	3,500	2,968
Board	19,000	18,000	12,500
General administration	35,157	37,242	37,133
School administration	412,417	434,685	417,123
Fiscal services	76,875	76,875	77,775
Food services	87,739	87,739	78,072
Central services	88,775	88,775	92,690
Operation of plant	596,043	596,043	704,453
Maintenance of plant	144,680	144,680	138,861
Administrative technology services	58,000	58,000	47,435
Debt service	18,512	18,512	17,550
Total Current Expenditures	\$ 4,005,372	\$ 4,043,401	\$ 4,104,556

Most variance 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 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**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

---

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 329
Investments	2,229,973
Due from other agencies	296,605
Prepaid expenses and other current assets	54,666
<b>TOTAL CURRENT ASSETS</b>	<u>2,581,573</u>
<b>CAPITAL ASSETS</b>	
Capital assets, depreciable	815,862
Less accumulated depreciation	(589,087)
<b>TOTAL CAPITAL ASSETS</b>	<u>226,775</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,808,348</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 69,140
Salaries and wages payable	123,073
Current portion of long-term debt	16,871
<b>TOTAL CURRENT LIABILITIES</b>	<u>209,084</u>
<b>NET POSITION</b>	
Net investment in capital assets	209,904
Unrestricted	2,389,360
<b>TOTAL NET POSITION</b>	<u>2,599,264</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,808,348</u></u>

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

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

<b>Functions</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 2,386,375	\$ -	\$ 197,979	\$ -	\$ (2,188,396)
Student support services	139,989	-	-	-	(139,989)
Instructional staff training	2,968	-	-	-	(2,968)
Board	12,500	-	-	-	(12,500)
General administration	37,133	-	-	-	(37,133)
School administration	417,123	-	-	-	(417,123)
Fiscal services	77,775	-	-	-	(77,775)
Food services	78,072	7,413	35,493	-	(35,166)
Central services	92,690	-	-	-	(92,690)
Operation of plant	733,852	-	83,858	264,577	(385,417)
Maintenance of plant	164,035	-	138,861	-	(25,174)
Administrative technology services	47,435	-	-	-	(47,435)
Interest	1,367	-	-	-	(1,367)
<b>Total governmental activities</b>	<b>\$ 4,191,314</b>	<b>\$ 7,413</b>	<b>\$ 456,191</b>	<b>\$ 264,577</b>	<b>\$ (3,463,133)</b>

GENERAL REVENUES:

FTE nonspecific revenues	3,917,928
Other revenue	22,794
Total general revenues	<u>3,940,722</u>
Change in net position	477,589
NET POSITION - BEGINNING	<u>2,121,675</u>
NET POSITION - ENDING	<u>\$ 2,599,264</u>

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

**CORNERSTONE CHARTER HIGH SCHOOL  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2021**

---

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 329	\$ -	\$ 329
Investments	2,229,973	-	2,229,973
Due from other agencies	296,605	-	296,605
Prepaid expenses	54,666	-	54,666
<b>TOTAL ASSETS</b>	<u><u>\$ 2,581,573</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,581,573</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Salaries and wages payable	\$ 123,073	\$ -	\$ 123,073
Accounts payable	69,140	-	69,140
<b>TOTAL LIABILITIES</b>	<u>192,213</u>	<u>-</u>	<u>192,213</u>
 <b>FUND BALANCE</b>			
Nonspendable, not in spendable form	54,666	-	54,666
Unassigned	2,334,694	-	2,334,694
<b>TOTAL FUND BALANCE</b>	<u>2,389,360</u>	<u>-</u>	<u>2,389,360</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u><u>\$ 2,581,573</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,581,573</u></u>

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

**CORNERSTONE CHARTER HIGH SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2021**

---

Total Fund Balance - Governmental Funds \$ 2,389,360

Amounts reported for governmental activities in the statement of net position are the same.

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

Capital assets	815,862
Accumulated depreciation	(589,087)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Note payable	(16,871)
--------------	----------

Total Net Position - Governmental Activities	\$ 2,599,264
----------------------------------------------	--------------

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

**CORNERSTONE CHARTER HIGH SCHOOL  
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
<b>REVENUES</b>			
State capital outlay funding	\$ -	\$ 264,577	\$ 264,577
State passed through local	3,917,928	-	3,917,928
Federal sources	-	420,698	420,698
Lunch program		35,493	35,493
Charges and other revenue	22,794	7,413	30,207
<b>TOTAL REVENUES</b>	<b>\$ 3,940,722</b>	<b>\$ 728,181</b>	<b>\$ 4,668,903</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instruction	\$ 2,121,973	\$ 197,979	\$ 2,319,952
Student support services	139,989	-	139,989
Instructional staff training	2,968	-	2,968
Board	12,500	-	12,500
General administration	37,133	-	37,133
School administration	417,123	-	417,123
Fiscal services	77,775	-	77,775
Food services	35,166	42,906	78,072
Central services	92,690	-	92,690
Operation of plant	356,018	348,435	704,453
Maintenance of plant	-	138,861	138,861
Administrative technology services	47,435	-	47,435
Interest	1,367	-	1,367
<b>Capital Outlay:</b>			
Other capital outlay	18,055	-	18,055
<b>Debt Service:</b>			
Principal repayments	16,183	-	16,183
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,376,375</b>	<b>\$ 728,181</b>	<b>\$ 4,104,556</b>
Excess of revenues over expenditures	564,347	-	564,347
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
Net change in fund balance	564,347	-	564,347
Fund balance at beginning of year	1,825,013	-	1,825,013
Fund balance at end of year	<u>\$ 2,389,360</u>	<u>\$ -</u>	<u>\$ 2,389,360</u>

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

**CORNERSTONE CHARTER HIGH SCHOOL  
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, 2021**

---

Net Change in Fund Balance - Governmental Funds \$ 564,347

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.

Capital outlays	18,055
Depreciation expense	(120,996)

Governmental funds report note payable proceeds as financing sources, while repayments of the principal are reported as expenditures. However, in the statement of activities, the note payable obligation increases liabilities and does not affect the statement of activities and repayment of principal reduces the obligation.

Repayments of principal	16,183
-------------------------	--------

Change in Net Position of Governmental Activities	\$ 477,589
---------------------------------------------------	------------

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

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

**NOTE 1 – ORGANIZATION AND OPERATIONS**

**Reporting Entity**

Cornerstone Charter High School (the "School"), is a charter school located in Belle Isle, Florida. The School's charter is held 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, 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, 2021, when on average 509 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (GASB).

**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 HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 for 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 and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. 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. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

General Fund – is the School’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of Cornerstone Charter High School (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 Guidelines*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “Accounting and Financial Reporting for Non-Exchange Transactions”. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**Budgetary Basis 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 and 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 4).

Due from Other Governmental 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.

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, Depreciation and Amortization

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 HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation and Amortization (Continued)

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 days of sick/personal leave. Full-time employees are eligible for 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. There is an opportunity to “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 always maintain a minimum of twenty-one unused days. The cash 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 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.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 2 – 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.

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.

Net Position and Fund Balance Classifications

*Government-wide Fund Net Assets*

Government-wide fund net assets are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets
- Restricted net position – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- 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:

- 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).
- 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.
- 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. At June 30, 2021, there is no committed fund balance.
- 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. At June 30, 2021, there is no assigned fund balance.
- 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 HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for 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. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

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 7/1/2020	Additions	Reclassification/ Retirements	Balance 6/30/2021
Capital assets, depreciable:				
Building and improvements	\$ 439,673	\$ -	\$ (95,155)	\$ 344,518
Furniture and equipment	462,856	18,055	(161,696)	319,215
Computer equipment	166,962	-	(14,833)	152,129
Total Capital Assets	<u>\$ 1,069,491</u>	<u>\$ 18,055</u>	<u>\$ (271,684)</u>	<u>\$ 815,862</u>
Less Accumulated Depreciation:				
Building and improvements	\$ (268,659)	\$ (33,513)	\$ 95,155	\$ (207,017)
Furniture and equipment	(363,783)	(57,815)	161,696	(259,902)
Computer equipment	(107,333)	(29,668)	14,833	(122,168)
Total Accumulated Depreciation	<u>\$ (739,775)</u>	<u>\$ (120,996)</u>	<u>\$ 271,684</u>	<u>\$ (589,087)</u>
Capital Assets, net	<u>\$ 329,716</u>	<u>\$ (102,941)</u>	<u>\$ -</u>	<u>\$ 226,775</u>

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 3 – CAPITAL ASSETS (Continued)

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

Instruction	\$ 66,423
Operation of plant	29,399
Maintenance of Plant	25,174
Total Depreciation Expense	<u>\$ 120,996</u>

NOTE 4 – 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 \$329.

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, 2020, bank balances in potential excess of FDIC coverage totaled \$0.

At June 30, 2021, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$2,229,973 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 HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

**NOTE 5 – 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 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 \$233,325 in fees.

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

During 2021, the school incurred approximately \$83,836 in virtual fees paid to Academica International Studies and Academica Virtual Education, affiliates of the education service and support provider.

**NOTE 6 – TRANSACTIONS WITH OTHER DIVISIONS OF CORNERSTONE CHARTER ACADEMY, INC.**

During 2021, the School shared its facility with Cornerstone Charter 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, the School's student activities account is recorded in the books of Cornerstone Charter School.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

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

Rent expense for 2021 was allocated based on enrollment for both schools and was approximately 34% to the School and 66% to the Cornerstone Charter Academy. Rent expense pertaining to the lease during 2021 totaled \$372,000 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.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

**NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)**

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

<u>Year Ended June 30</u>	
2022	\$ 778,076
2023	704,155
2024	695,912
2025	696,255
2026	698,009
2027-2031	3,479,806
2032-2036	3,478,904
2037-2041	3,482,497
2042-2043	<u>1,572,778</u>
Total	<u>\$ 15,586,392</u>

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, 2021, administrative fees withheld by the School District totaled \$37,133.

**NOTE 8 – NOTE PAYABLE**

<u>Notes Payable</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance as of June 30, 2021</u>
\$48,682 loan for lighting*	3.95%	September 5, 2021	\$ 16,871
			<u>\$ 16,871</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.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

NOTE 8 – NOTE PAYABLE (Continued)

The following schedule provides a summary of changes in notes payable for the year ended June 30, 2021:

	Balance July 1, 2019	Advances	Repayments	Balance June 30, 2020
Notes payable	\$ 33,054	-	(16,183)	\$ 16,871
Total Notes Payable	<u>\$ 33,054</u>	<u>\$ -</u>	<u>\$ (16,183)</u>	<u>\$ 16,871</u>

Future maturities of the notes payable are as follows:

Year	Principal	Interest
2022	\$ 16,871	\$ 663
Total	<u>\$ 16,871</u>	<u>\$ 663</u>

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.

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.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021**

---

**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 \$46,062 for the year ended June 30, 2021. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

**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 HIGH SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,603,593	\$ 3,865,546	\$ 3,917,928
Charges and other revenue	25,000	25,000	22,794
TOTAL REVENUES	<u>\$ 3,628,593</u>	<u>\$ 3,890,546</u>	<u>\$ 3,940,722</u>
EXPENDITURES			
Current:			
Instruction	2,131,594	2,003,258	2,121,973
Student support services	97,705	140,717	139,989
Instructional staff training	3,500	3,500	2,968
Board	19,000	18,000	12,500
General administration	35,157.00	37,242	37,133
School administration	412,417	434,685	417,123
Fiscal services	76,875	76,875	77,775
Food services	52,365	58,229	35,166
Central services	88,775	88,775	92,690
Operation of plant	339,793	331,467	356,018
Maintenance of plant	144,680	144,680	-
Administrative technology services	58,000	58,000	47,435
Debt service	18,512.00	18,512	17,550
Total current expenditures	<u>3,478,373</u>	<u>3,413,940</u>	<u>3,358,320</u>
Capital outlay	-	-	18,055
TOTAL EXPENDITURES	<u>3,478,373</u>	<u>3,413,940</u>	<u>3,376,375</u>
Excess of revenues over expenditures	150,220	476,606	564,347
Other financing sources (uses):			
Transfers in (out)	-	-	-
Net change in fund balance	150,220	476,606	564,347
Fund balance at beginning of year	<u>1,825,013</u>	<u>1,825,013</u>	<u>1,825,013</u>
Fund balance at end of year	<u>\$ 1,975,233</u>	<u>\$ 2,301,619</u>	<u>\$ 2,389,360</u>

See accompanying note to the required supplemental information.

**CORNERSTONE CHARTER HIGH SCHOOL  
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

---

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2021, has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general, special revenue, capital projects, and debt service funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



Verdeja • De Armas • Trujillo

Certified Public Accountants and Advisors



Manny Alvarez, C.P.A.  
Monique Bustamante, C.P.A.  
Pedro M. De Armas, C.P.A.  
Eric E. Santa Maria, C.P.A.  
Alejandro M. Trujillo, C.P.A.  
Octavio A. Verdeja, C.P.A.  
Tab Verdeja, C.P.A.

Octavio F. Verdeja, Founder - 1971

Michelle del Sol, C.P.A.  
Cristy C. Rubio, C.P.A.  
Tommy Trujillo, C.P.A.  
Javier Verdeja, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

---

To the Board of Directors of  
Cornerstone Charter 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, 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



Verdeja • De Armas • Trujillo

Certified Public Accountants and Advisors

Octavio F. Verdeja, Founder - 1971



Manny Alvarez, C.P.A.  
Monique Bustamante, C.P.A.  
Pedro M. De Armas, C.P.A.  
Eric E. Santa Maria, C.P.A.  
Alejandro M. Trujillo, C.P.A.  
Octavio A. Verdeja, C.P.A.  
Tab Verdeja, C.P.A.

Michelle del Sol, C.P.A.  
Cristy C. Rubio, C.P.A.  
Tommy Trujillo, C.P.A.  
Javier Verdeja, C.P.A.

## 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 (the “School”) as of and for the fiscal 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 and Chapter 10.850, Rules of the Auditor General.

### 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 that report, 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. Corrective actions have been taken to address 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 High School and W/L #0146.

## **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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website 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 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 the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 24, 2021