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CORNERSTONE
JEFFERSON-DOUGLASS
ACADEMY

(A Michigan Public School Academy)
Financial Statements
For the Year Ended
June 30, 2023



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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THE CLAIMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Cornerstone Jefferson-Douglass Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and School Service fund information of Cornerstone Jefferson-Douglass Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cornerstone Jefferson-Douglass Academy basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (General Fund), and School Service fund information of Cornerstone Jefferson-Douglass Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cornerstone Jefferson-Douglass Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cornerstone Jefferson-Douglass Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Expenditures of Federal Awards is 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 21, 2023, 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 Cornerstone Jefferson-Douglass Academy's internal control over financial reporting and compliance.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan 48226
November 21, 2023

Cornerstone Jefferson-Douglass Academy Management’s Discussion and Analysis

This section of the Cornerstone Jefferson-Douglass Academy (the “Academy”) annual financial report presents our discussion and analysis of the Academy’s financial performance during the year ended June 30, 2023. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Using the Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy’s operations in more detail than the government-wide financial statements by providing information about the Academy’s most significant funds – the General Fund with the non-major School Service Fund presented in one column.

Management’s Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Other Supplemental Information

Cornerstone Jefferson-Douglass Academy Management's Discussion and Analysis (Continued)

Reporting the Academy as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the School Service is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

- **Governmental Funds** - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation.

**Cornerstone Jefferson-Douglass Academy
Management's Discussion and Analysis (Continued)**

The Academy as a Whole -The table should be comparative to prior year

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2023:

	(in thousands)	
<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$2,055.9	\$1,817.5
Capital assets - net of accumulated depreciation	528.0	476.5
Total Assets	<u>\$2,583.9</u>	<u>\$2,294.0</u>
<u>Liabilities</u>		
Current liabilities	\$1,302.9	\$1,201.2
<u>Deferred Inflows of Resources</u>		
Unavailable revenue	-	111.9
<u>Net Position</u>		
Invested in capital assets	528.0	476.5
Restricted	42.0	41.4
Unrestricted	711.0	463.0
Total Net Position	<u>1,281.0</u>	<u>980.9</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$2,583.9</u>	<u>\$2,294.0</u>

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was \$1,281.0 thousand on June 30, 2023. Capital assets totaled \$528.0 thousand, compared to the original cost, less depreciation of the Academy's capital asset. Restricted net position is reported separately to show enabling legislation that limits the Academy's ability to use those assets for day-to-day operations.

Cornerstone Jefferson-Douglass Academy Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2023.

	(in thousands)	
<u>Revenues</u>	<u>2023</u>	<u>2022</u>
Program Revenues:		
Operating grants and contributions	\$2,444.0	\$3,297.8
General Revenues:		
State foundation allowance	5,755.7	4,564.3
Other	279.0	3.6
Total Revenues	<u>8,478.7</u>	<u>7,865.7</u>
Function/Program Expenses:		
Instruction	2,902.8	3,022.9
Support services	4,675.4	4,092.9
Food service	425.1	389.3
Community service	6.7	12.2
Depreciation	178.7	108.0
Total Expenses	<u>8,188.7</u>	<u>7,625.3</u>
Prior period adjustment	<u>711.1</u>	<u>-</u>
Increase in Net Position	<u>\$1,001.2</u>	<u>\$240.4</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,188.7 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$2,444.0 thousand. We paid for the remaining "public benefit" portion of our governmental activities with \$6,034.7 thousand in State foundation allowance and with our other revenues, i.e., interest and general entitlements.

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's taxpayers by each of these functions. Since unrestricted State aid constitutes the vast majority of Academy's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

Capital Assets

As of June 30, 2023, the Academy had approximately \$528.0 thousand invested in net capital assets, including leasehold improvements, furniture, and equipment. The amount represents a net increase, including additions and depreciation, of approximately \$41.0 thousand from last year.

Cornerstone Jefferson-Douglass Academy Management's Discussion and Analysis (Continued)

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$753.0 thousand, which is an increase of \$248.7 thousand from last year.

In the General Fund, our principal operating fund, the fund balance was \$711.0 thousand. The General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2022-2023 General Fund's original budget. Budgeted revenues were increased from \$7.7 million to \$ 7.8 million due to an increase in the awarding of various grants. As a result, the budgeted fund balance was increased from \$462.9 thousand to \$711.0 thousand.

Economic Factors Affecting Next Year's Budgets

The Academy's administration considered many factors when setting the Academy's 2023-2024 fiscal year budget. One of the most important factors affecting last year's budget was the continued impact of the COVID-19 pandemic which made budgeting challenging. The continued uncertainty in enrollment with the move back to 100% in person learning still exists. The increase in per pupil funding at the state level from \$9,150 to \$ 9,658 has helped to cope with some of this uncertainty

The June 2023-2024 budget adopted in June was based on an estimated student enrollment expected in September 2023. Approximately 69 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Cornerstone Jefferson-Douglass Academy
Statement of Net Position
June 30, 2023

	Assets	<u>Governmental Activities</u>
Current Assets		
Cash and cash equivalents		\$ 196,507
Due from other governmental units		1,702,350
Accounts receivable - other		<u>157,044</u>
Total current assets		2,055,901
Capital Assets - net of accumulated depreciation		<u>527,955</u>
Total assets		<u><u>\$ 2,583,856</u></u>
Liabilities and Net Position		
Liabilities		
Accounts payable		\$ 583,958
Accrued salaries payable		342,022
Unearned revenue		91,666
Notes payable		253,168
Accrued other		<u>32,069</u>
Total current liabilities		<u>1,302,883</u>
Net Position		
Net investment in capital assets		527,955
Restricted		42,098
Unrestricted		<u>710,920</u>
Total net position		<u>1,280,973</u>
Total liabilities and net position		<u><u>\$ 2,583,856</u></u>

See accompanying notes to the financial statements

Cornerstone Jefferson-Douglass Academy
Statement of Activities
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenues and Changes in Net Assets
Primary government-Governmental Activities:				
Instruction	\$ 2,902,837	\$ -	\$ 2,014,322	\$ (888,515)
Support services				
Pupil	503,394	-	-	(503,394)
Instructional	558,753	-	3,888	(554,865)
General administration	781,926	-	-	(781,926)
School administration	439,298	-	-	(439,298)
Business services	74,473	-	-	(74,473)
Operation and maintenance	1,909,320	-	-	(1,909,320)
Pupil transportation and services	14,069	-	-	(14,069)
Central services	322,148	-	-	(322,148)
Other services	72,045	-	-	(72,045)
Food services	425,095	-	425,800	705
Community activity	6,666	-	-	(6,666)
Unallocated depreciation	178,670	-	-	(178,670)
Total Governmental Activities	<u>\$ 8,188,694</u>	<u>\$ -</u>	<u>\$ 2,444,010</u>	\$ (5,744,684)
General Revenues:				
State aid not restricted to specific purposes				5,755,732
Other income				279,004
Total general revenues				6,034,736
Prior period adjustment - Correction of an Error				711,111
Change in net position				1,001,163
Net Position, beginning of year				279,810
Net Position, end of year				<u>\$ 1,280,973</u>

See accompanying notes to the financial statements

Cornerstone Jefferson-Douglass Academy
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Non Major School Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 196,507	\$ -	\$ 196,507
Due from other governmental units	1,681,935	20,415	1,702,350
Accounts receivable other	157,044	-	157,044
Due from other funds	<u>-</u>	<u>47,059</u>	<u>47,059</u>
Total assets	2,035,486	67,474	2,102,960
Liabilities			
Accounts payable	\$ 558,582	\$ 25,376	\$ 583,958
Accrued salaries	342,022	-	342,022
Notes payable	253,168	-	253,168
Accrued other	32,069	-	32,069
Unearned revenue	91,666	-	91,666
Due to other funds	<u>47,059</u>	<u>-</u>	<u>47,059</u>
Total liabilities	1,324,566	25,376	1,349,942
Fund Balance			
Restricted	-	42,098	42,098
Unassigned	<u>710,920</u>	<u>-</u>	<u>710,920</u>
Total liabilities	710,920	42,098	753,018
Total liabilities and fund balance	<u>\$ 2,035,486</u>	<u>\$ 67,474</u>	<u>\$ 2,102,960</u>

See accompanying notes to the financial statements

**Cornerstone Jefferson-Douglass Academy
Reconciliation of the Total Governmental
Fund Balance to Net Position of Governmental Activities
June 30, 2023**

Fund Balance - Total governmental funds \$ 753,018

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

Capital assets used in governmental activities are
not financial resources and are not reported
in governmental funds

Cost of capital assets 942,567

Accumulated depreciation 414,612

527,955

Total Net Position - Governmental activities \$ 1,280,973

Cornerstone Jefferson-Douglass Academy
Governmental Funds
Statement of Revenue, Expenditures and Changes in Fund Balance
June 30, 2023

	General Fund	Non-major School Service Fund	Total Governmental Funds
Revenues			
Local sources	\$ 279,004	\$ -	\$ 279,004
State sources	5,755,732	4,281	5,760,013
Federal sources	2,018,210	421,519	2,439,729
Total revenues	8,052,946	425,800	8,478,746
Expenditures			
Current			
Instruction services			
Basic programs	2,096,165	-	2,096,165
Added needs	806,672	-	806,672
Total instruction	2,902,837	-	2,902,837
Support services			
Pupil	503,394	-	503,394
Instructional	558,753	-	558,753
General administration	781,926	-	781,926
School administration	439,298	-	439,298
Business services	74,473	-	74,473
Operation and maintenance	2,129,391	-	2,129,391
Pupil transportation and services	14,069	-	14,069
Central services	322,148	-	322,148
Other services	72,045	-	72,045
Total support services	4,895,497	-	4,895,497
Food services	-	425,095	425,095
Community activity	6,666	-	6,666
Total expenditures	7,805,000	425,095	8,230,095
Net change in fund balance	247,946	705	248,651
Fund Balance - Beginning of year	462,974	41,393	504,367
Fund Balance - End of year	\$ 710,920	\$ 42,098	\$ 753,018

See accompanying notes to the financial statements

Cornerstone Jefferson-Douglass Academy
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2023

Net Change in Fund Balance - Total governmental funds	\$	248,651
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation and amortization expense		(178,670)
Capital asset additions		220,071
Prior Period Adjustment		711,111
		<hr/>
Change in Net Position of Governmental Activities	\$	1,001,163

See accompanying notes to the financial statements

Cornerstone Jefferson-Douglass Academy
Notes to Financial Statements
June 30, 2023

NOTE 1 – NATURE OF OPERATIONS

Reporting Entity

The 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 Grand Valley State University's Board of Trustees to charter a public school 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 University's 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 Grand Valley State University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023, were approximately \$143,806.

Administrative Services

The Academy entered into a management agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group ("Cornerstone"). The management company was instrumental in the founding of the Academy. The management company is responsible for all of the management, operations, administration, and educational programs of the Academy. In addition, the Academy reimburses the management company for all employee-related and operating costs. The Academy pays a management fee of twelve percent of the gross revenue of the Academy, excluding school lunch revenue and funds raised by students or parents through fundraising events. The total paid for these services amounted to approximately \$633,326 for the year ended June 30, 2023. The Management Company forgave approximately \$337,304 of management fees, which is reflected as a reduction of management fees payable. On June 30, 2023, the management company owed approximately \$157,044 to the Academy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cornerstone Jefferson-Douglass Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy.

Measurement Focus, Basis Accounting and Financial Statement Presentation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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.

Net position should be reported as restricted when constraints placed on net position use are 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Classification

The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

School Service Fund - The School Service Fund is used to account for the food service operations. The fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the fund will be covered by an operating transfer from the general fund. The fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Cornerstone Jefferson-Douglass Academy
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Due to/from Other Funds

In general, outstanding balances between funds are reported as “due to/from other funds”. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”.

Due from Other Governmental Units

Receivables consist primarily of state school aid due from the State of Michigan and the federal government.

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings and improvements	10 to 50 years
Furniture and other equipment	5 to 15 years
Computers and software	3 to 10 years

Accounts Payable and Accrual Liabilities

All payables and accrued liabilities 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. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Net Position

Net position represents the difference between assets, deferred outflows and 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.

Cornerstone Jefferson-Douglass Academy
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

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 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan law. State law permits the Academy to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner; the Academy amended the budget to reflect changes in funding from federal and state sources.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Academy is in compliance with the Uniform Budget and Accounting Act.

NOTE 4 – ADJUSTMENTS TO AND RESTATEMENT OF BEGINNING BALANCES

During the fiscal year 2023, an error correction resulted in adjustment and restatement of the beginning net position, as shown below. The adjustment was made to properly reflect the facility lease that was incorrectly accounted for under GASB 87, Leases.

	Governmental Activities
June 30, 2022, as previously reported	\$ 279,810
Error correction	
Capital asset adjustment	711,111
June 30, 2022, restated	<u>\$ 990,921</u>

Cornerstone Jefferson-Douglass Academy
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations with Michigan offices.

Custodial Credit Risk– Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned to it. The carrying value and bank balance of the Academy’s deposits was \$458,627. At year end, \$208,627 of the Academy’s deposits were not insured by FDIC.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables as of year-end were as follows:

State of Michigan	\$	1,001,288
Federal		701,062
	\$	<u>1,702,350</u>

The management of the Academy evaluates its receivables for collectability annually. At June 30, 2023, Management believes all receivables are collectible, and no allowance is necessary.

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated:				
Building and improvements	\$ 11,035	\$ -	\$ -	\$ 11,035
Furniture and equipment	711,461	220,071	-	931,532
Subtotal	722,496	220,071	-	942,567
Accumulated depreciation:				
Building and improvements	7,082	1,839	-	8,921
Furniture and equipment	228,860	176,831	-	405,691
Subtotal	235,942	178,670	-	414,612
Net capital assets being depreciated	<u>\$ 486,554</u>	<u>\$ 41,401</u>	<u>\$ -</u>	<u>\$ 527,955</u>

Depreciation expenses have not been allocated to specific activities of the Academy since the assets impact multiple activities and allocation is not practicable.

Cornerstone Jefferson-Douglass Academy
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 8 – LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2022, through June 30, 2023. The lease includes variable payments based on 15% of the per-pupil student enrollment amount. The amounts paid under the lease was \$612,979 for the year ended June 30, 2023.

The Academy is not a party to any leasing arrangements that meet the criteria for recognizing lease assets or liabilities under GASB Statement No. 87, Leases based on variable payment structure.

NOTE 9 –UNEARNED REVENUE

Unearned revenue relates to certain state grants where funding, primarily Section 31a At-Risk funding, was received in advance of programs being offered or completed. At June 30, 2023, unearned revenue was \$91,660.

NOTE 10 – NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$1,420,000 at an interest rate of 5.4 percent. The borrowing was utilized for working capital. The ending balance is payable Fiscal Year 2024. The interest paid was \$42,044.

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Borrowing	<u>\$ 221,115</u>	<u>\$ 1,420,000</u>	<u>\$ 1,387,947</u>	<u>\$ 253,168</u>

NOTE 11 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 12 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

NOTE 13 – SUBSEQUENT EVENTS

On September 1, 2023, the Academy participated in the State Aid Borrowing Program and borrowed \$1,200,000 at a rate of 6.25 percent, payable over a twelve-month period.

Subsequent events have been evaluated through November 21, 2023, which is the date the financial statements were available to be issued.

Required Supplemental Information

Cornerstone Jefferson-Douglass Academy
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 3,000	\$ 265,000	\$ 279,004	\$ 14,004
State sources	5,300,000	5,623,000	5,755,732	132,732
Federal sources	2,367,000	1,917,000	2,018,210	101,210
	<u>7,670,000</u>	<u>7,805,000</u>	<u>8,052,946</u>	<u>247,946</u>
Total Revenue				
Expenditures				
Current				
Instruction:				
Basic programs	2,115,000	2,024,000	2,096,165	72,165
Added needs	610,000	879,000	806,672	(72,328)
	<u>2,725,000</u>	<u>2,903,000</u>	<u>2,902,837</u>	<u>(163)</u>
Support Services:				
Pupil	408,000	466,000	503,394	37,394
Instructional	403,000	639,000	558,753	(80,247)
General administration	1,071,000	901,000	781,926	(119,074)
School administration	435,000	432,000	439,298	7,298
Business support	29,000	69,000	74,473	5,473
Operation and maintenance	2,196,000	2,028,000	2,129,391	101,391
Pupil transportation and services	11,000	5,000	14,069	9,069
Central services	350,000	309,000	322,148	13,148
Other services	36,000	48,000	72,045	24,045
Community Service	6,000	3,000	6,666	3,666
Outgoing Transfers	-	2,000	-	(2,000)
	<u>7,670,000</u>	<u>7,805,000</u>	<u>7,805,000</u>	<u>-</u>
Total Expenditures				
Net Change in Fund Balance	-	-	247,946	247,946
Fund Balance - July 1, 2022	<u>462,974</u>	<u>462,974</u>	<u>462,974</u>	<u>-</u>
Fund Balance - June 30, 2023	<u>\$ 462,974</u>	<u>\$ 462,974</u>	<u>\$ 710,920</u>	<u>\$ 247,946</u>

Single Audit



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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
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 of major fund (General Fund), and the School Service fund information of Jefferson-Douglass Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Jefferson-Douglass Academy's basic financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001- 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 questioned costs as items 2023-003.

Cornerstone Jefferson-Douglass Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cornerstone Jefferson-Douglass Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Cornerstone Jefferson-Douglass Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan
November 21, 2023



THE CLAIMOUNT GROUP, PLC
Certified Public Accountants

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
Cornerstone Jefferson-Douglass Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cornerstone Jefferson-Douglass Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Jefferson-Douglass Academy's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cornerstone Jefferson-Douglass Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cornerstone Jefferson-Douglass Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Cornerstone Jefferson-Douglass Academy federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cornerstone Jefferson-Douglass Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cornerstone Jefferson-Douglass Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cornerstone Jefferson-Douglass Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Cornerstone Jefferson-Douglass Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan
November 21, 2023

**Cornerstone Jefferson-Douglass Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Program Title/Project Number/Subrecipient Name	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
U.S. Department of Agriculture -								
Passed through the State of Michigan								
Noncash Assistance:								
Entitlement Commodities - 2022-2023	10.565	\$ -	\$ -	\$ -	\$ -	\$ 22,263	\$ 22,263	\$ -
Cash Assistance:								
Local Food for School : Project Number 221970	10.185	1,315	-	-	-	1,315	1,315	-
Child Nutrition Cluster:								
National School Breakfast Program:	10.553							
Project Number 221970		16,079	-	-	-	16,079	16,079	-
Project Number 221971		113,294	126,483	13,189	-	13,189	-	-
Project Number 231970		139,062	-	-	-	131,428	139,062	7,634
Total National School Breakfast Program		268,434	126,483	13,189	-	160,696	155,141	7,634
National School Lunch Program:	10.555							
Project Number 220910		13,975	-	-	-	13,975	13,975	-
Project Number 221960		21,906	-	-	-	21,906	21,906	-
Project Number 221961		189,719	212,098	22,379	-	22,379	-	-
Project Number 221980		4,863	5,055	192	-	192	-	-
Project Number 230910		9,589	-	-	-	9,589	9,589	-
Project Number 231960		191,261	-	-	-	179,512	191,261	11,748
Project Number 231980		6,070	-	-	-	6,011	6,070	58
Total National School Lunch Program		437,382	217,153	22,571	-	253,565	242,801	11,807
Total Child Nutrition Cluster:		705,817	343,636	35,760	-	414,261	397,941	19,440
220980- Pandemic EBT Local Levels Costs	10.649	628	-	-	-	628	628	-
Total U.S Department of Agriculture Nutrition		707,760	343,636	35,760	-	438,466	422,147	19,440

**Cornerstone Jefferson-Douglass Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Program Title/Project Number/Subrecipient Name	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
U.S. Department of Education - Passed through the Wayne County ISD - Special Education Cluster: IDEA, Part B:								
Project number 100450 1213	84.027	\$ 133,789	\$ 133,789	\$ 112,723	\$ 19,124	\$ 131,847	\$ -	\$ -
Project number 100450 1213		84,952	-	-	-	84,952	84,952	-
Total IDEA, Part B		218,741	133,789	112,723	19,124	216,799	84,952	-
Passed through the Michigan Department of Education - Title I, Part A:								
Project Number 211530 2021	84.010	371,355	154,746	-	30,257	(30,257)	-	-
Project Number 221530 2122		340,397	266,292	18,708	(74,105)	92,813	-	-
Project Number 231530 2223		337,332	-	-	-	258,905	329,476	70,571
Total Title I Part A		1,049,084	421,038	18,708	(43,848)	321,460	329,476	70,571
Passed through the Michigan Department of Education - Title II, Part A:								
Project number 220520 2122	84.367	60,675	13,991	7,300	(3,300)	10,600	-	-
Project number 230520 2223		78,287	-	-	-	-	3,888	3,888
Total Title II Part A		138,962	13,991	7,300	(3,300)	10,600	3,888	3,888
Passed through the Michigan Department of Education - Title IV, Part A:								
Project number 210750 2021	84.424	26,668	-	-	3,845	(3,845)	-	-
Project number 220750 2122		25,902	138	-	(138)	138	-	-
Project number 230520 2223		49,741	-	-	-	-	14,786	14,786
Total Title IV Part A		102,311	138	-	3,707	(3,707)	14,786	14,786
Passed through the Michigan Department of Education - Education Stabilization Fund: Governor's Emergency Education Relief (GEER)								
Project number 211200 20-21	84.425C	59,592	42,433	25,327	(4,068)	29,395	-	-
Project number 211202 2122		14,000	14,000	14,000	-	14,000	-	-
Total GEER		73,592	56,433	39,327	(4,068)	43,395	-	-
Elementary and Secondary School Emergency Relief (ESSER):								
Project number 203710 1920	84.425D	169,968	28,207	28,207	-	28,207	-	-
Project number 213712 20-21		1,175,552	1,035,216	416,449	-	556,784	140,335	-
Project number 213782 2223		26,902	-	-	-	-	26,902	26,902
Total ESSER		1,372,422	1,063,423	444,656	-	584,991	167,237	26,902
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER):								
Project number 213713 2122	84.425U	2,642,002	672,800	6,539	-	754,213	1,313,149	565,475
Total Education Stabilization Fund		4,088,016	1,792,656	490,522	(4,068)	1,382,598	1,480,386	592,377
Total U.S. Department of Education		5,597,114	2,361,612	629,253	(28,385)	1,927,751	1,913,488	681,622
Total Federal Awards		\$ 6,304,874	\$ 2,705,248	\$ 665,013	\$ (28,385)	\$ 2,366,217	\$ 2,335,635	\$ 701,062

Cornerstone Jefferson-Douglass Academy
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1 – Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Federal Awards (the “Schedule”) includes the federal grant activity of Cornerstone Jefferson-Douglass Academy under programs of the federal government for the year ended June 30, 2023. Expenditures reported on the Schedule are reported on the same basis of accounting as the general purpose financial statements. The information in the 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). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

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, if applicable, of Cornerstone Jefferson-Douglass Academy. Pass-through entity identifying numbers are presented where available.

Note 2 – Grant Auditor’s Report

Management has utilized the Cash Management System (CMS) Grant Auditor’s Report to prepare the schedule of expenditures of federal awards. There were certain amounts that were reported in the prior year Grant Auditor’s Report and included in the current year’s schedule due to timing.

Grant Auditor's Report - Cash	\$ 2,088,995
Cash received in current year included in prior year's Grant Auditor's report	60,424
IDEA cash received	<u>216,799</u>
Schedule of Expenditures of Federal Awards - Cash	<u>\$ 2,366,218</u>

Note 3 – Noncash Assistance

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

Note 4 – Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

Federal expenditures - Schedule of Expenditures of Federal Awards	\$ 2,331,791
Unavailable revenue from prior year recognized in current year	119,072
Other adjustments	<u>(11,134)</u>
Federal revenue - Financial Statements	<u>\$ 2,439,729</u>

Note 5 – Indirect Cost Rate

Management has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Cornerstone Jefferson-Douglass Academy
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Noted

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 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster:
84.425	Education Stabilization Fund
84.425C	Governor's Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

Reference Number	Findings
2023-001, 2022-001	<p data-bbox="358 380 959 407">Finding Type: Material Weakness (Repeat Finding)</p> <p data-bbox="358 449 448 476"><u>Criteria</u></p> <p data-bbox="358 520 1247 619">The Academy’s internal control structure should ensure that the accounting data is appropriately calculated, reconciled, and reported in accordance with generally accepted accounting principles.</p> <p data-bbox="358 661 477 688"><u>Condition</u></p> <p data-bbox="358 732 1247 831">The Academy’s account balances required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.</p> <p data-bbox="358 873 513 900"><u>Cause/Effect</u></p> <p data-bbox="358 945 1247 1043">While the accounts were reconciled throughout the year, the reconciliations completed had certain instances where the year-end reconciliation process didn’t match the general ledger.</p> <p data-bbox="358 1085 571 1113"><u>Recommendation</u></p> <p data-bbox="358 1157 1247 1224">The Academy should institute monthly and yearly closing procedures to ensure that all accounts are reconciled and match the general ledger.</p> <p data-bbox="358 1266 659 1293"><u>Management’s Response</u></p> <p data-bbox="358 1337 1247 1507">The Accounting Manager will adhere to the established monthly checklist and physically check off items as they are completed including the date of completion. Management will review monthly close procedural checklist to ensure established process have been followed and completed and sign off on each month after completion/close is verified.</p>

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-002, 2022-002	<p data-bbox="365 384 967 411">Finding Type: Material Weakness (Repeat Finding)</p> <p data-bbox="365 457 456 485"><u>Criteria</u></p> <p data-bbox="365 527 1341 590">The Academy should have appropriate overall monitoring of the general ledger to ensure timely and accurate financial statements.</p> <p data-bbox="365 636 483 663"><u>Condition</u></p> <p data-bbox="365 705 1341 804">The Academy lacked appropriate overall monitoring of account balances during the year to compile complete and accurate financial reports that resulted in many auditor-proposed journal entries.</p> <p data-bbox="365 850 521 877"><u>Cause/Effect</u></p> <p data-bbox="365 919 1341 1018">The Academy did not identify the resources necessary to ensure general ledger accounts were monitored and analyzed by appropriate individuals, including taking an overview of fund activity to finalize the accounting records.</p> <p data-bbox="365 1064 1341 1127">As a result of the lack of appropriate overall monitoring procedures, there we many auditor-proposed journal entries.</p> <p data-bbox="365 1173 578 1201"><u>Recommendation</u></p> <p data-bbox="365 1243 1341 1409">The Academy should develop an overall monitoring procedure to ensure that all fund activity is complete, accurate, and logical. This includes assigning an appropriate individual to each general ledger account and several individuals be responsible for the entire general ledger and financial statements to perform monitoring, analytical analysis, and adjustment as needed.</p> <p data-bbox="365 1455 667 1482"><u>Management’s Response</u></p> <p data-bbox="365 1524 1341 1661">Director of Finance will review staffing resources and make appropriate adjustments to ensure that adequate levels of staffing and quality staff are recruited and retained. New ERP software has been purchased to facilitate input, reporting, and analysis of fund accounting and accurate GL classification.</p>

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-003, 2022-003	<p data-bbox="358 384 1211 447">Finding Type: Material Weakness and Material Noncompliance (Repeat Finding)</p> <p data-bbox="358 491 448 512"><u>Criteria</u></p> <p data-bbox="358 562 1247 625">There should be a process in place to ensure that the Academy complies with laws and regulations.</p> <p data-bbox="358 669 477 690"><u>Condition</u></p> <p data-bbox="358 741 1247 867">There were instances identified where the Academy was not in compliance with laws and regulations. State School Aid Act MCL 388.1718 requires that annual audits are submitted by November 1 to the Michigan Department of Education.</p> <p data-bbox="358 953 513 974"><u>Cause/Effect</u></p> <p data-bbox="358 1024 1247 1087">There was a change in staff and staff shortages which led to noncompliance with MCL 388.1718.</p> <p data-bbox="358 1131 573 1152"><u>Recommendation</u></p> <p data-bbox="358 1203 1247 1297">We recommend that the Academy implement a process that identifies specific individuals for identifying and monitoring applicable compliance requirements throughout the year.</p> <p data-bbox="358 1348 659 1369"><u>Management's Response</u></p> <p data-bbox="358 1419 1247 1621">Necessary review and analysis of GL accounts will be completed according to the established month end and annual close procedure check lists. Audit engagement will begin no later than August for 2023 SY. Any new, as well as current staff, will receive periodic in-services centered around the MI Public School Accounting manual to ensure thorough understanding of the expectations and processes for school fund accounting.</p>

Section III – Federal Award Findings and Questioned Costs

There were none.

Section IV - Summary Schedule of Prior Audit Findings

Reference Number	Findings
2022-004	Material Weakness – Reconciliation of Revenue <i>Correction Action Taken</i>
2022-005	Material Weakness – Approval of Invoices <i>Correction Action Taken</i>
2022-006	Material Weakness – Custody over Cash <i>Correction Action Taken</i>

Findings Reference	Responsible Party	Management View	Corrective Action Plan	Anticipated Date
2023-001	Accounting Manager	Management acknowledges that although they have done work to improve this finding, monthly/yearly close procedures were not completed consistently.	Investment in configuration of new software will allow for more consistent internal controls and proper reporting to aid in monthly reconciliation and close process. Department will create and implement a monthly close checklist that will be adhered to and followed up on by the Accounting Manager. This list will include revenue and grant reconciliations as well.	1/1/2024-3/31/2024
2023-002	Director of Finance/Accounting Manager/Senior Accountant Team Lead	Management acknowledges that although they have done work to improve this finding, monthly/yearly close procedures were not completed consistently.	Investment in configuration of new software will allow for more consistent internal controls and proper reporting to aid in monthly reconciliation and close process. Department will create and implement a monthly close checklist that will be adhered to and followed up on by the Accounting Manager. This list will include revenue and grant reconciliations as well. Final GL review will be completed by Director of Finance and signed off on prior to EOM	1/1/2024-3/31/2024
2023-003	Director of Finance/A date	Management acknowledges that they were not in compliance with submitting the audit to the state by the 11/1 due	The work done during the year to shore up our monthly close process and ensure we are reconciling our books consistently and timely will aid in addressing this finding as well. We will also engage the auditors to begin the audit process in June, which is 2-3 months before we have been starting to help us ensure audits are completed and submitted on time	6/30/2024

