



**Auditor of State  
Betty Montgomery**



**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Balance Sheet .....	3
Statement of Revenues, Expenses and Changes in Retained Earnings .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2002, the related Statement of Revenues, Expenses and Changes in Retained Earnings and Statement of Cash Flows for the year ended June 30, 2002. 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, 2002, and the results of its operations and the 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 22, 2003 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.

A handwritten signature in black ink that reads "Betty Montgomery".

**BETTY MONTGOMERY**  
Auditor of State

January 22, 2003

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2002**

**Assets**

**Current Assets**

Deposits and Investments	\$ 149,986
--------------------------	------------

Total Assets	<u>\$ 149,986</u>
--------------	-------------------

**Liabilities and Equity**

**Current Liabilities**

Accounts Payable	\$ 9,559
State Pension Systems Payable	4,409
Accrued Wages and Benefits	<u>31,948</u>

Total Current Liabilities	45,916
---------------------------	--------

**Equity**

Retained Earnings	<u>104,070</u>
-------------------	----------------

Total Liabilities and Fund Equity	<u>\$ 149,986</u>
-----------------------------------	-------------------

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

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Operating Revenues</b>	
Foundation Payments	\$ 352,708
Day Care and Summer School Fees	81,532
Other Operating Revenues	17,969
	<hr/>
Total Operating Revenues	452,209
<b>Operating Expenses</b>	
Salaries	250,160
Fringe Benefits	49,127
Purchased Services	162,287
Materials and Supplies	37,361
Other Operating Expenses	12,042
	<hr/>
Total Operating Expenses	510,977
	<hr/>
Operating Loss	(58,768)
<b>Non-Operating Revenues</b>	
Interest Earnings	1,151
Federal Grants	190,000
State Grants	3,000
	<hr/>
Total Non-Operating Revenues	194,151
	<hr/>
Net Income	135,383
	<hr/>
Retained Earnings (Deficit) at Beginning of Year (as restated) (Note 14)	(31,313)
	<hr/>
Retained Earnings at End of Year	<u><u>\$ 104,070</u></u>

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



**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Flows used for Operating Activities

Cash Received from State Foundation/Disadvantaged Pupil Impact Aid	\$ 352,708
Cash Received from Fees and Other Sources	99,501
Cash Payments to Suppliers for Goods and Services	(235,345)
Cash Payments to Employees for Services	(230,230)
Cash Payments for Employee Benefits	<u>(46,611)</u>

Net Cash Used For Operating Activities (59,977)

Cash Flows provided by Noncapital Financing Activities

Cash Received from Federal Grants	190,000
Cash Received from State Grants	<u>3,000</u>

Net Cash Provided by Noncapital Financing Activities 193,000

Cash Flows provided by Investing Activities

Interest on Investments	<u>1,151</u>
-------------------------	--------------

Net Cash Provided By Investing Activities 1,151

Net Increase in Cash and Cash Equivalents	134,174
Cash and Cash Equivalents at Beginning of Year (as restated)(Note 14)	<u>15,812</u>

Cash and Cash Equivalents at End of Year \$ 149,986

Reconciliation of Operating Loss to Net  
Cash Used For Operating Activities

Operating Loss (58,768)

Adjustments to Reconcile Operating Loss to Net  
Cash Used For Operating Activities

Changes in Assets and Liabilities	
Accounts Payable	(22,155)
Accrued Wages and Benefits	<u>20,946</u>

Total Adjustments (1,209)

Net Cash Used For Operating Activities \$ (59,977)

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 primary government of the Academy consists of all funds and departments that comprise the legal entity of the Academy. This includes general operations as well as preschool and aftercare programs. The preschool and aftercare programs are not operated under the school charter, however, Academy employees staff these programs that are funded by charges for services and thus, these programs are included in the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cornerstone Academy have been prepared in conformity with generally accepted accounting principles 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 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**

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**

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 and decreases in net total assets.

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

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.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Academy 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. Intergovernmental Revenues**

The Academy currently participates in the State Foundation and the State Disadvantaged Pupil Impact Aid (DPIA) Programs. Revenues received from these programs are recognized as operating revenues 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 they are earned and become measurable.

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 participated in the Federal Charter School Grant Program Phases II and III through the Ohio Department of Education. Under this program, the Academy received \$190,000 to offset start-up cost of the school during the fiscal year ended June 30, 2002. Revenues received from this program are recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for 2002 Academy year totaled \$545,708.

**F. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the dates received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Fixed assets are depreciated using the straight line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful live of the related fixed assets.

At June 30, 2002, the Academy does not possess any fixed assets that met the policy; therefore, fixed assets are not reflected on the financial statements.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**H. Charges for Services**

The Academy charges students tuition to participate in the preschool and aftercare programs. The operating revenue from these programs is recognized when earned and measurable.

**I. 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.

At June 30, 2002, there were no vacation and sick leave benefits that met the policy; therefore, a liability for compensated absences is not reflected on the financial statements.

**3. DEPOSITS AND INVESTMENTS**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** The carrying value of the Academy's deposits totaled (\$17,248), and the bank balance totaled \$10,000, all of which was covered by the Federal Depository Insurance Corporation.

**Investments:** The Academy's investments are categorized to give an indication of the level of risk assumed by the Academy at the fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Academy or its agent in the Academy's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpartys trust department or agent in the Academy's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Academy's name.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

Investments of the school as of June 30, 2002 were as follows:

<u>Investments</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	\$167,234	\$167,234
Demand deposits		<u>(17,248)</u>
Total Deposits and Investments		<u>\$ 149,986</u>

The Academy's agent holds securities collateralizing repurchase agreements.

**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 2002, 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 retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 100 E Broad Street, Columbus, Ohio 43215-3746 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 at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the years ended June 30, 2002 and 2001 were \$ 11,754 and \$ 529 respectively. The unpaid contribution for fiscal year 2002, in the amount of \$626 is recorded as a payable to State Pension Systems.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS (Continued)**

**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 Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by

Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent. A portion of the Academy's contribution is used to fund pension obligations and health care with the remainder being used to fund administrative expenses. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligations to STRS for the years ended June 30, 2002 and 2001 was \$26,162 and \$17,170 respectively. The unpaid contribution for fiscal year 2002, in the amount of \$3,783 is recorded as a payable to State Pension Systems.

**6. POSTEMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of the covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2002, the board allocated employer contribution equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$12,392 during fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS Ohio were \$307,772,000. There were 102,132 eligible benefit recipients.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**6. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal 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% of the premium. The Board currently allocates employer contributions equal to 8.54% of covered payroll to fund health care benefits. For the Academy, this amount equaled \$18,384 during fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established at \$12,400.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care is reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million. The number of benefit recipients' currently health care benefits is approximately 50,000 (the latest information available).

**7. OTHER EMPLOYEE BENEFITS**

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 \$5,598 to the Academy for fiscal year 2002.

**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, 2002.

**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.



**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. CONTINGENCIES (Continued)**

**C. Full Time Equivalency**

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 review resulted in the discovery of an underpayment to the Academy in the amount of \$1,006. This amount has not been reflected as State foundation receivable and will be included in State foundation revenue for fiscal year 2003.

**10. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**11. PURCHASED SERVICES EXPENSES**

For fiscal year ended June 30, 2002, purchased service expenses were payments for services rendered by various vendors, as follows:

Children's Center for Development Enrichment	\$ 81,257
Saint Johns Church (Rent)	40,000
Consulting	8,035
Advertisement	6,511
Utilities	6,236
Metropolitan Educational Center	5,598
Other Purchased Services	<u>14,650</u>
Total Purchased Services	<u>\$ 162,287</u>

**12. TAX EXEMPT STATUS**

The Academy completed their application and filed for tax-exempt status under 501(c) 3 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.

**13. OPERATING LEASE**

The Academy entered into an operating lease agreement for use of property. The premises shall be used for an educational program for children. The lease commenced August 21, 2000, and shall terminate on August 21, 2005. The Board will at that time determine renewal of the lease. 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.

**CORNERSTONE ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**14. RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS**

Correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 2001 retained earnings as previously reported. The restatement is as follows:

Report Description	Balance at 6/30/2001	Adjustment	7/1/2001 as restated
Retained Earnings (Deficit) at Beginning of Year	<u>\$ (14,813)</u>	<u>\$ (16,500)</u>	<u>\$ (31,313)</u>
Cash and Cash Equivalents at Beginning of Year	<u>\$ 32,312</u>	<u>\$ (16,500)</u>	<u>\$ 15,812</u>



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Cornerstone Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 22, 2003. 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 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 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 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 certain 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 22, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**BETTY MONTGOMERY**  
Auditor of State

January 22, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 1, 2003**