

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

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

JUNE 30, 2022

CORNERSTONE CHARTER ACADEMY
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2022

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

906 Waltham Avenue
Belle Isle, FL 32809
(407) 608-7171

2021-2022

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
Alexa Dowlen, Director
Mayor Nick Fouraker, Ex-Officio (Non-Voting)

SCHOOL ADMINISTRATION

Dr. Renee Pancoast, Principal

BOARD COUNSEL

Ms. Gayle Owens, Board Attorney



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cornerstone Charter Academy
Belle Isle, Florida

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cornerstone Charter Academy, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School as of June 30, 2022, and the respective changes in financial position or 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, 2022 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2022 on our consideration of the Academy'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 Academy's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2022

Management's Discussion and Analysis
Cornerstone Charter Academy
June 30, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

1. The net position of the school at June 30, 2022 was \$6,985,470.
2. At year-end, the School had current assets on hand of \$6,590,908.
3. The School had an increase in net position of \$401,886 for the year ended June 30, 2022.
4. The total fund balance at year-end was \$5,987,644.

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, 2022, 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 13-16 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 17-28 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 \$6,985,470 at the close of the fiscal year. A summary of the School's net position as of June 30, 2022 and 2021 follows:

	2022	2021
Cash and cash equivalents	\$ 570,877	\$ 1,684,746
Restricted investments	5,954,004	5,320,118
Due from other agencies	9,473	560,045
Prepaid expenses and other assets	56,554	193,171
Capital and right to use assets, net	10,949,297	1,983,946
Total Assets	<u>\$ 17,540,205</u>	<u>\$ 9,742,026</u>

DEFERRED OUTFLOWS OF RESOURCES

Accounts payable and accrued liabilities	\$ 603,264	\$ 730,323
Right to use liability	8,992,559	-
Notes payable - long term	958,912	2,428,119
Total Liabilities	<u>10,554,735</u>	<u>3,158,442</u>

DEFERRED INFLOWS OF RESOURCES

Net investment in capital assets	997,826	754,527
Restricted	207,924	142,378
Unrestricted	5,779,720	5,686,679
Total Net Position	<u>\$ 6,985,470</u>	<u>\$ 6,583,584</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, 2022 and 2021 follows:

REVENUES	<u>2022</u>	<u>2021</u>
Program Revenues		
Capital grants and contributions	\$ 507,432	\$ 510,296
Operating grants and contribution	389,678	817,565
Lunch programs and after-care program	123,202	68,899
Charges for services	731,984	316,445
General Revenues		
Local sources (FTE and other non specific)	7,579,146	7,882,659
Other revenue	807,671	9,594
Total Revenues	<u>\$ 10,139,113</u>	<u>\$ 9,605,458</u>
EXPENSES		
Instruction	\$ 5,376,411	\$ 5,401,664
Student support services	121,405	99,668
Instructional staff training	15,544	7,107
Board	16,923	17,884
General administration	-	39,358
School administration	835,722	804,564
Facilities acquisition and construction	35,547	29,730
Fiscal services	143,925	146,775
Food services	186,225	150,769
Central services	173,940	182,338
Operation of plant	769,793	1,436,115
Maintenance of plant	433,073	504,605
Administrative technology services	99,586	90,110
Community services	253,353	130,235
Extracurricular activities	396,329	184,816
Interest expense	879,451	11,795
Total Expenses	<u>\$ 9,737,227</u>	<u>\$ 9,237,533</u>
Increase in net position	401,886	367,925
Net Position at Beginning of Year	<u>6,583,584</u>	<u>6,215,659</u>
Net Position at End of Year	<u>\$ 6,985,470</u>	<u>\$ 6,583,584</u>

The School's revenues and expenses increased by \$533,655 and \$499,694 respectively in the current year. The School had an increase in its net position of \$401,886 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 \$5,987,644. The fund balance unassigned and available for spending at the School's discretion is \$5,723,166. These funds will be available for the School's future operations.

CAPITAL AND RIGHT TO ASSETS

The School's investment in capital and right to use assets, as of June 30, 2022, amounts to \$10,949,297 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures, and computer equipment. Due to the implementation of GASB 87 *Leases*, the above amount includes a right to use asset of \$8,809,455, net of accumulated amortization.

GOVERNMENTAL FUND BUDGET ANALYSIS AND HIGHLIGHTS

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program revenues:			
State capital outlay funding	\$ 494,750	\$ 508,535	\$ 507,432
Federal sources	1,321,467	1,691,673	512,880
Lunch program fees	88,900	88,900	82,804
General revenues:			
FTE nonspecific revenues	7,722,286	7,625,785	7,579,146
Charges and other revenues	153,111	801,863	653,722
TOTAL REVENUES	\$ 9,780,514	\$ 10,716,756	\$ 9,335,984
CURRENT EXPENDITURES			
Instruction	\$ 5,535,003	\$ 5,478,817	\$ 5,747,423
Student support services	103,953	122,910	121,405
Instructional staff training	8,000	15,000	15,544
Board	31,000	20,000	16,923
School administration	810,953	977,459	834,842
Fiscal services	148,425	143,925	143,925
Food services	155,779	329,809	184,489
Central services	170,925	179,925	171,851
Operation of plant	1,305,250	1,115,707	681,536
Maintenance of plant	610,040	336,764	320,734
Administrative technology services	84,085	109,257	99,586
Community services	140,000	290,000	253,353
Extracurricular activities	-	400,000	396,329
Debt services	16,800	594,000	992,586
TOTAL CURRENT EXPENDITURES	\$ 9,120,213	\$ 10,113,573	\$ 9,980,526

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 906 Waltham 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, 2022

	ASSETS	<u>Governmental Activities</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 570,877
Investment		5,954,004
Due from other agencies		9,473
Prepaid expenses and other assets		56,554
TOTAL CURRENT ASSETS		<u>6,590,908</u>
Capital assets, non-depreciable		209,118
Capital and right to use assets, net		<u>10,740,179</u>
TOTAL ASSETS		<u>\$ 17,540,205</u>
 DEFERRED OUTFLOWS OF RESOURCES		
		-
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		\$ 603,264
Current portions of long term debt		261,061
Right to use liability - current portion		<u>248,508</u>
TOTAL CURRENT LIABILITIES		1,112,833
Right to use liability - long-term portion		8,744,051
Notes payable- long term		<u>697,851</u>
TOTAL LIABILITIES		10,554,735
 DEFERRED INFLOWS OF RESOURCES		
		-
NET POSITION		
Invested in capital assets		997,826
Restricted for extracurricular activities		207,924
Unrestricted		<u>5,779,720</u>
TOTAL NET POSITION		<u>6,985,470</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 17,540,205</u>

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

**CORNERSTONE CHARTER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 5,376,411	\$ -	\$ 389,678	\$ -	\$ (4,986,733)
Student support services	121,405	-	-	-	(121,405)
Instructional staff training	15,544	-	-	-	(15,544)
Board	16,923	-	-	-	(16,923)
School administration	835,722	-	-	-	(835,722)
Facilities acquisition and construction	35,547	-	-	-	(35,547)
Fiscal services	143,925	-	-	-	(143,925)
Food services	186,225	82,804	123,202	-	19,781
Central services	173,940	-	-	-	(173,940)
Operation of plant	769,793	-	-	507,432	(262,361)
Maintenance of plant	433,073	-	-	-	(433,073)
Administrative technology services	99,586	-	-	-	(99,586)
Community services	253,353	208,822	-	-	(44,531)
Extracurricular activities	396,329	440,358	-	-	44,029
Debt service	879,451	-	-	-	(879,451)
Total Governmental Activities	\$ 9,737,227	\$ 731,984	\$ 512,880	\$ 507,432	\$ (7,984,931)
GENERAL REVENUES:					
					\$ 7,579,146
					807,671
					<u>401,886</u>
					Change in net position
					NET POSITION - BEGINNING, as restated
					<u>6,583,584</u>
					NET POSITION - ENDING
					<u>\$ 6,985,470</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, 2022**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 362,953	\$ 207,924	\$ 570,877
Investments	5,954,004	-	5,954,004
Due from other agencies	9,473	-	9,473
Prepaid expenses and other assets	56,554	-	56,554
TOTAL ASSETS	<u>\$ 6,382,984</u>	<u>\$ 207,924</u>	<u>\$ 6,590,908</u>
DEFERRED OUTFLOW OF RESOURCES			
	-	-	-
LIABILITIES			
Accounts payable and accrued liabilities	\$ 603,264	\$ -	\$ 603,264
TOTAL LIABILITIES	603,264	-	603,264
DEFERRED INFLOW OF RESOURCES			
	-	-	-
FUND BALANCE			
Nonspendable, not in spendable form	56,554	-	56,554
Restricted for extracurricular activities	-	207,924	207,924
Unassigned	5,723,166	-	5,723,166
TOTAL FUND BALANCE	<u>5,779,720</u>	<u>207,924</u>	<u>5,987,644</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 6,382,984</u>	 <u>\$ 207,924</u>	 <u>\$ 6,590,908</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, 2022**

Total Fund Balance - Governmental Funds \$ 5,987,644

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	5,313,637
Accumulated depreciation	(3,173,795)

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	(958,912)
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Right-to-use assets and liabilities used in governmental activities are not financial resources or obligations and therefore are not reported.

Right to use asset, net	8,809,455
Right to use liability	(8,992,559)

Total Net Position - Governmental Activities	\$ 6,985,470
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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, 2022**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
State capital outlay funding	\$ -	\$ 507,432	\$ 507,432
Federal funding	-	389,678	389,678
State passed through local	7,579,146	-	7,579,146
Federal lunch program	-	123,202	123,202
Lunch program fees	-	82,804	82,804
Charges for services and other revenues	213,364	440,358	653,722
TOTAL REVENUES	\$ 7,792,510	\$ 1,543,474	\$ 9,335,984
EXPENDITURES			
Current:			
Instruction	\$ 4,729,330	\$ 389,678	\$ 5,119,008
Student support services	121,405	-	121,405
Instructional staff training	15,544	-	15,544
Board	16,923	-	16,923
School administration	834,842	-	834,842
Facilities acquisition and construction	-	-	-
Fiscal services	143,925	-	143,925
Food services	-	184,489	184,489
Central services	171,851	-	171,851
Operation of plant	174,104	507,432	681,536
Maintenance of plant	320,734	-	320,734
Administrative technology services	99,586	-	99,586
Community services	253,353	-	253,353
Extracurricular activities	-	396,329	396,329
Capital Outlay:			
Other capital outlay	628,415	-	628,415
Right to use asset	-	9,254,702	9,254,702
Debt Service:			
Interest	459,936	-	459,936
Repayment of principal	532,650	-	532,650
TOTAL EXPENDITURES	8,502,598	10,732,630	19,235,228
Excess (deficit) of revenues over expenditures	(710,088)	(9,189,156)	(9,899,244)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term financing	-	-	-
Right to use liability	-	9,254,702	9,254,702
Transfers in (out)	(395,571)	-	(395,571)
Total other financing sources (uses)	(395,571)	9,254,702	8,859,131
Net change in fund balance	(1,105,659)	65,546	(1,040,113)
Fund balance at beginning of year	6,885,379	142,378	7,027,757
Fund balance at end of year	\$ 5,779,720	\$ 207,924	\$ 5,987,644

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, 2022**

Net Change in Fund Balance - Governmental Funds \$ (1,040,113)

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	(472,519)
Capital outlays	628,415
Amortization expense	(445,247)

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	532,650
Forgiveness of debt	1,198,700

Change in Net Position of Governmental Activities	\$ 401,886
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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, 2022**

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, 2022, when, on average, 960 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, 2022**

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, 2022**

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 \$1,000 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, 2022**

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, 2022**

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, 2022**

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 30, 2022, 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, 2022, the School's deposits consisted of cash balances of \$372,109.

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, 2022, bank balances in potential excess of FDIC coverage totaled \$122,109; including fiduciary account bank balances.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$5,954,004 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, 2022, 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, 2022**

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, 2022:

	Balance		Balance	
	July 1, 2021	Additions	Deletions	June 30, 2022
Capital Assets: Non-depreciable				
Land	\$ 209,118	\$ -	\$ -	\$ 209,118
Capital Assets: Depreciable				
Leasehold improvements	2,760,751	951,761	(541,277)	3,171,235
Computer software and hardware	1,027,142	20,801	(102,854)	945,089
Furniture, equipment and textbooks	834,445	197,130	(43,380)	988,195
Total Capital Assets	<u>\$ 4,831,456</u>	<u>\$ 1,169,692</u>	<u>\$ (687,511)</u>	<u>\$ 5,313,637</u>
Less Accumulated Depreciation:				
Leasehold improvements	\$ (1,542,634)	\$ (159,323)	\$ -	\$ (1,701,957)
Computer software and hardware	(766,156)	(174,819)	102,854	(838,121)
Furniture, equipment and textbooks	(538,720)	(138,377)	43,380	(633,717)
Total Accumulated Depreciation	<u>(2,847,510)</u>	<u>(472,519)</u>	<u>146,234</u>	<u>(3,173,795)</u>
Capital Assets, net	<u>\$ 1,983,946</u>	<u>\$ 697,173</u>	<u>\$ (541,277)</u>	<u>\$ 2,139,842</u>
Lease Assets				
Right-to-use lease asset	-	9,254,702	-	9,254,702
Accumulated amortization	-	(445,247)	-	(445,247)
Total leased assets, net	<u>-</u>	<u>8,809,455</u>	<u>-</u>	<u>8,809,455</u>
Total capital and right-to-use assets, net	<u>\$ 1,983,946</u>	<u>\$ 9,506,628</u>	<u>\$ (541,277)</u>	<u>\$ 10,949,297</u>

For the fiscal year ended June 30, 2022, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 257,403
School administration	880
Facilities acquisition	35,547
Food services	1,736
Central services	2,089
Operation of plant	62,525
Maintenance of plant	112,339
TOTAL DEPRICIATION EXPENSE	<u>\$ 472,519</u>

Amortization expense of \$445,247 was allocated to debt service on the statement of activities.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022, the School incurred \$431,775, in fees.

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

During 2021, the School incurred approximately \$20,315 in virtual fees paid to Academica International Studies and Academica Virtual Education, affiliates of the education service and support provider.

NOTE 5–TRANSACTIONS WITH OTHER DIVISIONS OF CORNERSTONE CHARTER ACADEMY, INC.

During 2022, 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. Subsequent to year end on August 2022, a new lease was entered into between City of Belle Isle, Florida and Cornerstone Charter Academy, Inc.

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 2022 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 2022 totaled \$703,462.

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. The School met these covenants at June 30, 2022.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 6 – COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)

Right of Use Asset

On July 1, 2021, the School implemented GASB Statement No. 87 *Leases*, and as a result recorded a lease right of use asset and liability in these financial statements for the facility lease. The School used an interest rate of 5.00% based on the average incremental borrowing rate of the School to discount the annual lease payments and recognize the intangible right to use this asset and the lease liability as of July 1, 2021. The interest expense was \$441,319 and the amortization of the right to use asset was \$445,247 for the year ended June 30, 2022.

Changes in long-term right-to-use liability during the year are as follows:

	Balance at July 1, 2021	Increase	Decrease	Balance at June 30, 2022
Right to use liability	\$ -	\$ 9,254,702	\$ 262,143	\$ 8,992,559
	\$ -	\$ 9,254,702	\$ 262,143	\$ 8,992,559

Annual requirements to amortize the lease liability and related interest are estimated as follows:

Year Ended	Principal	Interest	Total	
2023	\$ 248,508	\$ 444,002	\$ 692,510	
2024	261,223	431,287	692,510	
2025	274,587	417,923	692,510	
2026	288,636	403,874	692,510	
2027	303,402	389,108	692,510	
2028-2032	1,766,242	1,696,192	3,462,434	(Five year period)
2033-2037	2,266,755	1,195,679	3,462,434	(Five year period)
2038-2042	2,909,092	553,341	3,462,433	(Five year period)
2043	674,114	18,396	692,510	
	<u>\$ 8,992,559</u>	<u>\$ 5,549,802</u>	<u>\$14,542,361</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% 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, 2022, administrative fees withheld by the School District totaled \$39,382.

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 7 - NOTES PAYABLE

The following schedule provides a summary of changes in notes payable for the year ended June 30, 2022:

	Balance at July 1, 2021	Advances	Repayments	Balance at June 30, 2022
Note payable	\$ 35,852	\$ -	\$ 35,852	\$ -
Total notes payable	<u>\$ 35,852</u>	<u>\$ -</u>	<u>\$ 35,852</u>	<u>\$ -</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. During the year, the portion of \$395,571 that was allocated to Cornerstone Charter High school was transferred to the School. The loan was fully forgiven during the fiscal year ending June 30, 2022 and was recorded as other income in the June 30, 2022 fiscal year.

Below is a summary of changes for this note payable for the year ended June 30, 2022:

	Balance at July 1, 2021	Advances	Forgiveness	Balance at June 30, 2022
Note payable	\$ 1,198,700	\$ -	\$ 1,198,700	\$ -
	<u>\$ 1,198,700</u>	<u>\$ -</u>	<u>\$ 1,198,700</u>	<u>\$ -</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, 2022:

	Balance July 1, 2021	Borrowings	Repayments	Balance at June 30, 2022
Note payable	\$ 1,193,567	\$ -	\$ 234,655	\$ 958,912
				<u>\$ 958,912</u>

Future maturities of all notes payables are as follows:

Year	
2023	\$ 261,061
2024	265,997
2025	271,095
2026	160,759
Total	<u>\$ 958,912</u>

**CORNERSTONE CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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 \$87,432 for the year ended, June 30, 2022. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTAL INFORMATION

**CORNERSTONE CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund		
	Original budget	Fund Budget	Actual
REVENUES			
State passed through local	\$ 7,722,286	\$ 7,625,785	\$ 7,579,146
Charges for services	242,011	890,763	213,364
TOTAL REVENUES	\$ 7,964,297	\$ 8,516,548	\$ 7,792,510
EXPENDITURES			
Current:			
Instruction	\$ 4,190,298	\$ 5,082,144	\$ 4,729,330
Student support services	103,953	122,910	121,405
Instructional staff training	8,000	15,000	15,544
Board	31,000	20,000	16,923
School administration	810,953	977,459	834,842
Fiscal Services	148,425	143,925	-
Food services	74,513	124,809	-
Central services	170,925	179,925	143,925
Operation of plant	810,500	607,172	171,851
Maintenance of plant	610,040	336,764	174,104
Administrative technology services	84,085	109,257	320,734
Community service	140,000	290,000	99,586
Extracurricular activities	-	400,000	253,353
Debt service	16,800	19,000	992,586
Total current expenditures	7,199,492	8,428,365	7,874,183
Capital Outlay			
Total capital outlay	104,504	575,000	9,883,117
TOTAL EXPENDITURES	7,303,996	9,003,365	17,757,300
Excess of revenue over expenditures	660,301	(486,817)	(9,964,790)
Other financing sources (uses):			
Increase in right to use liability	-	-	9,254,702
Transfers in (out)	-	563,205	(395,571)
	-	563,205	8,859,131
Net change in fund balance	660,301	76,388	(1,105,659)
Fund balance at beginning of the year	6,046,919	6,489,194	6,885,379
Fund balance at end of the year	\$ 6,707,220	\$ 6,565,582	\$ 5,779,720

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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 30, 2022.

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.

A handwritten signature in black ink that reads "Verdy-De Amici-Trupello-Alway". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2022



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, 2022, and have issued our report thereon dated September 30, 2022.

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 30, 2022, 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, 2022 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 30, 2022