CORNERSTONE
JEFFERSON-DOUGLASS ACADEMY

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2026

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 major fund, and the aggregate remaining fund information of Cornerstone Jefferson-Douglass Academy (the "Academy") as of and for the year ended June 30, 2026, 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 major fund, and the aggregate remaining fund information of Cornerstone Jefferson-Douglass Academy, as of June 30, 2026, 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.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Academy adopted GASB Statement No. 103, Financial Reporting Model Improvements. Our opinions are not modified with respect to this matter.

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.
- 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 required supplementary information, as identified in the table of contents, on pages 4-10 and 30-33 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2026, 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.

UHY LLP

Cadillac, Michigan
October 20, 2026

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026

This section of Cornerstone Jefferson-Douglass Academy's (the "Academy") annual report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2026. Please read it in conjunction with the Academy's financial statements, which immediately follow this section. The purpose of management's discussion and analysis (MD&A) is to help the Academy's stakeholders and other readers understand what the financial statements and notes in this financial report say about the Academy's financial health and why it has changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Academy's finances.

OVERVIEW OF THE FINANCIAL STATEMENTS

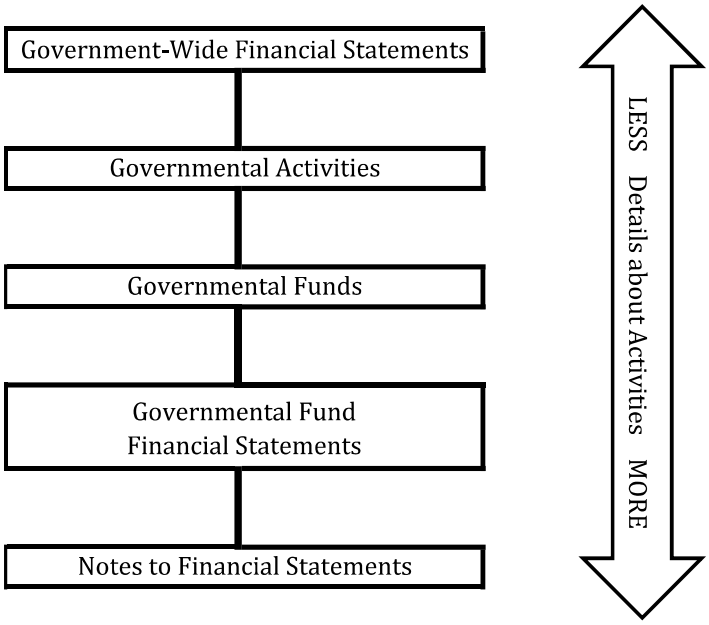
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two - the *Government-wide financial statements* - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- *Governmental activities* comprise the Academy's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by state aid foundation and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the Academy's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Academy reports one group of funds:

- *Governmental fund financial statements* report all of the governmental activities. In addition to the Academy's main operating fund - the general fund - those financial statements report the special revenue (food service) fund that tracks the use of funding sources restricted to expenditures for food service operations.

Figure A-1. Contents of the Academy's Basic Financial Statements



The next section of this financial report contains *notes to financial statements*, which delve deeper into the Academy's finances as reported in the financial statements. The information in the notes is as important to understanding the Academy's finances as the information in the financial statements. The Academy uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the Academy's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the Academy controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and equipment.

- *Liabilities* - amounts the Academy owes, from short-term liabilities such as salaries and related items as well as outstanding debt obligations.

➢ *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

Figure A-2. Types of Information Reported in the Academy's Financial Statements

	Financial Statements	
	Academy-wide	Governmental Funds
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short-term and long-term	Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the Academy during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	All types of expenses/deductions that flow out of the Academy during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the Academy during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the second note to financial statements, the summary of significant accounting policies.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026

ANALYSIS OF THE ACADEMY'S FINANCES

	Governmental Activities		Dollar	Percentage
	2026	2025	Change	Change
ASSETS				
Current and other assets	$ 1,774,240	$ 1,726,495	$ 47,745	2.8%
Capital assets	653,470	408,831	244,639	59.8%
Total assets	2,427,710	2,135,326	292,384	13.7%
LIABILITIES				
Current liabilities	1,283,005	1,613,885	(330,880)	-20.5%
NET POSITION				
Net investment in capital assets	653,470	408,831	244,639	59.8%
Unrestricted	491,235	112,610	378,625	336.2%
Total net position	$ 1,144,705	$ 521,441	$ 623,264	119.5%

The above table shows that as of June 30, 2026, the Academy's total net position - assets minus liabilities - was $1,144,705, an increase of $623,264 or 119.5% compared with 2025. This increase is primarily due to a $378,625 or 336.2% increase in unrestricted net position. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

The table below shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the Academy's governmental activities was $1,144,705, an increase of $623,264 or 119.5% from 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Increase in local grants and contributions
2. Small increase in expenses

GOVERNMENTAL ACTIVITIES (Continued)

Changes in Academy's Net Position

	2026	2025	Dollar Change	Percentage Change
REVENUES				
Program revenues -				
Charges for services	$ 21,916	$ 26,085	(4,169)	-16.0%
Operating grants and contributions	3,650,757	2,284,298	1,366,459	59.8%
Capital grants and contributions	103,625	-	103,625	100.0%
General revenues -				
State foundation allowance	5,209,824	5,245,224	(35,400)	-0.7%
Other	80,199	347,636	(267,437)	-76.9%
Total revenues	9,066,321	7,903,243	1,163,078	14.7%
FUNCTIONS/PROGRAM EXPENSES				
Instruction	3,089,329	3,247,835	(158,506)	-4.9%
Support services	4,706,960	4,368,307	338,653	7.8%
Food service	526,784	529,658	(2,874)	-0.5%
Community service	5,713	12,004	(6,291)	-52.4%
Depreciation (unallocated)	114,271	138,359	(24,088)	-17.4%
Total functions/program expenses	8,443,057	8,296,163	146,894	1.8%
Increase (decrease) in net position	623,264	(392,920)	1,016,184	-258.6%
NET POSITION - Beginning of Year	521,441	914,361	(392,920)	-43.0%
NET POSITION - End of Year	$ 1,144,705	$ 521,441	$ 623,264	119.5%

Increase in Local Grants and Contributions

In 2026, we received $100,332 from a Balmer Summer School Grant, $436,979 New Common School Foundation donations, and $625,000 Cornerstone Education Group donations in the current year.

Small Increase in Expenses

Despite a 14.7% increase in revenue, expense only increased 1.8%. This increase in expenses was expected as new programs were created but the Academy was successful in limiting significant increases in expenses.

GOVERNMENTAL FUNDS

The Academy reports one major fund individually in the governmental fund financial statements. This fund is the General Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. However, certain factors that are relevant to the Academy's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in the table below and are discussed in more detail following the table.

	2026	2025	Increase (Decrease)
Major Funds			
General Fund	$ 491,235	$ 112,610	$ 378,625

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

General Fund

Year over year, the General Fund's fund balance increased by $378,625, bringing fund balance to $491,235. Of this amount, $8,673 is non-spendable for prepaid expenditures and $482,562 is unassigned. The increase in fund balance is mainly attributable to new grants and donations received in 2026.

SIGNIFICANT CAPITAL ASSETS

Capital Assets.

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation- increased 59.8% over 2025. See the table below for the carrying value of capital assets.

	2026			2025	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Total Percentage Change
Building Improvements	$ 292,062	$ 22,093	$ 269,969	$ 28,276	854.8%
Furniture and Equipment	1,232,157	848,656	383,501	355,555	7.9%
Construction in Progress	-	-	-	25,000	-100.0%
Total	$ 1,524,219	$ 870,749	$ 653,470	$ 408,831	59.8%

SIGNIFICANT CAPITAL ASSETS (Continued)

Capital Assets (Continued)

A significant reason for the increase in the net capital assets relates to the building improvements category. During 2026, the Academy received a donated equipment asset of $103,625 along with spending approximately $161,000 of general building improvements. The additions of capital assets outpaced the depreciation during the year, resulting in a net increase in capital assets.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

At the time that these financial statements were prepared and audited, the Academy was aware of the following items that could significantly affect its financial health in the future:

- State aid funding from the State of Michigan represents the majority of the Academy's revenue. Due to uncertainty from year to year related to state funding, the Academy continues to monitor current legislation in order to get a better idea of funding levels for the upcoming 2026-2027 school year and beyond.

- Because per pupil state aid funding is the driving force behind the majority of the Academy's revenue, student enrollment strongly affects the budget. Enrollment numbers decreased from the prior year, with the official count for 2025-2026 ending up at 501 as opposed to 510 for 2024-2025.

- The Academy continues to try and improve its services to keep up with other schools in order to attract students to the Academy.

REQUEST FOR INFORMATION

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

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
STATEMENT OF NET POSITION
June 30, 2026

	Governmental Activities
ASSETS	
Cash	$ 217,941
Accounts receivable	238,002
Due from other governmental units	1,309,624
Prepaid items	8,673
Capital assets - net of accumulated depreciation	653,470
Total assets	2,427,710
LIABILITIES	
Accounts payable	$ 247,289
Accrued expenses	97,709
Accrued salaries payable	325,957
Due to other governmental units	89,468
Unearned revenue	265,310
Notes payable - current	257,272
Total liabilities	1,283,005
NET POSITION	
Net investment in capital assets	653,470
Unrestricted	491,235
Total net position	$ 1,144,705

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

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2026

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Governmental activities -					
Instruction	$ 3,089,329	$ -	$ 3,183,855	$ -	$ 94,526
Supporting services	4,706,960	21,916	-	103,625	(4,581,419)
Food services	526,784	-	466,902	-	(59,882)
Community activity	5,713	-	-	-	(5,713)
Depreciation (unallocated)	114,271	-	-	-	(114,271)
Total governmental activities	$ 8,443,057	$ 21,916	$ 3,650,757	$ 103,625	(4,666,759)
GENERAL REVENUES					
State aid - unrestricted					5,209,824
Other income					80,199
Total general revenues					5,290,023
Change in net position					623,264
NET POSITION - beginning of year					521,441
NET POSITION - end of year					$ 1,144,705

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

	General Fund	Non-major Food Service Fund	Total
ASSETS			
Cash	$ 217,941	$ -	$ 217,941
Accounts receivable	233,499	4,503	238,002
Due from other governmental units	1,294,535	15,089	1,309,624
Due from other funds	-	2,863	2,863
Prepaid items	8,673	-	8,673
Total assets	$ 1,754,648	$ 22,455	$ 1,777,103
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 224,834	$ 22,455	$ 247,289
Due to other governmental units	89,468	-	89,468
Due to other funds	2,863	-	2,863
Accrued expenditures	97,709	-	97,709
Accrued salaries payable	325,957	-	325,957
Unearned revenue	265,310	-	265,310
Note payable - current	257,272	-	257,272
Total liabilities	1,263,413	22,455	1,285,868
FUND BALANCE			
Non-spendable - prepaid items	8,673	-	8,673
Unassigned	482,562	-	482,562
Total fund balances	491,235	-	491,235
Total liabilities and fund balances	$ 1,754,648	$ 22,455	$ 1,777,103

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2026

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	$ 491,235
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	1,524,219
Deduct - accumulated depreciation	(870,749)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,144,705

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2026

	General Fund	Non-major Food Service Fund	Total
REVENUES			
Local sources	$ 1,481,714	$ 4,503	$ 1,486,217
State sources	6,570,420	19,493	6,589,913
Federal sources	486,476	442,906	929,382
Other transactions	60,809	-	60,809
Total revenues	8,599,419	466,902	9,066,321
EXPENDITURES			
Instruction services -			
Basic programs	$ 2,185,363	$ -	$ 2,185,363
Added needs	903,966	-	903,966
Total instruction services	3,089,329	-	3,089,329
Supporting services -			
Pupil	562,545	-	562,545
Instructional	273,430	-	273,430
General administration	1,110,087	-	1,110,087
School administration	281,210	-	281,210
Business services	75,295	-	75,295
Operation and maintenance	2,282,236	-	2,282,236
Pupil transportation and services	17,664	-	17,664
Central services	301,553	-	301,553
Other services	161,850	-	161,850
Total supporting services	5,065,870	-	5,065,870
Food services	-	526,784	526,784
Community activity	5,713	-	5,713
Total expenditures	8,160,912	526,784	8,687,696
Excess of revenues over (under) expenditures	438,507	(59,882)	378,625
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	59,882	59,882
Transfer to other funds	(59,882)	-	(59,882)
Total other financing sources (uses)	(59,882)	59,882	-
Net change in fund balance	378,625	-	378,625
FUND BALANCE - beginning of year	112,610	-	112,610
FUND BALANCE - end of year	$ 491,235	$ -	$ 491,235

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, 2026

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	378,625
Total change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		255,285
Depreciation expense		(114,271)
Governmental funds do not report donated capital assets under the modified accrual basis of accounting but are capitalized in the Statement of Activities.		
Acquisition value of donated assets		103,625
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	623,264

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, 2024, the Academy entered into a three-year contract with Grand Valley State University's Board of Trustees to charter a public-school academy through June 30, 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. These criteria include 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 these 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 Government-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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Academy-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.*

The effect of inter-fund activity has been eliminated in the Academy-wide statements.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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.

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.

Unearned Revenue

Unearned revenue arises when resources are received by the Academy before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenues are recognized. The Academy has unearned revenue in the General Fund that is related to state and local grants/donations, received and unspent due to restrictions on how funds can be spent.

Prepaid Items

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include buildings and equipment, are reported in the Government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated 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 other equipment	5 - 15 years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy does not have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy does not have any deferred inflows of resources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to academies based on information supplied by the school. For the year ended June 30, 2026 the foundation allowance was based on pupil membership counts taken in October 2025 and February 2025. For fiscal year ended June 30, 2026, the per pupil foundation allowance was $10,050 for the Academy.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Program Revenue

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the academy and other unrestricted items are not included as program revenue but instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the Academy implemented GASB Statement No. 103, *Financial Reporting Model Improvements.* The Standard addressed the following areas:

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Violations of Legal or Contractual Provisions

The following describes a budgetary violation that occurred for the year ended June 30, 2026:

Excess of Expenditures Over Appropriations:

	Appropriations	Expended	Variance
General Fund			
Instruction			
Basic programs	$ 2,137,838	$ 2,185,363	$ (47,525)
Added needs	881,362	903,966	(22,604)

These overages were covered by available fund balance and greater than anticipated revenues.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The carrying value was $217,941 and bank balance of the Academy's deposits was $301,697. At year end, $250,000 of the Academy's deposits were covered by FDIC insurance.

NOTE 6 – RECEIVABLES AND UNEARNED REVENUE

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

	General	Non-Major	Total
Receivables:			
Accounts	$ 233,499	$ 4,503	$ 238,002
Due from Other Governmental Units	1,294,535	15,089	1,309,624
	$ 1,528,034	$ 19,592	$ 1,547,626

Amounts due from other governments include amounts due from federal, state and local sources for various projects and programs.

NOTE 6 – RECEIVABLES AND UNEARNED REVENUE (Continued)

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Academy reported unearned grant revenue of $265,310 in the General Fund.

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers In (Out)	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Construction in progress	$ 25,000	$ -	$ -	$ (25,000)	$ -
Capital assets being depreciated:					
Building improvements	40,221	226,841	-	25,000	292,062
Furniture and equipment	1,100,088	132,069	-	-	1,232,157
Subtotal	1,140,309	358,910	-	25,000	1,524,219
Accumulated depreciation:					
Building improvements	11,945	10,148	-	-	22,093
Furniture and equipment	744,533	104,123	-	-	848,656
Subtotal	756,478	114,271	-	-	870,749
Net capital assets being depreciated	383,831	244,639	-	25,000	653,470
Net capital assets	$ 408,831	$ 244,639	$ -	$ -	$ 653,470

Depreciation expense of $114,271 was not allocated to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Food service fund	General fund	$ 2,863

The outstanding balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2026, are expected to be repaid within one year.

Transfers from/to Other Funds

Receiving Fund	Expending Fund	Amount
Food service fund	General fund	$ 59,882

The transfers are used to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 – LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2024, through June 30, 2027. The lease includes variable payments based on 15% of the per-pupil student enrollment amount. The amount paid under the lease was $790,156 for the year ended June 30, 2026.

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 the variable payment structure.

NOTE 10 – NOTES PAYABLE

On November 20, 2024, the Academy entered into a debt agreement with a Credit Union that matured on August 27, 2025. The Academy borrowed $1,128,000 at an interest rate of 6.55 percent. The borrowing was utilized for working capital. The note was secured by a collateral assignment of payments due the Academy from the State of Michigan Department of Education pursuant to a certain Interceptor Agreement. Interest paid for the year ended June 30, 2026, was $2,117 and was allocated to Supporting services – business services.

On September 5, 2025, the Academy entered into a debt agreement with a Credit Union that matures on August 27, 2026. The Academy borrowed $1,384,000 at an interest rate of 5.94 percent. The borrowing was utilized for working capital. The note is secured by a collateral assignment of payments due the Academy from the State of Michigan Department of Education pursuant to a certain Interceptor Agreement. Interest paid for the year ended June 30, 2026, was $39,924 and was allocated to Supporting services – business services.

	Beginning Balance	Additions	Reductions	Ending Balance
Alliance Catholic Credit Union Note ($1,128,000 principal w/ 6.55% interest, beg. 11/20/2024)	$ 255,502	$ -	$ 255,502	$ -
Alliance Catholic Credit Union Note ($1,384,000 principal w/ 5.94% interest, beg. 9/5/2025)	-	1,384,000	1,126,728	257,272
	$ 255,502	$ 1,384,000	$ 1,382,230	$ 257,272

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require 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 (MPSERS) is the retirement system for all public schools in the State. The Academy contracts with a separate entity for teachers and supporting staff. MPSERS 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 MPSERS are $15,196, $-0-, and $74,214, respectively. The OPEB plan deferred outflows of resources, net OPEB liability, and deferred inflows of resources of the Academy reported by MPSERS are $9,573, $-0-, and $17,704, respectively. The Academy does not believe this is their liability and related deferrals as they have no employees. The Academy is communicating with MPSERS to clarify why they are included in the plans. Should MPSERS determine they are to be included in the plan, these amounts would be included on the Statement of Net Position.

NOTE 13 - 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 were $156,717 for the year ended June 30, 2026.

The Academy entered into an agreement with Three Pillars Anew 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, 2026, the total for these services was $868,884 for financial and administrative management services and $3,902,612 for educational services.

The Academy entered into a lease agreement with New Common School Foundation in which the Academy rents the building. Rent expense charged under this lease agreement totaled $790,156 for the year ended June 30, 2026.

NOTE 14 – SINGLE AUDIT COMPLIANCE

During the fiscal year ended June 30, 2026, the Academy recognized federal revenue in the amount of $929,382, which is below the *Uniform Guidance Single Audit* threshold of $1,000,000. Additionally, total federal awards expended during the fiscal year were $929,382, which is below the threshold requiring a Single Audit. Accordingly, a Single Audit in accordance with *Uniform Guidance (2 CFR 200 Subpart F)* was not required and has not been performed for the year ended June 30, 2026.

NOTE 15 – SUBSEQUENT EVENTS

The Academy has performed a review of the events subsequent to the statement of net position through October 20, 2026, the date the financial statements were available to be issued.

Subsequent to June 30, 2026, the Academy received a State Aid Note in the amount of $1,096,000 to help meet the Academy's cash flow needs for the beginning of the 2026-2027 fiscal year. No adjustment was made to the financial statement for the year ended June 30, 2026, related to this subsequent event.

REQUIRED SUPPLEMENTARY INFORMATION

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED June 30, 2026

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
REVENUES					
Local sources	$ 695,000	$ 1,459,509	$ 764,509	$ 1,481,714	$ 22,205
State sources	6,904,012	6,768,640	(135,372)	6,570,420	(198,220)
Federal sources	501,444	481,379	(20,065)	486,476	5,097
Other transactions	-	-	-	60,809	60,809
Total revenues	8,100,456	8,709,528	609,072	8,599,419	(110,109)
EXPENDITURES					
Instruction -					
Basic programs	2,441,510	2,137,838	(303,672)	2,185,363	(47,525)
Added needs	872,631	881,362	8,731	903,966	(22,604)
Total instruction	3,314,141	3,019,200	(294,941)	3,089,329	(70,129)
Supporting services-					
Pupil	462,926	584,986	122,060	562,545	22,441
Instructional	332,896	281,426	(51,470)	273,430	7,996
General administration	1,057,931	1,110,814	52,883	1,110,087	727
School administration	297,913	285,454	(12,459)	281,210	4,244
Business support	93,799	93,308	(491)	75,295	18,013
Operations and maintenance	2,006,151	2,359,095	352,944	2,282,236	76,859
Pupil transportation and services	27,008	18,364	(8,644)	17,664	700
Central services	254,706	328,221	73,515	301,553	26,668
Other services	148,215	190,016	41,801	161,850	28,166
Community service	12,149	5,713	(6,436)	5,713	-
Total expenditures	8,007,835	8,276,597	268,762	8,160,912	115,685
Revenues over (under) expenditures	92,621	432,931	340,310	438,507	5,576
OTHER FINANCING USES					
Transfer to other funds	(92,291)	(69,047)	23,244	(59,882)	9,165
Net change in fund balance	330	363,884	363,554	378,625	14,741
FUND BALANCE - beginning of year	112,610	112,610	-	112,610	-
FUND BALANCE - end of year	$ 112,940	$ 476,494	$ 363,554	$ 491,235	$ 14,741

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2026

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The final budget was approved prior to June 30, 2026 year-end.

CORNERSTONE JEFFERSON-DOUGLASS ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2026

NOTE 2 – BUDGETARY COMPARISON

Significant variances between the General Fund original and final budget:

	Variance	Explanation
REVENUES		
Local sources	$ 764,509	Higher Early Reading Donation and Verizon In-Kind Donation than originally forecasted
State sources	(135,372)	Blended student count lower than originally forecasted
EXPENDITURES		
Instruction - Basic programs	(303,672)	Cost savings measures reflected for a full school year and staff responsibilities adjusted after start of the school year
Supporting services - Pupil	122,060	Staff responsibilities adjusted after initial budget was completed
Supporting services - Instructional staff	(51,470)	Staff responsibilities adjusted after initial budget was completed
Supporting services - General administration	52,883	Higher audit fees than originally forecasted; Higher management fees to match higher revenue
Supporting services - Operations and maintenance	352,944	Amended budget accordingly to include 12a Grant repairs; recognized expenses for Verizon lab
Supporting services - Central services	73,515	Increased Marketing for Summer School; Added Recruitment Staff mid-year
Supporting services - Other	41,801	Higher D2D and Athletic expenses in first half of the year

NOTE 2 – BUDGETARY COMPARISON (Continued)

Significant variances between the General Fund final budget and actual:

	Variance	Explanation
REVENUES		
State sources	$ (198,220)	Lower MDE Reimbursement than forecasted
EXPENDITURES		
Instruction - Basic programs	(47,525)	Did not include any Summer School expenses in the Final Amendment
Supporting services - Operations and maintenance	76,859	Some 12a expenses are going to be completed after year-end but before 9/30/26

Excess of Expenditures Over Appropriations:

	Appropriations	Expended	Variance
General Fund			
Instruction			
Basic programs	$ 2,137,838	$ 2,185,363	$ (47,525)
Added needs	881,362	903,966	(22,604)

These overages were covered by available fund balance.