

CORNERSTONE CROSSROADS ACADEMY, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

CORNERSTONE CROSSROADS ACADEMY, INC.

DECEMBER 31, 2022 AND DECEMBER 31, 2021

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LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
Cornerstone Crossroads Academy, Inc.

Opinion

We have audited the accompanying financial statements of Cornerstone Crossroads Academy, Inc. (a nonprofit organization) (the "Academy"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of December 31, 2022 and 2021, and the statements of activities and changes in its net assets, its cash flows and functional expenses for the years ended December 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. 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 GAAS 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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.

Lore K. Carter, P.C.

Dallas, Texas
June 28, 2023

Cornerstone Crossroads Academy, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 509,546	\$ 481,604
Cash and cash equivalents - with donor restrictions	1,707,464	279,035
Contributions and grants receivable	-	35,000
Contributions and grants receivable - with donor restrictions	18,532	4,300
Prepaid expenses	39,797	12,347
Other assets	34,200	5,088
Total current assets	2,309,539	817,374
PROPERTY, PLANT AND EQUIPMENT - NET	934,638	721,122
TOTAL ASSETS	\$ 3,244,177	\$ 1,538,496

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 45,065	\$ 60,972
Note payable	-	92,980
Total current liabilities	45,065	153,952
NET ASSETS		
Without donor restrictions	1,473,116	1,101,209
With donor restrictions	1,725,996	283,335
Total net assets	3,199,112	1,384,544
TOTAL LIABILITIES AND NET ASSETS	\$ 3,244,177	\$ 1,538,496

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

Cornerstone Crossroads Academy, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions and grants	\$ 762,679	\$ 1,482,288	\$ 2,244,967
Gain on extinguishment of debt	100,000	-	100,000
In-kind goods and services	87,366	-	87,366
Other income	65	-	65
Net assets released from restrictions	39,627	(39,627)	-
Total support and revenue	<u>989,737</u>	<u>1,442,661</u>	<u>2,432,398</u>
EXPENSES			
Program services			
High School Diploma Program	289,102	-	289,102
Mentoring and Social Services	75,551	-	75,551
Engagement	40,663	-	40,663
Working Warriors Student Work Program	92,786	-	92,786
Total program services	<u>498,102</u>	<u>-</u>	<u>498,102</u>
Supporting services			
Management and general	101,591	-	101,591
Fundraising	18,137	-	18,137
Total supporting services	<u>119,728</u>	<u>-</u>	<u>119,728</u>
Total expenses	<u>617,830</u>	<u>-</u>	<u>617,830</u>
Changes in net assets	371,907	1,442,661	1,814,568
NET ASSETS, at beginning of year	<u>1,101,209</u>	<u>283,335</u>	<u>1,384,544</u>
NET ASSETS, at end of year	<u>\$ 1,473,116</u>	<u>\$ 1,725,996</u>	<u>\$ 3,199,112</u>

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

Cornerstone Crossroads Academy, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions and grants	\$ 594,374	\$ 427,381	\$ 1,021,755
Gain on extinguishment of debt	114,503	-	114,503
In-kind goods and services	18,097	-	18,097
Other income	289	-	289
Net assets released from restrictions	<u>368,903</u>	<u>(368,903)</u>	<u>-</u>
Total support and revenue	<u>1,096,166</u>	<u>58,478</u>	<u>1,154,644</u>
EXPENSES			
Program services			
High School Diploma Program	351,339	-	351,339
Mentoring and Social Services	83,263	-	83,263
Engagement	72,753	-	72,753
Working Warriors Student Work Program	<u>18,574</u>	<u>-</u>	<u>18,574</u>
Total program services	525,929	-	525,929
Supporting services			
Management and general	88,367	-	88,367
Fundraising	<u>16,080</u>	<u>-</u>	<u>16,080</u>
Total supporting services	104,447	-	104,447
Total expenses	<u>630,376</u>	<u>-</u>	<u>630,376</u>
Changes in net assets	465,790	58,478	524,268
NET ASSETS, at beginning of year	<u>635,419</u>	<u>224,857</u>	<u>860,276</u>
NET ASSETS, at end of year	<u>\$ 1,101,209</u>	<u>\$ 283,335</u>	<u>\$ 1,384,544</u>

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

Cornerstone Crossroads Academy, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2022	2021
Cash flows from operating activities		
Changes in net assets	\$ 1,814,568	\$ 524,268
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,667	17,745
Gain on extinguishment of debt	(100,000)	(114,503)
Additions to property, plant and equipment via donated assets	(35,015)	(9,591)
Discount on note payable	7,020	-
Bad debt loss	-	5,000
Changes in operating assets and liabilities, net		
Contributions and grants receivable	35,000	(35,000)
Contributions and grants receivable - with donor restrictions	(16,732)	-
Prepaid expenses	(27,450)	-
Other assets	(29,112)	(9,847)
Accounts payable and accrued expenses	(44,713)	29,620
Net cash provided by operating activities	1,608,233	407,692
Cash flows from investing activities:		
Additions of property, plant and equipment	(154,362)	(333,051)
Net cash used in investing activities	(154,362)	(333,051)
Cash flows from financing activities:		
Collections of contributions restricted for capital expenditures	2,500	24,200
Proceeds from issuance of note payable - paycheck protection program	-	64,503
Net cash provided by financing activities	2,500	88,703
Increase in cash and cash equivalents	1,456,371	163,344
Cash and cash equivalents, at beginning of year	760,639	597,295
Cash and cash equivalents, at end of year	\$ 2,217,010	\$ 760,639
Reconciliation of cash and cash equivalents reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 509,546	\$ 481,604
Cash and cash equivalents - with donor restrictions	1,707,464	279,035
Total cash and cash equivalents shown in the statements of cash flows	\$ 2,217,010	\$ 760,639
Supplemental disclosures of cash flow information		
Non-cash transactions		
Additions to property, plant and equipment via donated assets	\$ 35,015	\$ 9,591
Additions to property, plant and equipment via accounts payable and accrued expenses	28,806	7,500
Extinguishment of debt on note payables	\$ 100,000	\$ 114,503

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

Cornerstone Crossroads Academy, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services				Total Program Expenses	Supporting Services		Total Supporting Services	Total
	High School Diploma Program	Mentoring and Social Services	Engagement	Working Warriors Student Work Program		Management and General	Fundraising		
Salaries and benefits	\$ 215,649	\$ 31,580	\$ 32,106	\$ 90,259	\$ 369,594	\$ 66,809	\$ 8,469	\$ 75,278	\$ 444,872
Curriculum and school	28,446	15,095	-	321	43,862	-	-	-	43,862
Professional fees	3,570	1,382	510	510	5,972	24,600	7,800	32,400	38,372
Benevolence	1,307	24,037	-	-	25,344	-	-	-	25,344
Repairs and maintenance	6,453	-	-	-	6,453	-	-	-	6,453
Occupancy	16,946	-	-	-	16,946	-	-	-	16,946
Insurance expense	840	124	126	1,530	2,620	449	32	481	3,101
Operation expenses	360	166	633	166	1,325	1,817	-	1,817	3,142
Staff and volunteers	487	3,167	-	-	3,654	-	-	-	3,654
Donation fees	-	-	-	-	-	2,310	-	2,310	2,310
Depreciation and amortization	3,967	-	-	-	3,967	700	-	700	4,667
Community and outreach	-	-	5,451	-	5,451	-	-	-	5,451
Membership & Dues	-	-	1,837	-	1,837	18	1,836	1,854	3,691
Interest expense	7,020	-	-	-	7,020	-	-	-	7,020
Other expenses	-	-	-	-	-	4,888	-	4,888	4,888
Accreditation expenses	4,057	-	-	-	4,057	-	-	-	4,057
	<u>\$ 289,102</u>	<u>\$ 75,551</u>	<u>\$ 40,663</u>	<u>\$ 92,786</u>	<u>\$ 498,102</u>	<u>\$ 101,591</u>	<u>\$ 18,137</u>	<u>\$ 119,728</u>	<u>\$ 617,830</u>

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

Cornerstone Crossroads Academy, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services					Supporting Services			Total
	High School Diploma Program	Mentoring and Social Services	Engagement	Working Warriors Student Work Program	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 303,022	\$ 40,466	\$ 65,494	\$ 18,574	\$ 427,556	\$ 55,821	\$ 8,930	\$ 64,751	\$ 492,307
Curriculum and school	12,823	10,307	-	-	23,130	-	-	-	23,130
Professional fees	-	9,306	-	-	9,306	25,427	7,150	32,577	41,883
Benevolence	1,751	19,444	-	-	21,195	-	-	-	21,195
Repairs and maintenance	3,148	-	489	-	3,637	-	-	-	3,637
Occupancy	10,922	-	-	-	10,922	440	-	440	11,362
Insurance expense	-	-	-	-	-	807	-	807	807
Operation expenses	811	-	-	-	811	1,037	-	1,037	1,848
Staff and volunteers	1,818	2,850	-	-	4,668	-	-	-	4,668
Donation fees	-	-	-	-	-	1,994	-	1,994	1,994
Depreciation and amortization	15,083	-	-	-	15,083	2,662	-	2,662	17,745
Community and outreach	-	-	5,712	-	5,712	-	-	-	5,712
Membership & Dues	1,058	890	1,058	-	3,006	179	-	179	3,185
Accreditation expenses	903	-	-	-	903	-	-	-	903
	<u>\$ 351,339</u>	<u>\$ 83,263</u>	<u>\$ 72,753</u>	<u>\$ 18,574</u>	<u>\$ 525,929</u>	<u>\$ 88,367</u>	<u>\$ 16,080</u>	<u>\$ 104,447</u>	<u>\$ 630,376</u>

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

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Academy is a non-profit organization and was incorporated in 2006 to expose at-risk high school students to the hope and abundant life of Christ, equipping students to know God and serve Him forever. Academy graduates become independently functioning and productive members of the community who influence their families, neighborhoods, and communities for Christ. The Academy's mission is to develop urban youth through transformative education, equipping future leaders to impact their communities for Christ. The Academy does this through Academics, Cash Management, Community Service and Special Programs. The Academy's primary sources of revenue are from contributions and grants.

The Academy's programs are as follows:

High School Diploma Program – the Academy is an accredited, faith-based private high school for young people who are overcoming major barriers to earn an accredited high school diploma. In addition to high school education services, we offer life skills and leadership training, workforce education and mentoring programs for the Academy's students. For over 15 years, the Academy's goal has been to help students who have given up hope, dropped out of school, and live on the verge of homelessness develop academically, socially, physically, and spiritually so that they are prepared to begin their postsecondary education and/or enter the workforce.

Each student who attends the Academy is low-income or extremely low-income, as defined by HUD. Therefore, while the Academy is a private school, the Academy does not charge program fees or tuition. Instead, each student must complete 100 hours of community service in exchange for tuition. This requirement allows the Academy's students to have ownership in their education, provides services to our community, and gives students opportunities to build job-related skills for their resumes.

The educational model is a blended learning approach of one-on-one tutoring, small group instruction, whole group instruction and an individualized online program that allows students to complete the specific courses they need in order to meet the State of Texas requirements for a high school diploma or complete the GED.

Mentoring and Social Services – students' formal and informal mentoring with staff and volunteers plays a key role in helping students achieve success. Each student is assigned an Advisor Teacher, who meets with the student 1:1 each week. Advisors work with the students to identify and address challenging life issues and habits in their personal lives that present barriers to success. A Graduation Coach helps students define their strengths and identify opportunities for development both in life skills and workforce readiness. A Case Manager helps connect each student with needed resources in the community, including clothing, transportation, housing, food programs, obtaining copies of their birth certificates, social security cards, and state identification cards, as well as medical, dental and vision care.

Engagement – the Academy provides volunteer screening and support for community members who wish to get involved in the South Dallas area in meaningful, relationship-building ways. Each year over 400 volunteers engage in community services including landscaping and neighborhood cleanup, providing meals to students, delivering food to families in need, tutoring, providing transportation to medical appointments and hosting community events to connect with neighbors in the Academy's area.

Working Warriors Student Work Program – the Academy provides key life workforce skills for students so that they may successfully transition from school to work. Targeted classes provide students with opportunities to find their purpose, understand their options for higher education, and prepare for the workforce. Students who wish to participate in the work training program commit to working extra hours before and after classes and on weekends. These students also complete leadership classes focused on learning essential life skills for a successful workplace transition. Students are connected with work internship opportunities in the community.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Activity (Continued)

The Academy is accredited by Association of Christian Schools International and by AdvanceED™.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class. See Note 5.

Liquidity and Availability

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See Note 2.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits up to \$250,000 per depositor, per insured bank for each ownership category. The Academy maintains cash balances in accounts located in Dallas, Texas which at times may exceed federally insured limits. At December 31, 2022 and 2021, the Academy had approximately \$2,141,000 and \$372,000, respectively of uninsured cash and cash equivalents.

Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give from various donors. Management believes that all amounts will be received when due and that no allowance for uncollectible receivables is necessary. See Note 3.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Academy capitalizes expenditures for property, plant and equipment in excess of \$1,000 and with an estimated useful life of greater than one year. Maintenance and repairs are charged to expense as incurred. Contributed assets are recorded at fair value. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Building and Improvements	10 to 40 Years
Furniture and equipment	5 Years
Vehicles	5 Years
Website	5 Years
Leasehold improvements	10 to 40 Years

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. No material asset impairment was recognized during the years December 31, 2022 and 2021.

Revenue Recognition

The Academy recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

In-kind Goods and Services

In-kind goods are reflected as contributions in the accompanying financial statements at their estimated values on the date received. In-kind services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 10.

Many individuals volunteer their time and perform a variety of tasks that help the Academy. For the years ended December 31, 2022 and 2021, total estimated volunteer hours were approximately 1,390 and 1,610, respectively. The value of these services was approximately \$42,000 and \$45,000, respectively for the years ended December 31, 2022 and 2021. The value of this donated time is not reflected on the accompanying financial statements because it does not meet the above criteria.

Income Taxes

The Academy is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Academy has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income Taxes*. The Academy's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Academy is no longer subject to income tax examinations by tax authorities for years prior to 2019.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries and benefits, occupancy and insurance	Time and effort
Depreciation	Use of assets

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, cash and cash equivalents – with donor restrictions, contributions and grants receivable, other assets and accounts payable and accrued expenses, approximate fair value due to the short-term maturities of these assets and liabilities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. These classifications had no impact on the change in net assets or net asset classifications.

Adoption of New Accounting Standards

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosures by Not-for-Profit Entities (“NFP”) for Contributed Nonfinancial Assets.

The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts - in-kind. The ASU requires an NFP to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures are required, as follows:

- Disaggregation of gifts-in-kind by asset category and corresponding asset value,
- Whether the asset was monetized or used,
- If used, a description of the programs or services that used the asset,
- If monetized, information about the reporting entity’s monetization policy.
- The valuation techniques used to value the asset, including the principal market used to arrive at a fair value measure, and a description of any donor-imposed restrictions.

The FASB ASU 2020-07 requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. The ASU does allow for early adoption. The adoption of ASU 2020-07 had no impact on previously reported financial statements.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

In 2022, the Academy also adopted FASB ASU 2016-02, Leases (Topic 842), which supersedes the leasing guidance in Topic 840. The Academy also adopted the following ASUs, which amend and clarify Lease (Topic 842): ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Lease (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2021-05, Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. The most significant change in the new lease guidance is the requirement to recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the statements of financial position.

The Academy adopted the leasing standards effective January 1, 2022 using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows the Academy to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. The Academy also elected to apply the practical expedient to use hindsight in determining the lease term. The adoption of ASU 2016-02 had no impact on previously reported financial statements. See Note 7.

2. LIQUIDITY AND AVAILABILITY

The following reflects the Academy's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statements of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 2,217,010	\$ 760,639
Contributions and grants receivable	18,532	39,300
Total financial assets	2,235,542	799,939
Less amounts not available to be used within one year, due to		
Net assets with donor restrictions	(1,685,455)	(259,992)
Financial assets available to meet general expenditures within one year	\$ 550,087	\$ 539,947

The following reflects the Academy's financial assets as of December 31, 2022 and 2021, reduced by amounts not available. As a part of the Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Academy regularly monitors liquidity and resources required to meet its operational needs and other contractual commitments. The Academy receives contributions with donor restrictions and without donor restrictions by donors, and considers these contributions which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Included in contributions and grants receivable are amounts that comprise unconditional promises to give due to the Academy at December 31,:

	2022	2021
Contributions and grants receivable	\$ 18,532	\$ 39,300

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

3. CONTRIBUTIONS AND GRANTS RECEIVABLE (Continued)

At Decemeber 31, 2022, two donors and board members comprised 100% of the contributions and grants receivable balance. At December 31, 2021, one donor and board members comprised 75% of the contributions and grants receivable balance.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31,:

	2022	2021
Land	\$ 38,500	\$ 38,500
Furniture and equipment	42,322	42,322
Leasehold improvements	39,605	39,605
Vehicles	5,764	5,764
Website	3,500	-
Phillis Wheatley Campus – construction in progress	881,399	666,716
	1,011,090	792,907
Less accumulated depreciation and amortization	(76,452)	(71,785)
Total	\$ 934,638	\$ 721,122

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$4,667 and \$17,745, respectively.

In November 2019, the Academy purchased Phillis Wheatley building and land located at 2908 Metropolitan in Dallas, Texas. The building will be renovated and used as the Academy’s new school. The cost of the building and land was approximately \$250,000. See Note 9.

In July 2019, the Academy entered into a contract with an architect for a rehabilitation project for the new school building. The total contract amount is approximately \$250,000. Through December 31, 2021, the Academy had incurred costs of approximately \$80,000, which is included in property, plant and equipment – net in the statements of financial position. During 2021, the Academy terminated the contract.

In July 2022, the Academy entered into a contract with another architect for the Phillis Wheatley Elementary School Rehabilitation project for the new school building. The total contract amount is approximately \$143,000. Through December 31, 2022, the Academy had incurred costs of approximately \$93,000, which is included in property, plant and equipment – net in the statements of financial position.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at December 31,:

	<u>2022</u>	<u>2021</u>
Subject to passage of time:	\$ 17,500	\$ 3,000
Subject to expenditure for specified purpose:		
Graduate care	10,303	13,280
Academics	6,000	-
Phillis Wheatley Campus	1,685,455	259,992
Work program	-	300
Summer interns	6,738	6,763
	<u>\$ 1,725,996</u>	<u>\$ 283,335</u>

Released from net assets with donor restrictions consisted of the following for the years ended December 31,:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Time	\$ 3,000	\$ -
Graduate care	2,977	-
Phillis Wheatley Campus	26,587	357,296
Benevolence	-	11,567
Work program	300	-
Summer interns	6,763	40
	<u>\$ 39,627</u>	<u>\$ 368,903</u>

6. CONDITIONAL PROMISES TO GIVE

In June 2019, the Academy received a three-year grant from July 1, 2019 through June 30, 2022 from United Way of Metropolitan Dallas (“UW”) in the amount of \$75,000 per year for the grant period ending June 30. Through December 31, 2022, the Academy recognized a total of \$225,000 from the three-year grant from UW. For the years ended December 31, 2022 and 2021, the Academy recognized revenues of \$37,500 and \$75,000, respectively.

7. COMMITMENT AND CONTINGENCIES

With the adoption of FASB ASC 842, the Academy determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Academy determines lease classification as operating or finance at the lease commencement date.

The Academy separates the lease and nonlease components, in calculating the ROU assets and lease liabilities for leases. At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Academy uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Academy uses a risk-free rate based on the information available at the commencement date to determine the present value of lease payments.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENT AND CONTINGENCIES

The Academy considers leases with initial terms of twelve months or less, and no option to purchase the underlying assets, to be short-term leases. Accordingly, short-term leases costs are expensed over the remaining lease term, with no corresponding ROU asset or lease liability.

Finance Lease

The Academy has no finance leases.

Operating Lease

In July 2022, the Academy entered into a lease agreement for a minimum of twenty-four months for leased equipment that consists of modular buildings consisting of approximately 2,516 square feet. The monthly rental charge is approximately \$2,600. The lease will not commence until the modular building is delivered and placed in service. At December 31, 2022, the lease was not delivered or placed in service. See Note 13.

The Academy has no material related party leases.

The Academy's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-Term Lease

The Academy leases office space month to month. Lease expense for the years ended December 31, 2022 and 2021 was approximately \$6,200 and \$6,200, respectively, and is included in occupancy on the statements of functional expenses.

8. NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM

On February 3, 2021, the Academy received proceeds in the amount of \$64,502 under the second round of the Paycheck Protection Program (“PPP2”). The PPP2, established as part of the CARES Act, provides for loans and grants to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight- or twenty-four-week period. The Academy used the proceeds for purposes consistent with the PPP2.

The Academy has elected to record this loan under ASC 470, *Debt* in which any subsequent forgiveness of the debt would result in a gain on extinguishment in the period when the Academy is legally released from the obligations of the debt. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. For the year ended December 31, 2021, the Academy received full forgiveness of the PPP2 loan and is not required to repay any of the balances or interest.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

9. NOTE PAYABLE

On November 11, 2019, the Academy entered into a loan agreement with a donor for \$175,000. The loan is unsecured, non-interest bearing and does not have a maturity date. The proceeds from the loan were used to purchase the new building. The Academy will pay back the loan as funds are raised for the school expansion project.

Notes payable consists of the following at December 31,:

	2022	2021
Notes payable	\$ -	\$ 100,000
Less: discount on note	-	(7,020)
	\$ -	\$ 92,980

For the years ended December 31, 2022 and 2021, the Academy received \$100,000 and \$50,000 in forgiveness of debt from the donor, respectively.

The discount rate used was 4.75% for the years ended December 31, 2022 and 2021. Amortized discounted interest totaled \$7,020 and \$0 for the years ended December 31, 2022 and 2021, respectively.

10. IN-KIND GOODS AND SERVICES

The Academy was provided the following at no cost to the Academy, and the estimated values of such non-cash contributions are as follows for the years ended December 31,:

	2022	2021
Donated lunches	\$ 6,020	\$ 5,673
Professional fees	35,199	340
Prepaid expenses – art supplies	8,155	-
Other assets – art	34,200	-
Equipment	1,265	9,591
Clothing	907	1,400
Christmas for Students	1,370	1,093
Other	250	-
	\$ 87,366	\$ 18,097

Based on the current market rates, the Academy would have paid \$87,366 and \$18,097 for the non-cash contributions for the years ended December 31, 2022 and 2021, respectively. The Academy utilizes non-cash contributions from various donors to carry out the mission of the Academy. If a non-cash contribution is provided that does not allow the Academy to utilize it in its normal course of business, the non-cash contribution will be sold at its fair market value as determined by appraisal or specialist depending on the type of non-cash contribution.

All non-cash contributions received by the Academy for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Cornerstone Crossroads Academy, Inc.
NOTES TO FINANCIAL STATEMENTS

11. CONCENTRATION

For the year ended December 31, 2022, donations from members of the board of directors comprised approximately 8% of total support and revenues. For the year ended December 31, 2021, three donors comprised approximately 50% of total support and revenues.

For the year ended December 31, 2021, donations from members of the board of directors comprised approximately 15% of total support and revenues. For the year ended December 31, 2020, three donors comprised approximately 32% of total support and revenues.

12. RISKS, ECONOMIC OUTLOOK AND UNCERTAINTIES

The Academy depends heavily on contributions and grants from donors for its revenue. The ability of the donors to continue giving may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income taxes purposes of donations to the Academy. While the Academy's Board of Directors believes the Academy has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

13. SUBSEQUENT EVENTS

In April 2023, the Academy's equipment lease for the moduling building of approximately 2,500 square feet was delivered and installed. The equipment lease commenced and will continue at a minimum of twenty-four months. The monthly rental charge is approximately \$2,600. Future minimum lease payments under this lease are as follows:

2023	\$ 23,085
2024	30,780
2025	<u>7,695</u>
	<u>\$ 61,560</u>

Subsequent to year end, the Academy entered into a contract with a contractor for the Phillis Wheatley Elementary School Rehabilitation project for the new school building. The total contract amount is approximately \$1,260,000.

In connection with the preparation of the financial statements, subsequent events have been evaluated by the Academy through June 28, 2023, which was the date the financial statements was available for issuance, and concluded that no additional disclosures are required.