

Audited Financial Statements

Cornerstone Jefferson - Douglass Academy

Detroit, Michigan

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cornerstone - Jefferson Douglass Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cornerstone - Jefferson Douglass Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Cornerstone - Jefferson Douglass Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cornerstone - Jefferson Douglass Academy, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cornerstone - Jefferson Douglass Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of the Cornerstone - Jefferson Douglass 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 solely 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 the effectiveness of the Cornerstone - Jefferson Douglass Academy's 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 Cornerstone - Jefferson Douglass Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2019



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

**To the Board of Directors
of Cornerstone - Jefferson Douglass Academy**

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 - Jefferson Douglass Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Cornerstone - Jefferson Douglass Academy's basic financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cornerstone - Jefferson Douglass Academy'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 Cornerstone - Jefferson Douglass Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Cornerstone - Jefferson Douglass Academy'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cornerstone - Jefferson Douglass Academy'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-001.

Cornerstone - Jefferson Douglass Academy's Response to Findings

Cornerstone - Jefferson Douglass Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Cornerstone - Jefferson Douglass Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Cornerstone Jefferson-Douglas Academy’s (CJDA) annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

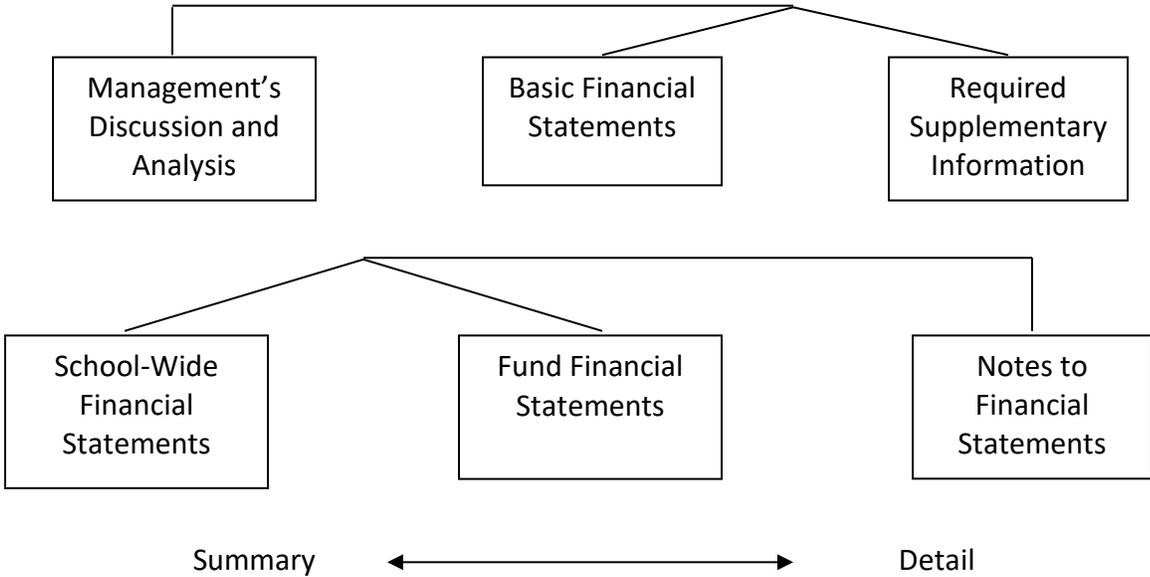
- ❖ The school’s financial status remained stable, as state aid foundation was up slightly from \$7,631 per student to \$7,871 per student.
- ❖ Blended enrollment used for state aid purposes was 622.76.
- ❖ The school has a positive fund balance in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- ❖ The first two statements are school wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of CJDA’s Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school’s financial statements, including the portion of the school’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school’s net position and how they have changed. Net position – the difference between the school’s assets and liabilities – are one way to measure the school’s financial health or position.

- ❖ Over time, increases or decreases in the school’s position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school’s enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school’s funds, focusing on its most significant or “major” funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See Tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Grants and support from community and government partners.

- ❖ A short-term loan from the Michigan Finance Authority to bridge the month of September in which no state aid funds are received.

- ❖ Student enrollment

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times. All invoices were paid in a timely matter.

- ❖ The school has no long-term outstanding debt.

Financial Outlook

Cornerstone Jefferson-Douglas Academy's financial forecast is strong for the long term.

- ❖ Student enrollment continues to be strong.

- ❖ School leadership and administrators review all expenses.

- ❖ Community partners and student families are engaged with the school and students.

Table A-3
CJDA's Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,329,821	\$ 1,028,462
Capital assets	<u>70,890</u>	<u>22,010</u>
Total assets	1,400,711	1,050,472
Long-term debt outstanding	-	-
Other liabilities	<u>1,293,952</u>	<u>973,260</u>
Total liabilities	1,293,952	973,260
Net position		
Net investment (deficit) in capital assets	70,890	22,010
Restricted	-	-
Unrestricted	<u>35,869</u>	<u>55,202</u>
Total net position	<u>\$ 106,759</u>	<u>\$ 77,212</u>

Table A-4
Changes in CJDA's Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 56	\$ 28,098
Federal and state operating grants	959,622	641,156
General revenues:		
State aid - unrestricted	4,883,627	3,912,032
Miscellaneous	<u>104,074</u>	<u>190,426</u>
Total revenues	5,947,379	4,771,712
Expenses		
Instruction	2,216,196	1,851,636
Support services	3,683,244	2,838,722
Unallocated interest	-	-
Unallocated depreciation	<u>18,392</u>	<u>4,142</u>
Total expenses	<u>5,917,832</u>	<u>4,694,500</u>
Change in net position	<u>\$ 29,547</u>	<u>\$ 77,212</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019 the school had invested \$93,424 in capital assets, including computers and software. See Table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5
CJDA's Capital Assets

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Leasehold improvements	\$ 11,035	\$ -
Furniture and equipment	<u>82,389</u>	<u>26,152</u>
Subtotal	93,424	26,152
Less: accumulated depreciation	<u>22,534</u>	<u>4,142</u>
Net book value of assets	<u><u>\$ 70,890</u></u>	<u><u>\$ 22,010</u></u>

Long-term Debt

The school has no long-term debt.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Positive student and family engagement
- ❖ Positive school culture
- ❖ State aid foundation equity along with state, federal and local grants
- ❖ Staff and student retention rate

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's management office at:

Cornerstone Education Group
306 E. Fourth St.
Royal Oak, MI 48067

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 215,277
Accounts receivable	10,377
Due from other governmental units	1,056,187
Prepaid expenses	<u>47,980</u>
Total current assets	1,329,821

Capital Assets - Net of Accumulated Depreciation

70,890

Total assets and deferred outflows \$ 1,400,711

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 1,008,714
Other accrued expenses	<u>285,238</u>
Total current liabilities	1,293,952

Net Position

Net investment in capital assets	70,890
Unrestricted	<u>35,869</u>
Total net position	<u>106,759</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,400,711</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenues and Changes in Net Position
				Government Type Activities
Functions				
Instruction				
Basic programs	\$ 1,794,424	\$ -	\$ -	\$ (1,794,424)
Added needs	421,772	-	421,772	-
Support services				
Pupil support services	277,837	-	208,115	(69,722)
Instructional staff support services	195,511	-	-	(195,511)
General administration	855,755	-	-	(855,755)
School administration	266,491	-	-	(266,491)
Business support services	8,135	-	-	(8,135)
Operations and maintenance	1,385,862	-	-	(1,385,862)
Pupil transportation services	20,052	-	-	(20,052)
Central support services	213,047	-	-	(213,047)
Athletic activities	35,193	-	-	(35,193)
Food services	414,826	56	329,735	(85,035)
Community services	10,535	-	-	(10,535)
Unallocated depreciation	18,392	-	-	(18,392)
	<u>\$ 5,917,832</u>	<u>\$ 56</u>	<u>\$ 959,622</u>	<u>(4,958,154)</u>
General Purpose Revenues				
State school aid - unrestricted				4,883,627
Miscellaneous revenues				104,074
				<u>4,987,701</u>
Total general purpose revenues				<u>4,987,701</u>
Change in net position				29,547
Net position - July 1, 2018				<u>77,212</u>
Net position - June 30, 2019				<u>\$ 106,759</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash and cash equivalents	\$ 215,277	\$ -	\$ 215,277
Accounts receivable	10,377	-	10,377
Due from other governmental units	971,408	84,779	1,056,187
Due from other funds	65,815	48,324	114,139
Prepaid expenses	47,980	-	47,980
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,310,857</u>	<u>\$ 133,103</u>	<u>\$ 1,443,960</u>

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 941,426	\$ 67,288	\$ 1,008,714
Due to other funds	48,324	65,815	114,139
Other accrued expenses	285,238	-	285,238
	<hr/>	<hr/>	<hr/>
Total liabilities	1,274,988	133,103	1,408,091

Deferred Inflows - Unavailable Revenue

33,443	-	33,443
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Fund Balance

Nonspendable	47,980	-	47,980
Restricted	-	-	-
Unassigned	(45,554)	-	(45,554)
	<hr/>	<hr/>	<hr/>
Total fund balance	2,426	-	2,426

Total liabilities, deferred inflows and
fund balance

\$ 1,310,857	\$ 133,103	\$ 1,443,960
<hr/>	<hr/>	<hr/>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

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

Total Governmental Fund Balances	\$ 2,426
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$93,424 and the accumulated depreciation is \$22,534.	70,890
Deferred inflows on resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	<u>33,443</u>
Net Position of Governmental Activities	<u>\$ 106,759</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues			
Local sources	\$ 99,470	\$ 56	\$ 99,526
State sources	5,200,168	22,907	5,223,075
Federal sources	339,709	306,828	646,537
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	5,639,347	329,791	5,969,138
Expenditures			
Instruction			
Basic programs	1,794,424	-	1,794,424
Added needs	421,772	-	421,772
Support services			
Pupil support services	277,837	-	277,837
Instructional staff support services	195,511	-	195,511
General administration	855,755	-	855,755
School administration	266,491	-	266,491
Business support services	8,135	-	8,135
Operations and maintenance	1,385,862	-	1,385,862
Pupil transportation services	20,052	-	20,052
Central support services	213,047	-	213,047
Athletic activities	35,193	-	35,193
Food services	-	414,826	414,826
Community services	10,535	-	10,535
Capital outlay	67,272	-	67,272
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	5,551,886	414,826	5,966,712
Excess (deficiency) of revenues over expenditures	87,461	(85,035)	2,426
Other Financing Sources (Uses)			
Operating transfers in	-	85,035	85,035
Operating transfers out	(85,035)	-	(85,035)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(85,035)	85,035	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	2,426	-	2,426
Fund balance - July 1, 2018	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2019	<u>\$ 2,426</u>	<u>\$ -</u>	<u>\$ 2,426</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

Net Change in Fund Balances - Total Governmental Funds	\$	2,426
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	67,272	
Depreciation and amortization expense		<u>(18,392)</u>	48,880

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days			<u>(21,759)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>29,547</u></u>
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CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cornerstone Jefferson - Douglass Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Cornerstone Jefferson - Douglass Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on January 3, 2001, and began operation in July 2014.

On July 1, 2017, the Academy entered into a seven-year contract with the Grand Valley State University board of trustees (the “GVSU board of trustees”) to charter a public academy through June 30, 2024. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The GVSU board of trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the GVSU board of trustees 3 percent of state aid as administrative fees. The total administrative fees paid for the year ended June 30, 2019 were approximately \$145,900.

The Academy has entered into a management agreement through June 30, 2020 with Three Pillars: An Educational Services Provider (d/b/a Cornerstone Education Group). The management company was instrumental in the founding of the Academy. The management company is responsible for all of the management, operation, administration, and education at the Academy. In addition, the Academy reimburses the management company for all employee-related and operating costs. The Academy pays a management fee of 12 percent of gross revenue of the Academy, excluding school lunch revenue and funds raised by students or parents through fundraising events.

The Academy incurred management fees totaling approximately \$666,300 for the year ended June 30, 2019. At June 30, 2019, the management company was due approximately \$940,100 for management fees and other reimbursements of costs incurred on behalf of the Academy. Amounts due to the management company are included within the accounts payable and other accrued expense accounts on the Academy’s statement of net position and its governmental funds balance sheet. Management has elected to forgive \$60,000 of this balance the purpose of being utilized towards Academy operations.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund – The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments as of June 30, 2019. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2019 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2019 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year-end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2019 the budget was amended in a legally permissible manner. Page 18 of these financial statements compares the board approved appropriations against actual expenditures.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2019, the Academy had the following cash and investment policies:

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Academy had no investments as of June 30, 2019.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2019, \$82,267 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2019.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

State sources	\$ 936,740
Federal sources	<u>119,447</u>
Total	<u>\$ 1,056,187</u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets subject to depreciation				
Furniture and equipment	\$ 26,152	\$ 56,237	\$ -	\$ 82,389
Leasehold improvements	-	11,035	-	11,035
Subtotal	26,152	67,272	-	93,424
Accumulated depreciation				
Furniture and equipment	4,142	17,239	-	21,381
Leasehold improvements	-	1,153	-	1,153
Subtotal	4,142	18,392	-	22,534
Total net capital assets	<u>\$ 22,010</u>	<u>\$ 48,880</u>	<u>\$ -</u>	<u>\$ 70,890</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 241,820
Oversight fee	26,545
Other	<u>16,873</u>
Total other accrued expenses	<u>\$ 285,238</u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities Lease	June, 2024	\$532,000 annually	Building lease with a related party and is a "triple net" lease whereas the Academy is responsible for all expenses of any nature during the term of the lease.
Equipment	February, 2020	\$20,390 annually	Various equipment.

The approximate amount of lease obligations coming due during the next five years are as follows:

2020	\$ 545,472
2021	532,000
2022	532,000
2023	532,000
2024	532,000

Total lease expense included in the statement of activities for the year ended June 30, 2019 amounted to approximately \$575,800.

NOTE 8 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Special Revenue</u>
Transfer In	\$ -	\$ 85,035
Transfer Out	85,035	-

The Academy subsidized its food service program with resources from the General Fund as shown in the above schedule.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 – RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by its management company which qualifies under the provisions of Section 403(b) of the Internal Revenue Code. The Academy matches 25% of an employee's first 6% of the contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 94,500	\$ 83,000	\$ 99,470	\$ 16,470
State sources	4,770,000	5,220,000	5,200,168	(19,832)
Federal sources	300,000	335,000	339,709	4,709
Total general fund revenues	5,164,500	5,638,000	5,639,347	1,347
Expenditures				
Instruction				
Basic programs	1,802,000	1,800,000	1,794,424	(5,576)
Added needs	340,000	450,000	421,772	(28,228)
Support services				
Pupil support services	160,000	255,000	277,837	22,837
Instructional staff support services	162,000	200,000	195,511	(4,489)
General administration	761,000	850,000	855,755	5,755
School administration	244,000	260,000	266,491	6,491
Business support services	9,000	10,000	8,135	(1,865)
Operations and maintenance	1,295,000	1,400,000	1,385,862	(14,138)
Pupil transportation services	11,000	20,000	20,052	52
Central support services	220,000	300,000	213,047	(86,953)
Athletic activities	32,000	32,000	35,193	3,193
Community services	39,000	15,000	10,535	(4,465)
Capital outlay	-	-	67,272	67,272
Total general fund expenditures	5,075,000	5,592,000	5,551,886	(40,114)
Excess (deficiency) of revenues over expenditures	89,500	46,000	87,461	41,461
Other Financing Sources (Uses)				
Operating transfers out	(89,000)	(45,000)	(85,035)	(40,035)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	500	1,000	2,426	1,426
Fund balance - July 1, 2018	-	-	-	-
Fund balance - June 30, 2019	\$ 500	\$ 1,000	\$ 2,426	\$ 1,426

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

Local Sources

Student activities	\$ 26,601
Other local revenues	<u>72,869</u>
Total local sources	99,470

State Sources

At risk	218,159
Special education	98,382
State aid	<u>4,883,627</u>
Total state sources	5,200,168

Federal Sources

IDEA	19,360
Title I	273,308
Title II A	31,118
Title IV	<u>15,923</u>
Total federal sources	<u>339,709</u>
Total general fund revenues	<u>\$ 5,639,347</u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

Basic Programs

Purchased services	\$ 1,606,241
Rentals	48,435
Other purchased services	1,066
Supplies and materials	118,077
Other expenditures	20,605

Total basic programs 1,794,424

Added Needs

Purchased services	421,067
Supplies and materials	705

Total added needs 421,772

Pupil Support Services

Guidance services	18,773
Health services	5,156
Psychological services	6,675
Speech pathology and audiology	39,372
Social work services	67,170
Other pupil services	140,691

Total pupil support services 277,837

Instructional Staff Support Services

Purchased services	195,511
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General Administration

Purchased services	43,495
Management fees	666,329
Oversight expense	145,931

Total general administration 855,755

School Administration

Purchased services	216,604
Rentals	18,690
Supplies and materials	17,093
Other expenditures	14,104

Total school administration 266,491

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Business Support Services

Purchased services	3,815
Other expenditures	4,320
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Total business support services	8,135

Operations and Maintenance

Purchased services	281,002
Repairs and maintenance	321,985
Rentals	557,172
Other purchased services	28,043
Supplies and materials	189,451
Non-depreciable capital assets	5,714
Other expenditures	2,495
	<hr/>
Total operations and maintenance	1,385,862

Pupil Transportation Services

Rentals	20,052
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Central Support Services

Purchased services	184,068
Repairs and maintenance	17,594
Other purchased services	5,562
Supplies and materials	1,317
Non-depreciable capital assets	4,506
	<hr/>
Total central support services	213,047

Athletic Activities

Purchased services	25,978
Supplies and materials	6,079
Other expenditures	3,136
	<hr/>
Total athletic activities	35,193

Community Services

Purchased services	7,152
Supplies and materials	3,383
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Total community services	10,535

Capital Outlay

	<hr/>
	67,272

Total general fund expenditures	<hr/> <hr/>
	\$ 5,551,886

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

Reference Number

Findings

2019 - 001

Finding Type – Noncompliance and Material Weakness

Criteria – The Academy is required to account for restricted grant costs separately within the State mandated uniform chart of accounts. This is detailed within the Michigan Public School Accounting Manual as to the setup and structure of these accounts.

Condition – The Academy’s chart of account structure was unable to provide a timely reconciliation directly from the accounting system that specifically detailed restricted grant expenditures.

Cause / Effect – The Academy was unable to utilize its account system and account structure to accurately produce a reconciliation and matching of restricted expenditures to restricted revenues.

Recommendation – The Academy should immediately revise its account structure to implement a chart of accounts that can easily and accurately produce a detailed general ledger that specifically identifies restricted grant expenditures. Additionally a revised chart of accounts will provide management with timely useful information in order to make timely and impactful decisions on behalf of the Academy

Auditee Response – The auditee agrees with the finding. The Academy is currently reviewing its account structure in order to revise to more accurately detail and identify restricted grant expenditures.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF PRIOR YEARS AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

1) Audit findings that have been fully corrected:

Fiscal Year: 2018

Finding Number: 2018 – 001

Finding: The Academy did not properly record a deferred inflow of resources for certain grant revenue not collected within the current period or soon enough thereafter to pay liabilities of the current period.

Comments: The Academy had since revised its procedures to ensure that all funds are to be collected within the 60 day window and if not will be properly designated within the financial records as unavailable.

Fiscal Year: 2018

Finding Number: 2018 – 002

Finding: The Academy's general ledger required material adjustments to bring accounts to appropriate balances.

Comments: The Academy had since revised its procedures to ensure that all accounts are internally reviewed and reconciled on a regular basis..

2) Audit findings not corrected or partially corrected:

None