



**CORNERSTONE ACADEMY COMMUNITY SCHOOL
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CORNERSTONE ACADEMY COMMUNITY SCHOOL
FRANKLIN COUNTY**

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**STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Cornerstone Academy
Franklin County
61 East Mound Street
Columbus, Ohio 43215

We have audited the accompanying Balance Sheet of the Cornerstone Academy , Franklin County, Ohio, (the Academy) as of June 30, 2001 and the related Statement of Revenues, Expenses, and Changes in Retained Earnings/Accumulated Deficit and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cornerstone Academy, Franklin County, Ohio, as of June 30, 2001, and the results of operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

January 18, 2002

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**Cornerstone Academy Community School
Balance Sheet
as of June 30, 2001**

Assets

Current Assets

Cash and Cash Equivalents	<u>\$ 32,312</u>
Total Current Assets	<u>32,312</u>
Total Assets	<u><u>\$ 32,312</u></u>

Liabilities and Equity

Current Liabilities

Accounts Payable	\$ 31,714
Accrued Wages and Benefits	<u>15,411</u>
Total Current Liabilities	<u>47,125</u>
Total Liabilities	47,125

Equity

Deficit	<u>(14,813)</u>
Total Deficit	<u>(14,813)</u>
Total Liabilities and Equity	<u><u>\$ 32,312</u></u>

The Accompanying Notes are an integral part of the Financial Statements.

**Cornerstone Academy Community School
Statement of Revenues, Expenses
and Changes in Retained Earnings/Accumulated Deficit
For the Year Ended June 30, 2001**

Operating Revenues	
Foundation Payments	\$ 108,912
Other Operating Revenues	<u>12,562</u>
Total Operating Revenues	<u>121,474</u>
 Operating Expenses	
Salaries	123,344
Fringe Benefits	23,269
Purchased Services	65,486
Materials and Supplies	5,248
Other Operating Expenses	<u>24,607</u>
Total Operating Expenses	<u>241,954</u>
Operating Loss	<u>(120,480)</u>
 Non-Operating Revenues	
Interest Earnings	1,880
Federal Grants	50,000
State Grants	<u>5,000</u>
Total Non-Operating Revenues	56,880
Net Loss	(63,600)
Retained Earnings at Beginning of Year	<u>48,787</u>
Deficit at End of Year	<u><u>\$ (14,813)</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**Cornerstone Academy Community School
Statement of Cash Flows
For the Year Ended June 30, 2001**

Cash Flows from Operating Activities

Cash Received from State of Ohio and Federal Government	\$ 108,912
Cash Received from Other Sources	12,562
Cash Payments to Suppliers for Goods and Services	(62,128)
Cash Payments to Employees for Services	(111,325)
Cash Payments for Employee Benefits	<u>(21,376)</u>
 Net Cash Used For Operating Activities	 <u>(73,355)</u>

Cash Flows From Noncapital Financing Activities

Cash Received from Federal Subsidies	\$ 50,000
Cash Received from State Subsidies	<u>5,000</u>
 Net Cash Provided by Noncapital Financial Activities	 <u>55,000</u>

Cash Flows from Investing Activities

Interest on Investments	<u>1,880</u>
 Net Cash Provided By Investing Activities	 <u>1,880</u>

Net Decrease in Cash and Cash Equivalents	(16,475)
Cash and Cash Equivalents at Beginning of Year	<u>48,787</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 32,312</u></u>
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**Reconciliation of Operating Loss to Net
Cash Used For Operating Activities**

Operating Loss	(120,480)
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**Adjustments to Reconcile Operating Loss to Net
Cash Used For Operating Activities**

Changes in Assets and Liabilities	
Accounts Payable	31,714
Accrued Wages and Benefits	<u>15,411</u>
Total Adjustments	<u>47,125</u>

Net Cash Used For Operating Activities	<u><u>\$ (73,355)</u></u>
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The Accompanying Notes are an Integral Part of the Financial Statements

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**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Cornerstone Academy Community School(the "Academy") is a non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to focus on instruction of school children, grades K, 1, and 2. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The Academy was approved for operation on February 11, 2000 under a contract by and between the Ohio State Board of Education and the Board of Trustees of the Cornerstone Academy Community School. The Academy commenced official operation on July 1, 2000. The seven member Board of Trustees is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's staff of one director (principal) and two full time certificated teachers who provide services to 21 students.

The Academy initially contracted with Enchanted Care Learning Center to provide daycare/after school programs. In June 2001, the Board of Trustees assumed the operation of the program. The program provided by a staff of one full-time and one part-time person serves seven students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cornerstone Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Enterprise Accounting – Basis of Presentation

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and the Ohio State Board of Education does not prescribe a budgetary process for the Academy.

D. Cash and Investments

All monies received by the Academy are pooled and deposited in a central bank account. All monies of the School are maintained in this account or temporarily used to purchase short term investments. For purposes of the statement of cash flows and the presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy, records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy. The Academy records a liability for accumulated unused sick leave for classified employees and certified employees and administrators after eight years of service.

The entire amount of compensated absences is reported as a Accrued Wages and Benefits.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as foundation payments in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, The Academy was awarded \$100,000 to offset start-up cost of the Academy. See Note 15 for the allocation of the start-up grant.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Academy maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2001</u>
Demand deposits	\$12,895
Repurchase agreement	<u>19,417</u>
Total cash and cash equivalents	<u><u>\$32,312</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Academy's agent holds securities collateralizing repurchase agreements. The securities are not in the Academy's name.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the Academy contracted with Nationwide Insurance Company through Harcum-Hyre Insurance Agency, Inc. for property and general liability insurance. The policy calls for coverage of \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible.

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statement and required supplementary information. The report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The Academy's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, were \$319. The unpaid contribution for fiscal year 2001, in the amount of \$210 is recorded as a liability.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State. Benefits are established by Chapter 3007, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, were \$17,170. The unpaid contribution for fiscal year 2001, in the amount of \$1,683 is recorded as a liability.

6. POST EMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) and School Employees Retirement System (SERS) provides comprehensive health care benefits to retirees and their dependents. Benefits includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the STRS and SERS Retirement Boards have discretionary authority over how much, if any, of the health care costs will be absorbed by STRS and SERS.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The retirement board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid.

The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients. For the Academy, the amount contributed to the Health Care Reserve Fund equaled \$4,978 for the fiscal year ended June 30, 2001.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. At June 30, 2000, employer contributions to fund health care benefits were 8.45% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay had been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For the Academy, the amount contributed to the Health Care Reserve Fund, including surcharge equaled \$60 for the fiscal year ended June 30, 2001.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual workdays per contract plus ninety, not to exceed 275 days. Upon retirement, payment is made for one-third of the total sick leave accumulation up to a maximum accumulation of 150 days.

B. Life Insurance

The Academy provides life insurance and accidental death and dismemberment, medical/surgical, dental and vision insurance to most employees through School Employees' Health and Welfare Benefits Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board.

8. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC) – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to the academy in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The Academy does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provided computer services in the amount of \$4,364 to the Academy for fiscal year 2001.

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2001.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. CONTINGENCIES (Continued)

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community(i.e., Charter) Schools program violates the state constitution and state laws. The effect of this suit, if any, on the Academy is not presently determinable.

C. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustments to state funding for fiscal year 2001, as a result of such a review.

10. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio School districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. PURCHASED SERVICES EXPENSES

For fiscal year ended June 30, 2001, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$4,605
Property Services	41,134
Communications	4,373
Utilities	6,000
Tuition	6,300
Other Purchased Services	<u>3,074</u>
Total Purchased Services	<u>\$65,486</u>

12. MANAGEMENT PLANS TO ELIMINATE DEFICIT

The Academy accumulated a deficit of \$14,813 for the year ended June 30, 2001, and is also delinquent in some payments to vendors due to the timing of cash flows. Management plans to eliminate the deficit and cash flow shortages with the following actions:

1. The Academy has qualified for a Phase II Federal Grant for the year ending June 30, 2002. The grant agreement provides that the Academy will receive \$40,000 during the year, to be reimbursed for allowable grant costs. The Academy did receive this \$40,000 during fiscal year 2002.
2. The Academy is actively seeking corporate and individual sponsors to provide monetary support for the 2001-2002 school year. The goal of the fund raising efforts is \$25,000 by June 30, 2002.
3. The Academy has instituted a public awareness and advertising campaign to promote interest and increase enrollment. The goal of the campaign is to enroll 40-50 students by the start of school in September. For the fall of 2002 the academy enrolled 45 students, with 3 teachers and one director.

The School's management is of the opinion that these financing sources will be available through the next fiscal year.

13. TAX EXEMPT STATUS

The School completed their application and filed for tax exempt status under 501c3 of the Internal Revenue Code on May 11, 2000 and was approved for tax exempt status on October 31, 2000. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

**CORNERSTONE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. OPERATING LEASE

The Academy entered into a lease agreement for use of property. The premises shall be used for housing and educational program for homeless children. The lease commenced August 21, 2000, and shall terminate on August 21, 2005. The board will at that time determine renewals of leases. The monthly charge for rental is \$3,333 payable the first of each month. The Academy is responsible for the interior maintenance and repairs, utilities, redecorating, inspections, insurance, and damages to the premises.

15. RETAINED EARNINGS

The Academy received \$100,000 from the Ohio Department of Education to off set start-up cost. Of the \$100,000 the Academy received \$50,000 prior to beginning the fiscal year. The Academy incurred miscellaneous expenses of \$1,213 resulting in beginning Retained Earnings of \$48,787.

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**STATE OF OHIO
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**REPORT OF ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Cornerstone Academy
61 East Mound Street
Columbus, Ohio 43215

We have audited the financial statements of Cornerstone Academy Community School, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated January 18, 2002.

Cornerstone Academy Community School
Franklin County
Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CORNERSTONE ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2002**