

**CORNERSTONE
JEFFERSON-DOUGLASS ACADEMY**
Detroit, Michigan

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2024

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cornerstone Jefferson-Douglass Academy
Detroit, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the General and Food Service funds of Cornerstone Jefferson-Douglass Academy (the "Academy") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Academy's 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 General and Food Service funds of Cornerstone Jefferson-Douglass Academy as of June 30, 2024 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.

Correction of an Error

As discussed in Note 12 to the financial statements, the governmental activities and the General Fund have been restated to reflect errors in accounts payable, unearned revenues, and capital assets. Our opinions are not modified with respect to this matter.

To the Board of Directors
Cornerstone Jefferson-Douglass Academy

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 Academy's internal control. Accordingly, no such opinion is expressed.

To the Board of Directors
Cornerstone Jefferson-Douglass Academy

- 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 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 the General Fund budgetary comparison schedule 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 food service fund budgetary schedule and 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*, are 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 food service fund budgetary schedule 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.

To the Board of Directors
Cornerstone Jefferson-Douglass Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024 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 the 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 logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, sans-serif font to the right.

Port Huron, Michigan
November 15, 2024

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

This section of Cornerstone Jefferson-Douglass Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this 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 Cornerstone Jefferson-Douglass Academy financially as a whole. The Academy-Wide 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 detail on whether there are more or fewer financial resources that can be spent in the near future to finance programs. The fund financial statements look at the Academy's operations in more detail than the Academy-Wide statements by providing information about the Academy's funds. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Budgetary Information for the General Fund (major fund)

Other Supplementary Information

Budgetary Information for the Food Service Fund

Schedule of Expenditures of Federal Awards

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Reporting the Academy as a Whole - Academy-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 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 - which is 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 quality of the education provided and the safety of the schools, to assess 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 Fund - 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.

The governmental funds of the Academy use the following accounting approach:

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 the governmental fund in a reconciliation.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2024 and 2023:

TABLE I

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>Restated 2023</u>
ASSETS		
Current and other assets	\$ 1,762,628	\$ 2,055,901
Capital assets	<u>467,291</u>	<u>603,053</u>
Total assets	<u>2,229,919</u>	<u>2,658,954</u>
LIABILITIES		
Current liabilities	<u>1,315,558</u>	<u>1,230,306</u>
NET POSITION		
Net investment in capital assets	467,291	603,053
Restricted	5,300	42,098
Unrestricted	<u>441,770</u>	<u>783,497</u>
Total net position	<u>\$ 914,361</u>	<u>\$ 1,428,648</u>

The above analysis focuses on the net position (see above table). The change in net position (see table below) of the Academy's governmental activities is discussed below. The Academy's net position was \$914,361 at June 30, 2024. Capital assets totaling \$467,291 represent the original cost less depreciation of the Academy's capital assets.

The \$441,770 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties.

The 2023 amounts in Tables I and II were restated for items incorrectly reported in the prior year including items that were reported as payables, unearned revenues, and capital assets. Additional information is included in Note 12 of the financial statements.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2024

The results of the year’s operations for the Academy as a whole are reported in the statement of activities (see table below), which shows the changes in net position for fiscal years 2024 and 2023.

TABLE II

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>Restated 2023</u>
REVENUES		
Program revenues -		
Charges for services	\$ 25,649	\$ -
Operating grants and contributions	2,873,508	2,447,273
General revenues -		
State foundation allowance	5,005,970	5,755,732
Other	562,549	279,004
Total revenues	<u>8,467,676</u>	<u>8,482,009</u>
FUNCTIONS/PROGRAM EXPENSES		
Instruction	3,408,047	2,902,837
Support services	4,806,303	4,531,014
Food service	537,333	425,095
Community service	26,773	6,666
Depreciation (unallocated)	203,507	178,670
Total functions/program expenses	<u>8,981,963</u>	<u>8,044,282</u>
Increase (decrease) in net position	(514,287)	437,727
Beginning net position, as restated	<u>1,428,648</u>	<u>990,921</u>
ENDING NET POSITION	<u>\$ 914,361</u>	<u>\$ 1,428,648</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,981,963. Certain activities were partially funded from those who benefited from the programs or by other governments that subsidized certain programs with grants of \$2,899,157. We paid for the remaining “public benefit” portion of our governmental activities with \$5,005,970 in state foundation allowance and \$562,549 in other revenues, i.e., interest, donations, etc.

The Academy experienced a decrease in net position of \$514,287, which was primarily due to the increase in operating expenses.

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

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The Academy's Governmental 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 held accountable for the resources the State 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 \$447,070, which is a decrease of \$378,525 from last year.

In the General Fund, our principal operating fund, the fund balance was \$441,770. 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 at its 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 in June 2024. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

The final budget amendment increased local sources by \$324,585 and federal sources by \$685,400 due to a contribution made by a private source and increased funding available by federal grants, respectively.

The final budget amendment increased basic programs by \$475,000, added needs by \$188,800, and instructional staff support services by \$283,800 due to additional costs for providing instruction.

There were no significant variances between the final budget and actual amounts in the general fund.

Capital Assets

As of June 30, 2024, the Academy had \$467,291 invested in capital assets representing a decrease of \$135,762 from 2023. During the year, the Academy added \$67,745 of equipment netted with annual depreciation on assets. Additional information on the Academy's capital assets can be found in Note 5 to the financial statements.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Economic Factors and Next Year's Budgets and Rates

The 2024-2025 budget adopted in June was based on an estimated student enrollment expected in September 2024. Approximately 70 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, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 425,036
Due from other governmental units	1,267,855
Prepaid items	69,737
Capital assets - net of accumulated depreciation	<u>467,291</u>
Total assets	<u>2,229,919</u>
LIABILITIES	
Accounts payable	169,218
Accrued expenses	78,381
Accrued salaries payable	375,489
Due to other governmental units	94,179
Unearned revenue	374,225
Notes payable - current	<u>224,066</u>
Total liabilities	<u>1,315,558</u>
NET POSITION	
Investment capital assets	467,291
Restricted	5,300
Unrestricted	<u>441,770</u>
Total net position	<u>\$ 914,361</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
Governmental activities -				
Instruction	\$ 3,408,047	\$ -	\$ 2,230,121	\$ (1,177,926)
Supporting services	4,806,303	25,649	177,295	(4,603,359)
Food services	537,333	-	466,092	(71,241)
Community activity	26,773	-	-	(26,773)
Depreciation (unallocated)	203,507	-	-	(203,507)
Total governmental activities	<u>\$ 8,981,963</u>	<u>\$ 25,649</u>	<u>\$ 2,873,508</u>	<u>(6,082,806)</u>
GENERAL REVENUES				
				5,005,970
				562,549
				<u>5,568,519</u>
				<u>(514,287)</u>
				1,280,973
				<u>147,675</u>
				<u>1,428,648</u>
				<u>\$ 914,361</u>

The accompanying notes are an integral part of these financial statements.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	<u>General Fund</u>	<u>Non-major Food Service Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 425,036	\$ -	\$ 425,036
Due from other governmental units	1,266,891	964	1,267,855
Due from other funds	-	27,049	27,049
Prepaid items	69,512	225	69,737
	<u>\$ 1,761,439</u>	<u>\$ 28,238</u>	<u>\$ 1,789,677</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 146,280	\$ 22,938	\$ 169,218
Due to other funds	27,049	-	27,049
Due to other governmental units	94,179	-	94,179
Accrued expenditures	78,381	-	78,381
Accrued salaries payable	375,489	-	375,489
Unearned revenue	374,225	-	374,225
Note payable - current	224,066	-	224,066
	<u>1,319,669</u>	<u>22,938</u>	<u>1,342,607</u>
FUND BALANCE			
Non-spendable - prepaid items	69,512	225	69,737
Restricted	-	5,075	5,075
Unassigned	372,258	-	372,258
	<u>441,770</u>	<u>5,300</u>	<u>447,070</u>
Total fund balances	<u>441,770</u>	<u>5,300</u>	<u>447,070</u>
Total liabilities and fund balances	<u>\$ 1,761,439</u>	<u>\$ 28,238</u>	<u>\$ 1,789,677</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2024

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 447,070

Total net position for governmental activities in the statement of net position is different because:

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

Add - capital assets	1,085,410
Deduct - accumulated depreciation	<u>(618,119)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 914,361</u></u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES

For the year ended June 30, 2024

	General Fund	Non-major Food Service Fund	Total
REVENUES			
Local sources	\$ 614,838	\$ -	\$ 614,838
State sources	6,180,685	10,543	6,191,228
Federal sources	1,206,061	455,549	1,661,610
Total revenues	<u>8,001,584</u>	<u>466,092</u>	<u>8,467,676</u>
EXPENDITURES			
Current -			
Instruction services -			
Basic programs	2,434,917	-	2,434,917
Added needs	973,130	-	973,130
Total instruction services	<u>3,408,047</u>	<u>-</u>	<u>3,408,047</u>
Supporting services -			
Pupil	567,507	-	567,507
Instructional staff	439,357	-	439,357
General administration	1,071,663	-	1,071,663
School administration	369,033	-	369,033
Business services	73,382	-	73,382
Operation and maintenance	1,963,909	-	1,963,909
Pupil transportation and services	31,062	-	31,062
Central services	271,982	-	271,982
Other services	86,153	-	86,153
Total supporting services	<u>4,874,048</u>	<u>-</u>	<u>4,874,048</u>
Food services	<u>-</u>	<u>537,333</u>	<u>537,333</u>
Community activity	<u>26,773</u>	<u>-</u>	<u>26,773</u>
Total expenditures	<u>8,308,868</u>	<u>537,333</u>	<u>8,846,201</u>
Revenues under expenditures	<u>(307,284)</u>	<u>(71,241)</u>	<u>(378,525)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other fund	-	34,443	34,443
Transfer to other fund	<u>(34,443)</u>	<u>-</u>	<u>(34,443)</u>
Total other financing sources (uses)	<u>(34,443)</u>	<u>34,443</u>	<u>-</u>
Net change in fund balance	<u>(341,727)</u>	<u>(36,798)</u>	<u>(378,525)</u>
FUND BALANCE - beginning of year	710,920	42,098	753,018
Adjustment - correction of error	<u>72,577</u>	<u>-</u>	<u>72,577</u>
FUND BALANCE - beginning of year, restated	<u>783,497</u>	<u>42,098</u>	<u>825,595</u>
FUND BALANCE - end of year	<u>\$ 441,770</u>	<u>\$ 5,300</u>	<u>\$ 447,070</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (378,525)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	67,745
Depreciation expense	<u>(203,507)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (514,287)

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - NATURE OF OPERATIONS

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

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. This contract was renewed and extended to 2027. 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 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. This criteria includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. Based on this criteria, the Academy had no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-wide Financial Statements

The Academy-wide statement of net position presents governmental activities using the *economic resources measurement focus* and *accrual basis of accounting*. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. Governmental activities are normally supported by intergovernmental revenues.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, and other items not properly included among program revenues are reported instead as *general revenues*.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Unrestricted state aid, restricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental fund:

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Additionally, the Academy reports the following fund-type:

Special Revenue (Food Service) Fund - The Food Service Fund is used to account for specific revenues that are restricted to expenditures for food service operations.

Assets, Liabilities, and Net Position or Fund Balance

Cash

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

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is necessary.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings and equipment, are reported in the Academy-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 one year. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

Capital assets are expensed in the fund financial statements at the time of purchase within the activity code that will utilize the asset. If the asset is not identified with an activity, it is reported within the capital outlay activities.

Capital assets are depreciated using the straight-line method over the estimated useful lives:

Buildings and improvements	10-50 years
Furniture and equipment	5-15 years

Fund Balance

In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed - amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Directors.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the Academy's financial statements when adopted. The Academy is currently evaluating the implications of the pronouncements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, that updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities or compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement is effective for the Academy's fiscal year ending June 30, 2025.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the reporting unit report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, it requires a government to assess whether an event or events associated with a concentration of constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for the Academy's fiscal year ending June 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement is effective for the Academy's fiscal year ending June 30, 2026.

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 and the Food Service 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. The Academy does not have significant expenditures in excess of amounts appropriated.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4 - 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 of \$425,036 and bank balance of the Academy's deposits was \$436,857. At year end, \$186,857 of the Academy's deposits were not insured by FDIC.

NOTE 5 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Restated Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets, being depreciated -				
Building and improvements	\$ 11,035	\$ -	\$ -	\$ 11,035
Furniture and equipment	<u>1,006,630</u>	<u>67,745</u>	<u>-</u>	<u>1,074,375</u>
	<u>1,017,665</u>	<u>67,745</u>	<u>-</u>	<u>1,085,410</u>
Accumulated depreciation -				
Building and improvements	8,921	2,114	-	11,035
Furniture and equipment	<u>405,691</u>	<u>201,393</u>	<u>-</u>	<u>607,084</u>
	<u>414,612</u>	<u>203,507</u>	<u>-</u>	<u>618,119</u>
Net capital assets, being depreciated	<u>\$ 603,053</u>	<u>\$ (135,762)</u>	<u>\$ -</u>	<u>\$ 467,291</u>

Depreciation expense of \$203,507 was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food service fund	General fund	<u>\$ 27,049</u>

This balance resulted from transfer noted below net with reimbursement of costs.

Transfers from/to Other Funds

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Food service fund	General fund	<u>\$ 34,443</u>

The transfer was made to assist in covering operational costs.

NOTE 7 - LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2019 through June 30, 2024. The lease includes variable payments based on 15% of the per-pupil student enrollment amount. The amounts paid under the lease was \$730,378 for the year ended June 30, 2024. This lease was renewed and has been extended through 2027.

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 8 - NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$1,200,000 at an interest rate of 6.25 percent. The borrowing was utilized for working capital. The ending balance is payable in August 2024. The interest paid was \$53,084.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State aid revenue notes -				
Series 2022B	\$ 253,168	\$ -	\$ 253,168	\$ -
Series 2023B	-	1,200,000	975,934	224,066
	<u>\$ 253,168</u>	<u>\$ 1,200,000</u>	<u>\$ 1,229,102</u>	<u>\$ 224,066</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 - 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 10 - 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.

Michigan Public School Employees Retirement System (MPERS) is the retirement system for all public schools in the State. The Academy contracts with a separate entity for teachers and supporting staff. MPERS is reporting a liability and related deferrals for both their pension and OPEB plans. The pension plan deferred outflows of resources, net pension liability, and deferred inflows of resources of the Academy reported by MPERS are \$69,729, \$103,455, and \$21,301, respectively. The OPEB plan deferred outflows of resources, net OPEB liability, and deferred inflows of resources of the Academy reported by MPERS are \$30,294, \$0, and \$33,408, respectively. The Academy does not believe this is their liability and related deferrals as they have no employees. The Academy is communicating with MPERS to clarify why they are included in the plans. Should MPERS determine they are to be included in the plan, these amounts would be included on the Statement of Net Position.

NOTE 11 - ADMINISTRATION/OPERATIONAL CONTRACT(S) AND RELATED PARTY TRANSACTIONS

The Academy pays Grand Valley State University three percent of State Aid as administrative fees. The total administrative fees was \$148,836 for the year ended June 30, 2024. Of that amount, \$27,073 was payable at June 30, 2024.

The Academy entered into an agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group ("Cornerstone") to provide a variety of services including financial management, educational programs, education consulting, and teacher training. For the year ended June 30, 2024, the total for these services was \$896,842 for financial and administrative management services and \$5,082,987 for educational services. The Academy had \$52,277 on deposit (prepaid) at June 30, 2024.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 12 - PRIOR PERIOD ADJUSTMENT

In fiscal 2023, payables were recorded that were not due and payable, and unearned revenues were misstated as a result of not fully calculating State aid received, as well as reporting items as unearned incorrectly. Had these items been reported in 2023, accounts payable would have decreased by \$69,314, with operations and maintenance expenditures increasing by \$20,686 and basic programs decreasing by \$90,000, and unearned revenues would have been decreased by \$3,263 and State revenues would have increased by \$3,263. These adjustments would have reported a fund balance \$72,577 more than originally reported.

The adjustments above would have also changed the net position of the Academy. Another item was noted that should have been reported as a capital asset of \$75,098 and, combined with the above items, the net position of the Academy would have been \$147,675 more than originally reported.

The restated beginning balance for the reporting units affected by the restatements are as follows:

	Reporting Units Affected by Restatements of Beginning Balances	
	Governmental Activities	General Fund
June 30, 2023, as previously reported	\$ 1,280,973	\$ 710,920
Error corrections:		
Overstated accounts payable	69,314	69,314
Understated unearned revenues	3,263	3,263
Understated capital assets	75,098	-
June 30, 2023, as restated	<u>\$ 1,428,648</u>	<u>\$ 783,497</u>

REQUIRED SUPPLEMENTARY INFORMATION

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the year ended June 30, 2024

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
Local sources	\$ 267,000	\$ 591,585	\$ 614,838	\$ 23,253
State sources	6,155,000	6,120,000	6,180,685	60,685
Federal sources	538,000	1,223,400	1,206,061	(17,339)
Total revenues	6,960,000	7,934,985	8,001,584	66,599
EXPENDITURES				
Instruction -				
Basic programs	1,908,000	2,383,000	2,434,917	(51,917)
Added needs	796,000	984,800	973,130	11,670
Total instruction	2,704,000	3,367,800	3,408,047	(40,247)
Supporting services -				
Pupil	575,000	560,200	567,507	(7,307)
Instructional staff	126,000	409,800	439,357	(29,557)
General administration	983,000	1,064,200	1,071,663	(7,463)
School administration	321,000	373,100	369,033	4,067
Business support	62,000	76,000	73,382	2,618
Operations and maintenance	1,916,000	2,001,000	1,963,909	37,091
Pupil transportation and services	11,000	27,000	31,062	(4,062)
Central services	229,000	277,200	271,982	5,218
Other services	28,000	88,000	86,153	1,847
Community service	3,000	30,000	26,773	3,227
Outgoing transfers	2,000	-	-	-
Total expenditures	6,960,000	8,274,300	8,308,868	(34,568)
Revenues under expenditures	-	(339,315)	(307,284)	32,031
OTHER FINANCING USES				
Transfer to other fund	-	-	(34,443)	(34,443)
Net change in fund balance	-	(339,315)	(341,727)	(2,412)
FUND BALANCE - beginning of year				
	710,920	710,920	710,920	-
Adjustment - correction of error	72,577	72,577	72,577	-
FUND BALANCE - beginning of year, restated				
	783,497	783,497	783,497	-
FUND BALANCE - end of year				
	\$ 783,497	\$ 444,182	\$ 441,770	\$ (2,412)

OTHER SUPPLEMENTARY INFORMATION

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
For the year ended June 30, 2024

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
State sources	\$ 6,000	\$ 5,700	\$ 10,543	\$ 4,843
Federal sources	416,000	503,000	455,549	(47,451)
Total revenues	422,000	508,700	466,092	(42,608)
EXPENDITURES				
Food service	424,000	542,000	537,333	4,667
Revenues under expenditures	(2,000)	(33,300)	(71,241)	(37,941)
OTHER FINANCING SOURCES				
Transfer from other fund	2,000	-	34,443	34,443
Net change in fund balance	-	(33,300)	(36,798)	(3,498)
FUND BALANCE - July 1, 2023	42,098	42,098	42,098	-
FUND BALANCE - June 30, 2024	<u>\$ 40,098</u>	<u>\$ 8,798</u>	<u>\$ 5,300</u>	<u>\$ (3,498)</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

Federal Grantor/ Pass Through Grantor/Program Title	Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue at July 1, 2023	(Memo Only) Prior Years Expenditures	Current Year Expenditures	Current Year Cash Receipts/ In-kind/ Adjustments	Accrued (Unearned) Revenue at June 30, 2024	Current Year Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE								
Passed through Michigan Department of Education - Child nutrition cluster:								
School breakfast program -	10.553							
231970		\$ 154,696	\$ 7,634	\$ 131,428	\$ 15,635	\$ 23,269	\$ -	\$ -
241970		144,764	-	-	144,764	144,764	-	-
		<u>299,460</u>	<u>7,634</u>	<u>131,428</u>	<u>160,399</u>	<u>168,033</u>	<u>-</u>	<u>-</u>
National school lunch program -	10.555							
231960		213,385	11,748	191,261	22,124	33,872	-	-
241960		213,411	-	-	213,411	213,411	-	-
240910		17,497	-	-	17,497	17,497	-	-
231980		6,168	58	-	98	156	-	-
241980		12,246	-	-	12,246	12,246	-	-
		<u>462,707</u>	<u>11,806</u>	<u>191,261</u>	<u>265,376</u>	<u>277,182</u>	<u>-</u>	<u>-</u>
USDA commodities (non-cash assistance) - entitlement		16,692	-	-	16,692	16,692	-	-
		<u>479,399</u>	<u>11,806</u>	<u>191,261</u>	<u>282,068</u>	<u>293,874</u>	<u>-</u>	<u>-</u>
SFSP Operating 2023-2024 - Summer food service program	10.559	20,852	-	-	13,082	13,082	-	-
Total child nutrition cluster		<u>799,711</u>	<u>19,440</u>	<u>322,689</u>	<u>455,549</u>	<u>474,989</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>799,711</u>	<u>19,440</u>	<u>322,689</u>	<u>455,549</u>	<u>474,989</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Passed through Wayne County Regional Educational Service Agency - Special education cluster:								
IDEA flowthrough - 190450-2024	84.027	93,078	-	-	93,078	83,460	9,618	-
Passed through Michigan Department of Education - Title I, grants to local educational agencies:								
Title I, part A -	84.010							
221530		340,397	(74,105)	-	-	-	(74,105)	-
231530		337,332	70,571	329,476	-	78,427	(7,856)	-
241530		366,249	-	-	366,249	281,603	84,646	-
		<u>1,043,978</u>	<u>(3,534)</u>	<u>329,476</u>	<u>366,249</u>	<u>360,030</u>	<u>2,685</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

Federal Grantor/ Pass Through Grantor/Program Title	Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue at July 1, 2023	(Memo Only) Prior Years Expenditures	Current Year Expenditures	Current Year Cash Receipts/ In-kind/ Adjustments	Accrued (Unearned) Revenue at June 30, 2024	Current Year Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF EDUCATION (Continued)								
Passed through Michigan Department of Education (cont'd) -								
Supporting effective instruction state grants								
(formerly improving teacher quality state grants):								
	84.367							
220520		\$ 60,675	\$ (3,300)	\$ -	\$ -	\$ -	\$ (3,300)	\$ -
230520		78,287	3,888	3,888	-	3,888	-	-
240520		70,480	-	-	39,420	25,488	13,932	-
		<u>209,442</u>	<u>588</u>	<u>3,888</u>	<u>39,420</u>	<u>29,376</u>	<u>10,632</u>	<u>-</u>
Title IV, part A student support and academic enrichment:								
	84.424							
220750		25,902	(138)	-	-	-	(138)	-
230750		49,741	14,786	14,786	-	14,786	-	-
240750		51,001	-	-	51,001	33,926	17,075	-
		<u>126,644</u>	<u>14,648</u>	<u>14,786</u>	<u>51,001</u>	<u>48,712</u>	<u>16,937</u>	<u>-</u>
Education stabilization fund (ESF) -								
Governor's emergency education relief (GEER):								
	84.425D							
201200		59,592	(4,068)	-	-	-	(4,068)	-
COVID-19 ESSER II - 98c learning loss:								
	84.425D							
213782		26,902	26,902	26,902	-	26,902	-	-
COVID-19 ESSR III formula - American rescue plan:								
	84.425U							
213713		2,642,002	565,475	1,313,149	656,053	1,221,528	-	-
COVID-19 American rescue plan - homeless II:								
	84.425W							
211012		8,316	-	-	260	-	260	-
		<u>2,736,812</u>	<u>588,309</u>	<u>1,340,051</u>	<u>656,313</u>	<u>1,248,430</u>	<u>(3,808)</u>	<u>-</u>
Total U.S. Department of Education		<u>4,209,954</u>	<u>600,011</u>	<u>1,688,201</u>	<u>1,206,061</u>	<u>1,770,008</u>	<u>36,064</u>	<u>-</u>
Total federal awards		<u>\$ 5,009,665</u>	<u>\$ 619,451</u>	<u>\$ 2,010,890</u>	<u>\$ 1,661,610</u>	<u>\$ 2,244,997</u>	<u>\$ 36,064</u>	<u>\$ -</u>

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cornerstone Jefferson-Douglass Academy (the "Academy") for the year ended June 30, 2024. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended 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).

Revenue has been accrued at June 30, 2024 to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as unearned revenue. USDA commodities have been recognized as revenue and expenditures when received by the Academy.

For purposes of charging indirect costs to federal awards, the Academy has not elected to use the 10% de minimus cost rate.

The Academy administers a number of federal grants, which are paid under reimbursement arrangements in which the Academy bills the Michigan Department of Education (MDE) or other pass-through grantors for allowable costs incurred. The programs identified on the Schedule are reported in the General and Special Revenue Funds of the Academy.

Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance (commodities) received was determined in accordance with the provisions of the Uniform Guidance. The Recipient Entitlement Balance Report is utilized to determine the value of commodities distributed to the Academy.

NOTE 3 - CASH MANAGEMENT SYSTEM AND GRANT AUDITOR REPORT UTILIZATION

The Academy utilizes the MDE NexSys System and Grant Auditor Report (GAR) in preparing the Schedule.

**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 Education
Cornerstone Jefferson-Douglass Academy
Detroit, Michigan

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, the General and Food Service Funds of Cornerstone Jefferson-Douglass Academy (the "Academy") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 15, 2024.

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) as a basis for designing 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 item 2024-001 through 2024-003 that we consider to be material weaknesses.

To the Board of Education
Cornerstone Jefferson-Douglass Academy

Report on Compliance and Other Matters

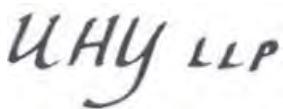
As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the 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 an instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2024-003.

Cornerstone Jefferson-Douglass Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cornerstone Jefferson-Douglass Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Port Huron, Michigan
November 15, 2024

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

To the Board of Education
Cornerstone Jefferson-Douglass Academy
Detroit, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cornerstone Jefferson-Douglass Academy's (the "Academy") 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 the Academy's major federal programs for the year ended June 30, 2024. The Academy's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2024.

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 the 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 the major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

To the Board of Education
Cornerstone Jefferson-Douglass Academy

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 the Academy's federal programs.

Auditor's Responsibilities 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 the 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 judgement made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of the 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 the 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 the Academy's 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 the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Education
Cornerstone Jefferson-Douglass Academy

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-005. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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.

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.

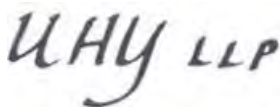
To the Board of Education
Cornerstone Jefferson-Douglass Academy

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004 and 2024-005 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Port Huron, Michigan
November 15, 2024

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls 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 reported

Noncompliance material to financial statements
noted? x yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? x yes no
Significant deficiency(ies) identified that are
not considered to be material weaknesses? yes x 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) of the Uniform Guidance? x yes no

Identification of major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
#84.367	Supporting effective instruction state grants (formerly improving teacher quality state grants)
#84.425	Education stabilization fund

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

Auditee qualified as low-risk auditee? yes x no

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2024-001 **Material adjusting entries (repeat findings 2023-001 and 2023-002)**

Finding Type: Material weakness in internal controls over financial reporting

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles. Statement on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in the Audit,” specifies that, if material audit adjustments are required to be proposed, the entity has a material weakness in internal control over financial reporting.

Condition: During our audit, we noted balances did not agree to supporting schedules and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy’s general ledger to the appropriate balances.

Cause: The Academy’s internal controls did not detect all misstatements necessary to properly report year-end balances and certain accounts were not reconciled to subsidiary records.

Effect: As a result of this condition, significant entries were proposed, including a prior period adjustment to the Academy’s fund balance and net position.

Recommendation: Management has already taken action by reviewing and approving the proposed audit adjustments. In addition to eliminate/reduce future material audit adjustments, the Academy administration should evaluate the process in current use to review the work generated from the year-end closing process prior to formally closing the “books” for the annual financial statement audit.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

Reference
Number

Findings

2024-002

Bank reconciliations

Finding Type: Material weakness in internal control

Criteria: Management is required to create proper internal controls over cash that require a monthly bank reconciliation to be performed on all cash accounts within an entity to determine that the ending bank balance is reconciled to the general ledger balance on a timely basis and all reconciling items are properly accounted for and recorded.

Condition: The Academy did not prepare timely bank reconciliations for the months of January through April 2024. The reconciled January through April 2024 bank reconciliations were not completed until June 2024.

Context: Four out of twelve months of bank reconciliations were not reconciled on a timely basis.

Cause/Effect: There was personnel turnover during the year in roles that assisted in reconciling the bank statements.

Recommendation: Although there is a formal policy regarding the month-end cash reconciliations and approval process, the process was not followed. We recommend that management review its policies and institute controls to assure that they are followed in the future.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

2024-003

Filing of financial statements (repeat finding 2023-003)

Finding Type: Material weakness in internal control over compliance and material noncompliance

Criteria: Management is required to file the financial statements with the Michigan Department of Education by November 1 each year.

Condition: The Academy did not file the audit timely in accordance with State School Aid Act MCL 388.1718.

Context: The financial statements and single audit for June 30, 2023 were not issued and filed with the Michigan Department of Education until November 21, 2023.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

**Reference
Number**

Findings

Cause: The general ledger balances required material entries and support for compliance, and controls over major federal programs under the Uniform Guidance was not readily available for the audit.

Effect: The Academy did not meet the State of Michigan requirement.

Recommendation: We recommend that year-end closing procedures be adopted and items relating to federal programs be maintained to document compliance and controls over compliance to ensure records are available for an audit.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-004 Internal controls over cash management compliance requirements to be reviewed

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund and 84.367, Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

Federal Award Identification Number and Year: 213713 & 240520

Pass-through Entity: Michigan Department of Education

Finding Type: Material weakness in internal control over compliance

Criteria: Per 2 CFR § 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our testing for cash management, it was noted that 2 out of 2 drawdown requests selected for testing did not have evidence of review and approval.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

**Reference
Number**

Findings

Cause: Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect: Drawdown requests did not have evidence of review and approval.

Recommendation: We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

2024-005

Internal controls over reporting compliance requirements to be reviewed

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund and 84.367, Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

Federal Award Identification Number and Year: 213713 & 240520

Pass-through Entity: Michigan Department of Education

Finding Type: Material weakness in internal control over compliance

Criteria: Per 2 CFR § 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our testing for reporting, it was noted that 1 out of 1 report selected for testing did not have evidence of review and approval.

Cause: Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect: Reports did not have evidence of review and approval.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

Reference
Number

Findings

Recommendation: We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

2024-006

Internal controls over activities allowed or unallowed and allowable cost and cost principles compliance requirements to be reviewed

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund and 84.367, Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

Federal Award Identification Number and Year: 213713 & 240520

Pass-through Entity: Michigan Department of Education

Finding Type: Material weakness in internal control over compliance

Repeat Finding: No

Criteria: Per 2 CFR § 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our testing for activities allowed or unallowed, allowable costs/cost principles, it was noted that 6 out of 6 payroll related disbursements selected for testing did not have evidence of review and approval.

Cause: Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect: Payroll related reports did not have evidence of review and approval.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

**Reference
Number**

Findings

Recommendation: We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

2024-007

Data collection to be completed timely

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund and 84.367, Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

Federal Award Identification Number and Year: 213713 & 240520

Pass-through Entity: Michigan Department of Education

Finding Type: Material weakness over compliance and internal controls over compliance

Criteria: Per 2 CFR 200.512(a)(1), the audit must be completed, and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Per 2 CFR 200.501(b), a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514.

Condition: The data collection form was not submitted within the required time as required by 2 CFR 200.512 for the year ended June 30, 2023.

Cause: The Academy's books and records for the 2023 fiscal year were not reconciled or closed in a timely manner. The data collection forms were not submitted within the required time.

Effect: Data collection forms were not submitted on time.

Recommendation: We recommend that the Academy develop a reliable system to close the financial records in a timely manner.

View of responsible officials and planned corrective action plan: Management agrees with the finding. See corrective action plan.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

SECTION IV – PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

The responses below for findings identified in the 2023 single audit, identified as 2023-001 through 2023-003, were provided by Mary Ann Johnson, Director of Finance.

Finding 2023-001:

2023-001: Material weakness - account balances required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.

Status of finding: The Academy has not cleared this finding, which has been repeated in the current year as finding 2024-001.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year and is in the process of creating year-end closing processes.

Planned corrective action: See the corrective action plan for finding 2024-001.

Finding 2023-002:

2023-002: Material weakness - 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.

Status of finding: The Academy has not cleared this finding, which has been repeated in the current year as finding 2024-001.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year and is in the process of creating year-end closing processes.

Planned corrective action: See the corrective action plan for finding 2024-001.

Finding 2023-003:

2023-003: Material weakness and material noncompliance - 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 be submitted by November 1 to the Michigan Department of Education.

Status of finding: The Academy has not cleared this finding, which has been repeated in the current year as finding 2024-003.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

Reason for reoccurrence: The Academy has had a changeover in staff in the past year and is in the process of creating year-end closing processes in order to meet this requirement.

Planned corrective action: See the corrective action plan for finding 2024-003.

November 15, 2024

FEDERAL AUDIT CLEARINGHOUSE
RE: Cornerstone Jefferson-Douglas Academy
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED: JUNE 30, 2024

RE: CORRECTIVE ACTION PLAN (CAP)
FINANCIAL STATEMENT AUDIT FINDINGS

Finding Number: 2024-001

Condition - During our audit, we noted balances did not agree to supporting schedules. and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy's general ledger to the appropriate balances.

Planned Corrective Action: Although the Academy has a month-end review process and month-end checklist in place to help catch material misstatements, the review process will be improved in the following ways:

1. The Accounts Payable subledger will be compared monthly against the A/P Aging report to ensure no variances between the two.
2. Additional subledger schedules will be maintained and reconciled monthly for all Balance Sheet accounts.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Finding Number: 2024-002

Condition - The Academy did not prepare timely bank reconciliations for the months of January through April 2024. The reconciled January through April 2024 bank reconciliations were not completed until June 2024.

Planned Corrective Action: The delays were due to a transition in finance staffing and the process will be adhered to going forward.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE
PAGE 2

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Finding Number: 2024-003

Condition - The Academy did not file the financial and single audits timely in accordance with State School Aid Act MCL 388.1718.

Planned Corrective Action: We have brought in a new CFO on October 22, 2024, and a new Finance Director on January 4, 2024, who are putting in place more efficient financial processes to ensure we meet all compliance deadlines in the future.

1. We will review staffing resources to see if additional resources will be needed for the 24-25 fiscal year.
2. The district transitioned to UHY for its FY 23/24 outside auditor. As part of this transition, the prior auditor for the district refused to provide UHY with customary access to their workpapers or answer questions on their work. This required UHY to perform supplemental audit procedures which required material unplanned work for the finance team. This is a non-recurring issue.
3. The finance team was required to complete unplanned, non-recurring ESSER funding amendments, audits, and applications at multiple districts, which took material time away from audit preparation and support.

Anticipated Completion Date: November 15, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AWARDS FINDINGS

Finding Number: 2024-004

Condition - During our testing for Cash Management, it was noted that 2 out of 2 drawdown requests selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

1. We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
2. All Federal draws will have supporting documents that are reviewed, approved, and certified before funds are requested.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 3

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FEDERAL AWARDS FINDINGS (Continued)

Finding Number: 2024-005

Condition - During our testing for Reporting, it was noted that 2 out of 2 reports selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

1. We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
2. All Federal draws will have supporting documents that are reviewed, approved, and certified before funds are requested.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Finding Number: 2024-006

Condition - During our testing for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, it was noted that 6 out of 6 payroll transactions selected for testing did not have evidence of review and approval.

Planned Corrective Action - Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

1. We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
2. All Federal draws will have supporting documents that are reviewed, approved, and certified before funds are requested.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 4

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FEDERAL AWARDS FINDINGS (Continued)

Finding Number: 2024-007

Condition - The data collection form was not submitted within the required time as required by 2 CFR 200.512 for the year ended June 30, 2023.

Planned Corrective Action - The audit for the year ended June 30, 2023 was not submitted to the Federal Audit Clearinghouse due to issues with the UEI numbers not being renewed timely on the Academy's side. The Finance Director is now responsible for the renewals going forward, and this will not be an ongoing issue in the future.

Anticipated Completion Date: November 15, 2024

Point of Contact: Mary Ann Johnson

Sincerely,

Joseph Valentic, Chief Financial Officer



Mary Ann Johnson, Director of Finance