

Audited Financial Statements

Cornerstone Jefferson - Douglass Academy

Detroit, Michigan

June 30, 2021

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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, 2021, 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 Cornerstone Jefferson - Douglass Academy, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Cornerstone Jefferson - Douglass Academy's basic financial statements. The schedules of revenues and expenditures, and schedule of expenditures of federal awards as required for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures, and the schedule of expenditures of federal awards, 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 schedules of revenues and expenditures, and the schedule of expenditures of federal awards 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, 2021, on our consideration of 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 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 Cornerstone Jefferson - Douglass Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021

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, 2021. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

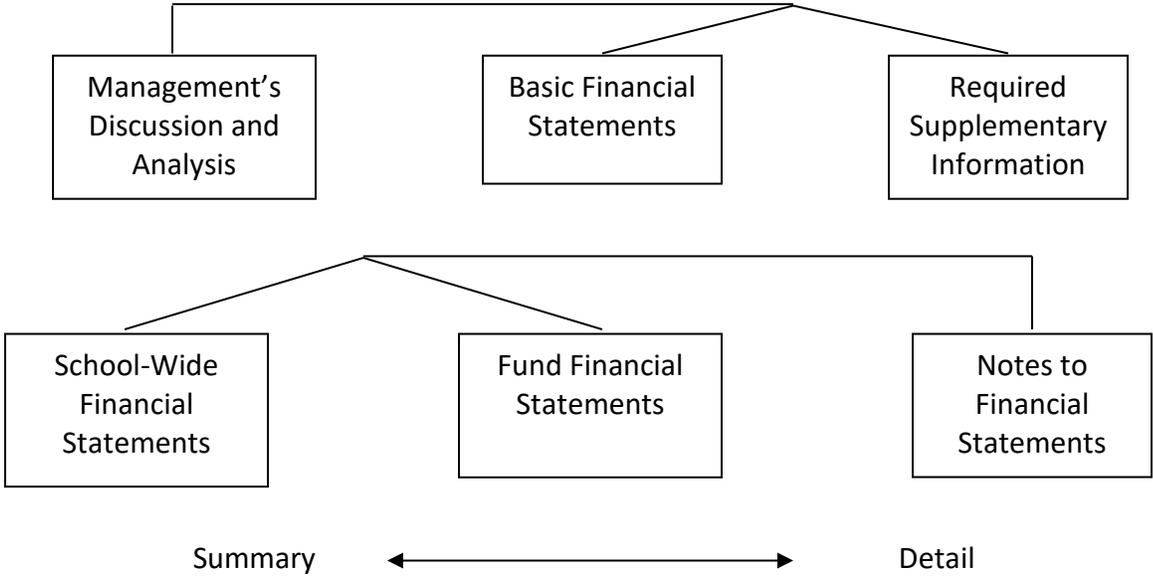
- ❖ The school’s financial status remained stable, increasing to \$8,111 per student.
- ❖ Blended enrollment used for state aid purposes was 661.47, which was weighted 75% on the prior year’s count and 25% on the 2020-21 count.
- ❖ The school has a positive fund balance in the General Fund.

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 explain 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.
- ❖ Sound management of expenses in accordance with revenue.

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 stable for the long term.

- ❖ State foundation allowance aid has increased to \$8,700 per student.
- ❖ Federal aid allocated by the State of Michigan related to COVID-19 provides critical support for technology and pandemic learning.
- ❖ Management is actively addressing student outcomes and teacher recruitment and retention to stabilize long term enrollment.

Table A-3
CJDA's Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,513,900	\$ 1,516,893
Capital assets	<u>287,732</u>	<u>95,140</u>
Total assets	1,801,632	1,612,033
Other liabilities	<u>1,050,926</u>	<u>1,024,075</u>
Total liabilities	1,050,926	1,024,075
Net position		
Net investment (deficit) in capital assets	287,732	95,140
Unrestricted	<u>462,974</u>	<u>312,818</u>
Total net position	<u>\$ 750,706</u>	<u>\$ 407,958</u>

Table A-4
Changes in CJDA's Net Position

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Federal and state operating grants	\$ 1,375,538	\$ 1,102,353
General revenues:		
State aid - unrestricted	5,396,754	5,390,695
Miscellaneous	<u>14,801</u>	<u>148,428</u>
Total revenues	6,787,093	6,641,476
Expenses		
Instruction	2,292,968	2,247,594
Support services	4,070,708	4,067,965
Unallocated depreciation	<u>80,669</u>	<u>24,718</u>
Total expenses	<u>6,444,345</u>	<u>6,340,277</u>
Change in net position	<u>\$ 342,748</u>	<u>\$ 301,199</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021 the school had invested \$415,653 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, 2021</u>	<u>June 30, 2020</u>
Leasehold improvements	\$ 11,035	\$ 11,035
Furniture and equipment	<u>404,618</u>	<u>131,357</u>
Subtotal	415,653	142,392
Less: accumulated depreciation	<u>127,921</u>	<u>47,252</u>
Net book value of assets	<u>\$ 287,732</u>	<u>\$ 95,140</u>

Long-term Debt

The school has no long-term debt.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Student and family engagement
- ❖ 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, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	389,589
Accounts receivable		6,280
Due from other governmental units		1,117,783
Prepaid expenses		248
		<hr/>
Total current assets		1,513,900

Capital Assets - Net of Accumulated Depreciation

287,732

Total assets and deferred outflows	\$	<u>1,801,632</u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$	437,922
Notes payable		101,619
Unearned revenue		241,147
Other accrued expenses		270,238
		<hr/>
Total current liabilities		1,050,926

Net Position

Net investment in capital assets		287,732
Unrestricted		462,974
		<hr/>
Total net position		750,706
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u>1,801,632</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Revenues and Changes in Net Position</u>
Functions				<u>Government Type Activities</u>
Instruction				
Basic programs	\$ 1,752,179	\$ -	\$ 224,484	\$ (1,527,695)
Added needs	540,789	-	540,789	-
Support services				
Pupil support services	388,971	-	221,627	(167,344)
Instructional staff support services	304,557	-	182,806	(121,751)
General administration	995,946	-	-	(995,946)
School administration	432,159	-	-	(432,159)
Business support services	18,947	-	-	(18,947)
Operations and maintenance	1,566,926	-	127,480	(1,439,446)
Pupil transportation services	900	-	-	(900)
Central support services	232,855	-	4,292	(228,563)
Athletic activities	16,272	-	-	(16,272)
Food services	109,056	-	70,333	(38,723)
Community services	4,119	-	3,727	(392)
Unallocated depreciation	80,669	-	-	(80,669)
	<u>80,669</u>	<u>-</u>	<u>-</u>	<u>(80,669)</u>
Total primary government	<u>\$ 6,444,345</u>	<u>\$ -</u>	<u>\$ 1,375,538</u>	<u>(5,068,807)</u>
General Purpose Revenues				
State school aid - unrestricted				5,396,754
Miscellaneous revenues				14,801
				<u>5,411,555</u>
Total general purpose revenues				<u>5,411,555</u>
Change in net position				342,748
Net position - July 1, 2020				<u>407,958</u>
Net position - June 30, 2021				<u>\$ 750,706</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2021

ASSETS

	<u>General</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Cash and cash equivalents	\$ 389,589	\$ -	\$ 389,589
Accounts receivable	6,280	-	6,280
Due from other governmental units	1,112,880	4,903	1,117,783
Due from other funds	-	692	692
Prepaid expenses	248	-	248
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,508,997</u>	<u>\$ 5,595</u>	<u>\$ 1,514,592</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 432,327	\$ 5,595	\$ 437,922
Notes payable	101,619	-	101,619
Due to other funds	692	-	692
Unearned revenue	241,147	-	241,147
Other accrued expenses	270,238	-	270,238
	<hr/>	<hr/>	<hr/>
Total liabilities	1,046,023	5,595	1,051,618

Deferred Inflows - Unavailable Revenue

- - -

Fund Balance

Nonspendable	248	-	248
Unassigned	462,726	-	462,726
	<hr/>	<hr/>	<hr/>
Total fund balance	462,974	-	462,974
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 1,508,997</u>	<u>\$ 5,595</u>	<u>\$ 1,514,592</u>

See accompanying notes to financial statements

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

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

Total Governmental Fund Balances	\$ 462,974
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$415,653 and the accumulated depreciation is \$127,921.	<u>287,732</u>
Net Position of Governmental Activities	<u><u>\$ 750,706</u></u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Revenues			
Local sources	\$ 14,801	\$ -	\$ 14,801
State sources	5,930,382	22,504	5,952,886
Federal sources	771,577	47,829	819,406
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	6,716,760	70,333	6,787,093
Expenditures			
Instruction			
Basic programs	1,752,179	-	1,752,179
Added needs	540,789	-	540,789
Support services			
Pupil support services	388,971	-	388,971
Instructional staff support services	304,557	-	304,557
General administration	995,946	-	995,946
School administration	432,159	-	432,159
Business support services	18,947	-	18,947
Operations and maintenance	1,566,926	-	1,566,926
Pupil transportation services	900	-	900
Central support services	232,855	-	232,855
Athletic activities	16,272	-	16,272
Food services	-	109,056	109,056
Community services	4,119	-	4,119
Capital outlay	273,261	-	273,261
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	6,527,881	109,056	6,636,937
Excess (deficiency) of revenues over expenditures	188,879	(38,723)	150,156
Other Financing Sources (Uses)			
Operating transfers in	-	38,723	38,723
Operating transfers out	(38,723)	-	(38,723)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(38,723)	38,723	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	150,156	-	150,156
Fund balance - July 1, 2020	312,818	-	312,818
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2021	\$ 462,974	\$ -	\$ 462,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2021

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

Net Change in Fund Balances - Total Governmental Funds	\$	150,156
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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	\$	273,261	
Depreciation and amortization expense		<u>(80,669)</u>	192,592

Change in Net Position of Governmental Activities	\$	<u>342,748</u>
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CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 were approximately \$159,800.

The Academy has entered into a management agreement through June 30, 2021 with Three Pillars: An Educational Services Provider (d/b/a Cornerstone Education Group). The contract has been subsequently renewed. 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 \$799,290 for the year ended June 30, 2021. At June 30, 2021, the management company was due approximately \$348,000 for management fees and other reimbursements of costs incurred on behalf of the Academy after the aforementioned forgiveness. 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.

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, 2021

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 (Food Service)- 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.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021 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 2021 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, 2021 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, 2021

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, 2021

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.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 the budget was amended in a legally permissible manner. Page 18 of these financial statements compares the board approved appropriations against actual expenditures.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, 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, 2021.

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, 2021, \$146,939 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2021.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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.

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.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

State sources	\$ 1,096,029
Federal sources	<u>21,754</u>
Total	<u><u>\$ 1,117,783</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Capital assets subject to depreciation				
Furniture and equipment	\$ 131,357	\$ 273,261	\$ -	\$ 404,618
Leasehold improvements	<u>11,035</u>	<u>-</u>	<u>-</u>	<u>11,035</u>
Subtotal	142,392	273,261	-	415,653
Accumulated depreciation				
Furniture and equipment	44,123	78,693	-	122,816
Leasehold improvements	<u>3,129</u>	<u>1,976</u>	<u>-</u>	<u>5,105</u>
Subtotal	<u>47,252</u>	<u>80,669</u>	<u>-</u>	<u>127,921</u>
Total net capital assets	<u><u>\$ 95,140</u></u>	<u><u>\$ 192,592</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 287,732</u></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	\$ 241,074
Oversight fee	<u>29,164</u>
Total other accrued expenses	<u><u>\$ 270,238</u></u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 – NOTES PAYABLE

Notes payable may be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 19/20	3.45%	August, 2020	Paid in full
SAAN 20/21	3.45%	August, 2021	Issued to provide the Academy with funds for operations; secured by future state aid payments.

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>
SAAN 19/20	\$ 248,534	\$ -	\$ 248,534	\$ -
SAAN 20/21	-	566,000	464,381	101,619
Total	<u>\$ 248,534</u>	<u>\$ 566,000</u>	<u>\$ 712,915</u>	<u>\$ 101,619</u>

NOTE 8 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities Lease	June, 2024	\$730,000 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. Rent is based upon and fluctuates with student population.

The approximate amount of lease obligations coming due during the next three years is as follows:

2022	\$ 730,000
2023	730,000
2024	730,000

Total lease expense included in the statement of activities for the year ended June 30, 2021 amounted to approximately \$807,760.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 - INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue - Food Services</u>
Transfer In	\$ -	\$ 38,723
Transfer Out	38,723	-

NOTE 10 – 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 11 - 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.

NOTE 12 – CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 100,000	\$ 30,000	\$ 14,801	\$ (15,199)
State sources	5,050,000	5,900,000	5,930,382	30,382
Federal sources	575,000	1,050,000	771,577	(278,423)
 Total general fund revenues	 5,725,000	 6,980,000	 6,716,760	 (263,240)
Expenditures				
Instruction				
Basic programs	1,600,000	2,150,000	1,752,179	(397,821)
Added needs	380,000	575,000	540,789	(34,211)
Support services				
Pupil support services	350,000	385,000	388,971	3,971
Instructional staff support services	270,000	380,000	304,557	(75,443)
General administration	870,000	1,049,000	995,946	(53,054)
School administration	350,000	450,000	432,159	(17,841)
Business support services	30,000	18,000	18,947	947
Operations and maintenance	1,518,000	1,650,000	1,566,926	(83,074)
Pupil transportation services	20,000	1,500	900	(600)
Central support services	290,000	255,000	232,855	(22,145)
Athletic activities	32,000	26,000	16,272	(9,728)
Community services	12,000	500	4,119	3,619
Capital outlay	-	-	273,261	273,261
 Total general fund expenditures	 5,722,000	 6,940,000	 6,527,881	 (412,119)
 Excess (deficiency) of revenues over expenditures	 3,000	 40,000	 188,879	 148,879
Other Financing Sources (Uses)				
Operating transfers out	-	(40,000)	(38,723)	1,277
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 3,000	 -	 150,156	 150,156
 Fund balance - July 1, 2020	 312,818	 312,818	 312,818	 -
 Fund balance - June 30, 2021	 \$ 315,818	 \$ 312,818	 \$ 462,974	 \$ 150,156

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Authorizer grant	\$ 13,840
Other local revenues	<u>961</u>
Total local sources	14,801

State Sources

At risk	370,174
Special education	163,454
State aid	<u>5,396,754</u>
Total state sources	5,930,382

Federal Sources

IDEA	112,576
Title I	212,840
Title II A	24,815
Title IV	15,395
Other program revenue	<u>405,951</u>
Total federal sources	<u>771,577</u>
Total general fund revenues	<u>\$ 6,716,760</u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 1,659,340
Rentals	25,085
Supplies and materials	46,309
Non-depreciable capital assets	3,345
Other expenditures	18,100
	<hr/>
Total basic programs	1,752,179

Added Needs

Purchased services	511,498
Supplies and materials	29,291
	<hr/>
Total added needs	540,789

Pupil Support Services

Health services	7,856
Psychological services	6,226
Speech pathology and audiology	101,844
Social work services	161,752
Other pupil services	111,293
	<hr/>
Total pupil support services	388,971

Instructional Staff Support Services

Purchased services	303,639
Supplies and materials	918
	<hr/>
Total instructional staff support services	304,557

General Administration

Purchased services	36,858
Management fees	799,286
Oversight expense	159,802
	<hr/>
Total general administration	995,946

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

School Administration

Purchased services	394,531
Rentals	16,548
Supplies and materials	6,012
Other expenditures	15,068

Total school administration 432,159

Business Support Services

Purchased services	5,845
Other expenditures	13,102

Total business support services 18,947

Operations and Maintenance

Purchased services	412,982
Repairs and maintenance	190,953
Rentals	813,664
Other purchased services	3,036
Supplies and materials	138,471
Non-depreciable capital assets	7,647
Other expenditures	173

Total operations and maintenance 1,566,926

Pupil Transportation Services

Rentals	900
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Central Support Services

Purchased services	199,160
Repairs and maintenance	31,538
Supplies and materials	2,157

Total central support services 232,855

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Athletic Activities

Purchased services	16,272
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Community Services

Purchased services	3,726
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Supplies and materials	393
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Total community services	4,119
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Capital Outlay

273,261

Total general fund expenditures	<u>\$ 6,527,881</u>
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APPENDIX

Federal Awards Report



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, 2021, 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, 2021.

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) as a basis for designing audit 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 questioned costs as item 2021-001 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 questioned costs. 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

We have audited Cornerstone Jefferson - Douglass Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cornerstone Jefferson - Douglass Academy's major federal programs for the year ended June 30, 2021. Cornerstone Jefferson - Douglass Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cornerstone Jefferson - Douglass Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cornerstone Jefferson - Douglass Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cornerstone Jefferson - Douglass Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Cornerstone Jefferson - Douglass Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Cornerstone Jefferson - Douglass Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cornerstone Jefferson - Douglass Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cornerstone Jefferson - Douglass Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program Commodities 2020-21	N/A	10.555	\$ 26,596	\$ -	\$ -	\$ -	\$ 13,176	\$ 13,176	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2020-21	201960	10.555	157,107	155,393	-	-	1,714	1,714	-	-
National School Lunch Program (including commodities) Subtotal		10.555	183,703	155,393	-	-	14,890	14,890	-	-
National School Breakfast Program 2020-21	201970	10.553	93,140	92,123	-	-	1,017	1,017	-	-
Extended Summer Food Service Program 2020-21	210904	10.559	31,922	-	-	-	27,018	31,922	4,904	-
Total Child Nutrition Cluster			308,765	247,516	-	-	42,925	47,829	4,904	-
Special Education Cluster - U.S. Department of Education - Passed Through the Wayne RESA:										
IDEA Flowthrough:										
IDEA Flowthrough 2021	210450	84.027	112,576	-	-	-	112,576	112,576	-	-
Total Special Education Cluster			112,576	-	-	-	112,576	112,576	-	-

See accompanying notes to schedule of expenditures of federal awards

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Education - Passed Through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1920	201530	84.010	209,526	165,759	65,799	-	65,799	-	-	-
Title I Part A 2021	211530	84.010	<u>371,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,787</u>	<u>212,840</u>	<u>11,053</u>	<u>-</u>
Total Title I Part A		84.010	580,881	165,759	65,799	-	267,586	212,840	11,053	-
Title II Part A:										
Title II Part A 1920	200520	84.367	52,350	45,057	34,355	(7,293)	27,062	-	-	-
Title II Part A 2021	210520	84.367	<u>54,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,864</u>	<u>32,108</u>	<u>(756)</u>	<u>-</u>
Total Title II Part A		84.367	106,430	45,057	34,355	(7,293)	59,926	32,108	(756)	-
Title IV Part A:										
Title IV Part A 1920	200750	84.424	24,873	13,252	2,445	-	2,445	-	-	-
Title IV Part A 2021	210750	84.424	<u>26,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,598</u>	<u>15,395</u>	<u>5,797</u>	<u>-</u>
Total Title IV Part A		84.424	51,541	13,252	2,445	-	12,043	15,395	5,797	-
Education Stabilization Fund:										
Governor's Emergency Education										
Relief (GEER) Fund 2021 - COVID-19	201200	84.425	59,592	-	-	-	3,293	3,293	-	-
Elementary and Secondary School										
Emergency Relief Fund 1920 (ESSER I) - COVID-19	203710	84.425	168,168	-	-	-	141,761	141,761	-	-
Education Equity 1920 (ESSER) - COVID-19	203720	84.425	<u>16,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,838</u>	<u>13,838</u>	<u>-</u>	<u>-</u>
Total Education Stabilization Fund		84.425	244,757	-	-	-	158,892	158,892	-	-

See accompanying notes to schedule of expenditures of federal awards

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other Federal Awards (Continued):										
U.S. Department of Treasury - Passed Through the Michigan Department of Education:										
Coronavirus Relief Fund:										
CRF State Aid 2021 - COVID-19	11(p)	21.019	238,658	-	-	-	238,658	238,658	-	-
District COVID Costs 2021 - COVID-19	103(2)	21.019	8,401	-	-	-	8,401	8,401	-	-
Total Coronavirus Relief Fund		21.019	247,059	-	-	-	247,059	247,059	-	-
Total Federal Awards			<u>\$1,652,009</u>	<u>\$ 471,584</u>	<u>\$ 102,599</u>	<u>\$ (7,293)</u>	<u>\$ 901,007</u>	<u>\$ 826,699</u>	<u>\$ 20,998</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 771,577
Special Revenue Fund	<u>47,829</u>
Subtotal	819,406
Adjustment to prior-year Title II receivable	<u>7,293</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 826,699</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 21,754
Current year Title II over-draw to be returned to the Michigan Department of Ed. classified as deferred revenue	<u>(756)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 20,998</u></u>

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Cornerstone Jefferson - Douglass Academy under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cornerstone Jefferson - Douglass Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cornerstone Jefferson - Douglass Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Cornerstone Jefferson - Douglass Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 – ADJUSTMENTS AND TRANSFERS

The 2019-2020 Title II Part A adjustment reflects a reduction of the beginning receivable. The Academy collected \$27,062 of the \$34,355 accrued at June 30, 2020.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2021-001

Finding Type – Material Weakness

Criteria – The Academy’s internal control structure should ensure that accounting data is properly calculated, reconciled and reported in accordance with generally accepted accounting principles.

Condition – The Academy’s accounts required significant adjustments to the general ledger in order to properly reflect the appropriate balance after the books and records were presented for audit.

Cause / Effect – While the accounts were reconciled throughout the year the reconciliations as completed had certain instances where the reconciliations did not match the general ledger or actual balances. The effect was to cause the accounting records to not match the presented reconciliations.

Recommendation – The Academy should institute monthly and yearly closing procedures to ensure all accounts are reconciled and match the general ledger.

Auditee Response – The auditee agrees with the finding. The Academy has implemented procedures in order to ensure that periods are closed to prevent changes to finalized and reconciled balances and accounts.

CORNERSTONE JEFFERSON - DOUGLASS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None