

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

ANNUAL FINANCIAL AND COMPLIANCE AUDIT

AND

INDEPENDENT AUDITOR'S REPORT

For the years ended August 31, 2022 and 2021

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

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ACADEMY OF ACCELERATED LEARNING, INC.

(A Texas Nonprofit Organization)

CDN: 101810

(Federal Employer Identification Number: 31-1583056)

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Academy of Accelerated Learning, Inc. was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 1/26/23 day of January 2023.



Signature of Board Secretary

Signature of Board President



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of
Academy of Accelerated Learning, Inc.

Opinion

We have audited the financial statements of Academy of Accelerated Learning, Inc. (the "Academy"), which comprise the statement of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) 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 the 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US 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 for 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 US GAAS 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 US GAAS 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.

Report on Summarized Comparative Information

We have previously audited the Academy's August 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other supplementary information presented under table of contents are required by the Texas Education Agency and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the schedule of expenditures of federal awards and other supplementary information presented under table of contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 on our consideration of the 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 the Academy's internal control over financial reporting and compliance.

Houston, Texas
January 26, 2023

FINANCIAL STATEMENTS

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,792,239	\$ 9,015,270
Grants receivable	63,860	472,165
Other accounts receivables	6,029	1,055
Prepaid expense	<u>11,661</u>	<u>11,661</u>
Total current assets	<u>9,873,789</u>	<u>9,500,151</u>
Noncurrent Assets:		
Security deposits	61,701	61,701
Property and equipment, net	<u>1,830,920</u>	<u>566,147</u>
Total noncurrent assets	<u>1,892,621</u>	<u>627,848</u>
TOTAL ASSETS	<u><u>\$ 11,766,410</u></u>	<u><u>\$ 10,127,999</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 236,721	\$ 250,925
Payroll and related liabilities	498,535	358,142
Deferred revenues	<u>-</u>	<u>155,277</u>
Total current liabilities	<u>735,256</u>	<u>764,344</u>
TOTAL LIABILITIES	<u>735,256</u>	<u>764,344</u>
Net Assets:		
Without donor restrictions	1,694,346	1,606,974
With donor restrictions	<u>9,336,808</u>	<u>7,756,681</u>
Total net assets	<u>11,031,154</u>	<u>9,363,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,766,410</u></u>	<u><u>\$ 10,127,999</u></u>

The accompanying notes are an integral part of this financial statement.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022
(With summarized financial information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUES				
Local support:				
Local revenues	\$ 87,372	\$ -	\$ 87,372	\$ 49,267
Total local and other revenues	87,372	-	87,372	49,267
State program revenues:				
Foundation school program	-	9,340,182	9,340,182	8,501,433
Other state revenue (TEA)	-	63,241	63,241	2,780
Total state program revenues	-	9,403,423	9,403,423	8,504,213
Child Care and Development fund	-	54,708	54,708	23,693
School breakfast program	-	205,379	205,379	291,267
National school lunch program	-	557,861	557,861	425,925
ESEA Title I Part A	-	468,901	468,901	348,111
ESEA Title II Part A	-	23,663	23,663	17,976
ESEA Title III Part A	-	47,390	47,390	52,254
ESEA Title IV Part A	-	1,475	1,475	-
ESSER Grant	-	270,026	270,026	-
CRRSA ESSER II	-	381,889	381,889	1,585
ARP ESSER III	-	355,701	355,701	-
IDEA PART B formula	-	113,253	113,253	57,426
Fresh Fruits and Vegetable Program	-	9,570	9,570	-
Total federal program revenues	-	2,489,816	2,489,816	1,218,237
Net assets released from restrictions:				
Restrictions satisfied by payments	10,313,112	(10,313,112)	-	-
TOTAL REVENUES	10,400,484	1,580,127	11,980,611	9,771,717
EXPENSES				
Program Services:				
Instruction and instructional-related services	5,617,019	-	5,617,019	4,054,501
Instructional and school leadership	625,094	-	625,094	644,486
Support Services:				
Support services - student (pupil)	868,145	-	868,145	812,858
Administrative support services	945,313	-	945,313	548,764
Support services - non-student based	2,254,992	-	2,254,992	2,199,094
Community services	2,549	-	2,549	3,388
TOTAL EXPENSES	10,313,112	-	10,313,112	8,263,091
CHANGE IN NET ASSETS	87,372	1,580,127	1,667,499	1,508,626
NET ASSETS, BEGINNING OF YEAR	1,606,974	7,756,681	9,363,655	7,855,029
NET ASSETS, END OF YEAR	\$ 1,694,346	\$ 9,336,808	\$ 11,031,154	\$ 9,363,655

The accompanying notes are an integral part of this financial statement.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022
(With summarized financial information for 2021)

	Program Services			Supporting Services					2022 Total Expenditures	2021 Total Expenditures
	Instruction and Instructional Services	Instructional and School Leadership	Total Program Services	Support Services - Student (Pupil)	Support Services - Non-Student Based	Community Services	Administrative Support Services	Total Support Services		
EXPENSES:										
Teachers and other professional personnel	\$ 2,822,635	\$ 351,595	\$ 3,174,230	\$ 92,390	\$ -	\$ -	\$ 551,640	\$ 644,030	\$ 3,818,260	\$ 3,697,075
Support personnel	248,834	189,965	438,799	-	227,764	-	7,944	235,708	674,507	584,692
Employee Benefits	486,096	83,294	569,390	12,680	46,818	-	73,604	133,102	702,492	701,872
Total Payroll Expenses	3,557,565	624,854	4,182,419	105,070	274,582	-	633,188	1,012,840	5,195,259	4,983,639
Professional services	-	-	-	-	12,745	-	67,322	80,067	80,067	90,966
Contracted, maintenance and repair	3,760	-	3,760	-	204,258	-	1,257	205,515	209,275	237,707
Utilities	-	-	-	-	290,205	-	-	290,205	290,205	258,954
Rentals	-	-	-	3,341	891,753	1,601	159,189	1,055,884	1,055,884	1,068,525
Miscellaneous contracted services	638,515	-	638,515	21,000	316,934	-	10,794	348,728	987,243	331,619
Maintenance and operations	-	-	-	-	86,150	-	231	86,381	86,381	112,202
Instructional materials	21,488	-	21,488	-	-	-	-	-	21,488	4,248
Testing materials	27,423	-	27,423	-	-	-	-	-	27,423	29,274
Food service	-	-	-	726,030	-	901	-	726,931	726,931	525,649
Supplies and materials	1,279,315	240	1,279,555	12,672	10	47	11,206	23,935	1,303,490	296,688
Travel, subsistence, and stipends	71,376	-	71,376	32	-	-	5,294	5,326	76,702	25,043
Insurance and bonding costs	-	-	-	-	-	-	45,659	45,659	45,659	38,526
Depreciation expense	-	-	-	-	157,284	-	-	157,284	157,284	114,229
Miscellaneous operating costs	17,577	-	17,577	-	21,071	-	11,173	32,244	49,821	145,822
Total Non-payroll Expenses	2,059,454	240	2,059,694	763,075	1,980,410	2,549	312,125	3,058,159	5,117,853	3,279,452
TOTAL EXPENSES	\$ 5,617,019	\$ 625,094	\$ 6,242,113	\$ 868,145	\$ 2,254,992	\$ 2,549	\$ 945,313	\$ 4,070,999	\$ 10,313,112	\$ 8,263,091

The accompanying notes are an integral part of this financial statement.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
State grant receipts	\$ 9,656,451	\$ 8,616,466
Federal grant receipts	2,489,816	1,218,237
Receipts from miscellaneous sources	82,398	49,267
Payments to or on behalf of employees for services rendered	(5,066,528)	(4,889,314)
Payments to vendors for goods and services rendered	<u>(4,963,112)</u>	<u>(3,016,426)</u>
Net cash provided by operating activities	<u>2,199,025</u>	<u>1,978,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,422,056)</u>	<u>(309,940)</u>
Net cash used in investing activities	<u>(1,422,056)</u>	<u>(309,940)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	776,969	1,668,290
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,015,270</u>	<u>7,346,980</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,792,239</u>	<u>\$ 9,015,270</u>
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	<u>\$ 1,667,499</u>	<u>\$ 1,508,626</u>
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	157,284	114,229
Changes in operating assets and liabilities:		
Grants receivable	408,305	(43,024)
Other accounts receivable	(4,974)	-
Prepaid expense	-	(11,661)
Security deposits	-	(60,700)
Accounts payable	(14,205)	221,158
Accrued and other liabilities	140,393	94,325
Deferred revenues	<u>(155,277)</u>	<u>155,277</u>
Total adjustments	<u>531,526</u>	<u>469,604</u>
Net cash provided by operating activities	<u>\$ 2,199,025</u>	<u>\$ 1,978,230</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Academy of Accelerated Learning, Inc. (the “Academy”) is a not-for-profit organization incorporated in the State of Texas in 1998 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Academy is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the Academy and has the authority to make decisions, appoint the Academy’s Superintendent, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Academy.

Since the Academy receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The Academy was organized to provide educational services to at-risk students in the Houston Metropolitan area in Texas. The programs, services, activities and functions are governed by the Academy’s Board of Directors. On May 15, 1998, the Texas State Board of Education granted the Academy an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the Academy opened on September 1, 1998 under a contract for charter executed on May 15, 1998, which expired on July 31, 2003. The contract for charter which initially expired on July 31, 2003 was extended for a ten-year period which ended on July 31, 2013. During fiscal year 2022, the charter holder renewed its current charter license which expires July 31, 2023 with Texas Education Agency (TEA) through July 31, 2033.

The commissioner approved a new campus location at 5999 Savoy Drive, Houston, Texas 77036, to serve students in grades six (6) through eight (8), effective July 1, 2020. The approval was extended effective August 1, 2020.

The Academy is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State’s available school fund. The Academy does not have the authority to impose ad valorem taxes on its district or to charge tuition.

Basis of Presentation

The financial statements of the Academy have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

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

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for general operations of the Academy.

Net Assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Academy and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. The Academy did not have perpetual restrictions as of August 31, 2022 and 2021. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose and restrictions are reported in the statement of activities as net assets released from restrictions.

Contributions

All contributions are considered available for the Academy's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

Cash and Cash Equivalents

The Academy considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The amount of cash equivalents included in cash and cash equivalents as of August 31, 2022 and 2021 was \$3,864,361 and \$3,862,982, respectively.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of August 31, 2022 and 2021, expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of August 31, 2022 and 2021 in the amount of \$63,860 and \$472,165, respectively, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

Capital Assets

Capital assets include leasehold improvements, equipment, furniture and fixtures. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, using the straight-line method of depreciation. Expenditures for capital asset additions, major renewals and betterments of capital assets are capitalized, and maintenance and repairs are charged to expense as incurred. Donated capital assets are recorded as direct additions to net assets at fair value at the date of donation. The Academy did not have any donated capital assets as of August 31, 2022 and 2021.

Liquidity and Availability of Financial Assets

The Academy financial assets available within one year of the financial position date to meet cash needs for general expenditures are as follow:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 9,792,239	\$ 9,015,270
Grants receivable	63,860	472,165
Other accounts receivables	<u>6,029</u>	<u>1,055</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,862,128</u>	<u>\$ 9,488,490</u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and receivables that are due from the State and are available for use for educational purposes. As part of the Academy's liquidity management practice, the Academy monitors its cash periodically and invests excess cash in certificates of deposit with different banks in various amounts of \$250,000 or less per bank.

Federal Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Academy did not conduct unrelated business activities during the year ended August 31, 2022 and 2021. Accordingly, the Academy did not provide for federal income taxes in the accompanying financial statements.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

The Academy applies the provisions of FASB ASC Topic 740-10, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Academy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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 certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the Academy's financial statements are the state funding receivables, functional allocations of expenses and the useful lives used for estimating annual depreciation and amortization amounts for property and equipment.

Compensated Absences

Annual employees (12-month employees) are the only employees eligible to accrue annual leave time. Under the Academy's policy, vacation time and sick leave are earned based on the employees' length of service. Employees are expected to use vacation days in the year which they are earned. In cases of unforeseen or unusual circumstances, employees may accumulate and carry vacation days for a total maximum of 30 days at the close of the school year. Unused vacation days in excess of the maximum will be lost. The Academy does not pay for any unused vacation time. Therefore, no accrual for unused vacation or sick days is recorded in the accompanying financial statements.

New Accounting Pronouncements

In February 2016, In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the Academy's 2023 annual financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The Academy implemented the provisions of ASU 2020-07 for the year ended August 31, 2022. There was no impact arising from the implementation of ASU 2020-07 on the Academy's financial statements.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

2. CONCENTRATION OF CREDIT AND BUSINESS RISKS

The Academy maintains cash balances with financial institutions in the state. As of August 31, 2022 and 2021, the Academy's cash balance at one of the financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$5,698,732 and \$4,720,315, respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

Credit risk associated with receivables is minimal due to the credit worthiness of the federal, state and local funding agencies.

The State of Texas and Federal Government provided 78% and 21%, respectively, of the Academy's total revenues for the years ended August 31, 2022 and 88% and 11%, respectively, of the Academy's total revenues for the year ended August 31, 2021.

3. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Buildings & Improvements	\$ 379,399	\$ 321,817
Computer and equipment	193,025	193,025
Furniture and fixtures	459,114	398,052
Leasehold improvements	<u>1,747,223</u>	<u>443,810</u>
	2,778,761	1,356,704
Accumulated depreciation and amortization	<u>(947,841)</u>	<u>(790,557)</u>
Property and equipment, net	<u>\$ 1,830,920</u>	<u>\$ 566,147</u>

Capital assets acquired with public funds received by the Academy for operations constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets on page 18.

Depreciation and amortization expense for the year ended August 31, 2022 and 2021 was \$157,284 and \$114,229, respectively.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

4. NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2022 and 2021, the Academy had net assets with donor restrictions of \$9,336,808 and \$7,756,681 that consisted of the following, by program:

<u>Program</u>	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Food Program Service	\$ 144,250	\$ 57,966
Foundation School Program and Other State Aid	9,192,558	7,698,715
	<u>\$ 9,336,808</u>	<u>\$ 7,756,681</u>

5. OPERATING LEASES

The Academy leases office space, equipment and classrooms under operating leases. The rental expense for all operating leases for the year ended August 31, 2022 and 2021 was \$793,700 and \$1,020,693, respectively.

The following is a schedule of future minimum lease payments, by year, on noncancellable operating leases.

<u>Year Ended August 31,</u>	<u>Amount</u>
2023	\$ 1,489,113
2024	1,557,819
2025	1,221,581
2026	713,217
2027	626,171
Thereafter	9,467,159
	<u>\$ 15,075,060</u>

6. COMMITMENTS AND CONTINGENCIES

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. The programs administered by the Academy have multiple compliance requirements, and should state or federal auditors discover areas of noncompliance, the funds may be subject to refund if so determined by the TEA or the grantor agencies.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

7. PENSION PLAN OBLIGATIONS

Plan Description

The Academy contributes to the Teacher Retirement System of Texas (the “System” or “TRS”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the Academy, but are the liability of the State of Texas. The System administers retirement and disability annuities, and death and survivor benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the System’s Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the System’s Communications Department at 1-800-223-8778, or by downloading the report from the System’s Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

The risk of participating in this multiemployer defined benefit pension plan is different from a single-employer plan because: (a) the Academy is a legally separate entity from the State of Texas, (b) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (c) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (d) if an entity chooses to stop participating in the multiemployer plan, there is no withdrawal liability to the plan. The Academy has no plans to withdraw from its multiemployer plan.

The following presents information about the Academy's multiemployer pension plan as of and for the year ended August 31, 2022 and 2021:

<u>Name of Pension Fund</u>	<u>EIN and Plan No.</u>	<u>Total Plan Assets</u> (in thousands)		<u>Accumulated Benefit Obligations</u> (in thousands)		<u>% funded</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
TRS	N/A	\$207,621,898	\$223,172,755	\$243,553,045	\$227,273,464	75.62%	88.79%

The following presents information about the Academy’s involvement of such multiemployer pension plan for the year ended August 31, 2022 and 2021:

<u>Collective Bargaining Agreement</u>	<u>School's Contributions</u> <u>2022</u>	<u>School's Contributions</u> <u>2021</u>	<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
N/A	\$199,904	\$161,944	No	N/A	No

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022 and 2021

Funding Policy

Under provisions in State law, the System's plan members are required to contribute 7.20% of their annual covered salary for TRS Retirement and 0.65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 6.80% of the covered payroll of the participating employees compensated with State funds for TRS Retirement for TRS Care. The Academy employees' contributions to the TRS System were as follows:

	2022	2021
TRS Retirement	\$ 321,375	\$ 287,670
TRS Care	26,112	24,283
	<u>\$ 347,487</u>	<u>\$ 311,953</u>

The Academy's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$30,129 and \$28,032, for the fiscal year ended August 31, 2022 and 2021, respectively.

8. HEALTH CARE COVERAGE

During the year ended August 31, 2022 and 2021, employees of the Academy were covered by a Health Insurance Plan (the "Plan"). The Academy contributed, depending on the coverage option selected by employees, \$425 per month per employee to the Plan. Employees, at their option, authorized payroll deductions to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

9. CHARTER HOLDER OPERATIONS

The charter holder operated only a single charter in fiscal year 2022 and 2021 and did not conduct any other charter or non-charter activities. The charter holder's current charter expire will on July 31, 2033.

10. EXPLANATION OF AMENDMENT TO THE BUDGET AND BUDGET VARIANCES

Prior to the beginning of each school year, the Academy prepares and submits its annual budget for the next fiscal year. However, due to the significant inflows and outflows of students from the program, the budget must be amended on a regular basis.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2023. This was the date the financial statements were available to be issued. No changes were made to the financial statements as a result of this evaluation.

SUPPLEMENTARY INFORMATION

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SUPPLEMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021)

		Totals			
		Without Donor Restrictions	With Donor Restrictions	2022	2021
Local support:					
5700	Local revenues	\$ 87,372	\$ -	\$ 87,372	\$ 49,267
	Total local support	87,372	-	87,372	49,267
State program revenues:					
5810	Foundation school program	-	9,340,182	9,340,182	8,501,433
5820	Other state revenue (TEA)	-	63,241	63,241	2,780
	Total state program revenues	-	9,403,423	9,403,423	8,504,213
Federal program revenues:					
5919	Child Care and Development fund	-	54,708	54,708	23,693
5921	School breakfast program	-	214,949	214,949	291,267
5922	National school lunch program	-	557,861	557,861	425,925
5921	ESEA Title I Part A	-	468,901	468,901	348,111
5922	ESEA Title II Part A	-	23,663	23,663	17,976
5929	ESEA Title III Part A	-	47,390	47,390	52,254
5929	ESSER Grant	-	270,026	270,026	-
5929	ESSER Grant II	-	381,889	381,889	1,585
5929	ARP ESSER III	-	355,701	355,701	-
	ESEA Title IV Part A/Texas Hurricane	-			
5929	Homeless Program	-	1,475	1,475	-
5929	IDEA PART B formula	-	113,253	113,253	57,426
	Total Federal Program Revenues	-	2,489,816	2,489,816	1,218,237
Net assets released from restrictions:					
	Restrictions satisfied by payments	10,313,112	(10,313,112)	-	-
TOTAL REVENUES		\$ 10,400,484	\$ 1,580,127	\$ 11,980,611	\$ 9,771,717
Expenses:					
11	Instruction	5,449,890	-	5,449,890	3,980,286
12	Instructional resources and media services	102,412	-	102,412	21,657
13	Curriculum development and instructional staff development	64,717	-	64,717	52,558
23	School leadership	625,094	-	625,094	644,486
31	Guidance, counseling and evaluation services	34,536	-	34,536	29,619
33	Health services	83,238	-	83,238	66,557
35	Food services	750,371	-	750,371	716,682
41	General administration	945,313	-	945,313	548,764
51	Facilities maintenance and operations	2,036,153	-	2,036,153	1,974,536
52	Security and monitoring services	74,227	-	74,227	80,986
53	Data Processing Services	144,612	-	144,612	143,572
61	Community Services	2,549	-	2,549	3,388
TOTAL EXPENSES		\$ 10,313,112	\$ -	\$ 10,313,112	\$ 8,263,091
CHANGE IN NET ASSETS		87,372	1,580,127	1,667,499	1,508,626
NET ASSETS, BEGINNING OF YEAR		1,606,974	7,756,681	9,363,655	7,855,029
NET ASSETS, END OF YEAR		\$ 1,694,346	\$ 9,336,808	\$ 11,031,154	\$ 9,363,655

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

		<u>2022</u>	<u>2021</u>
6100	Payroll costs	\$ 5,195,259	\$ 4,983,639
6200	Professional and contracted services	2,622,674	1,987,771
6300	Supplies and maintenance	2,165,713	968,061
6400	Other operating costs	<u>329,466.00</u>	<u>323,620</u>
	Total expenses	<u><u>\$ 10,313,112</u></u>	<u><u>\$ 8,263,091</u></u>

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF CAPITAL ASSETS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

		2022			
		Ownership Interest			Total
		Local	State	Federal	
1520	Buildings & improvements	\$ -	\$ 379,399	\$ -	\$ 379,399
1535	Computer and equipment	-	193,025	-	193,025
1539	Furniture and fixtures	-	414,634	44,480	459,114
1540	Leasehold improvements	-	1,747,223	-	1,747,223
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 2,734,281</u>	<u>\$ 44,480</u>	<u>\$ 2,778,761</u>

		2021			
		Ownership Interest			Total
		Local	State	Federal	
1520	Buildings & improvements	\$ -	\$ 321,817	\$ -	\$ 321,817
1535	Computer and equipment	-	193,025	-	193,025
1539	Furniture and fixtures	-	353,572	44,480	398,052
1540	Leasehold improvements	-	443,810	-	443,810
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 1,312,224</u>	<u>\$ 44,480</u>	<u>\$ 1,356,704</u>

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

		Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanations See References	Final Compared to Original Budgeted Amounts		Explanations See References
		Original	Final		\$ Variance	% Variance		Unaudited	\$ Variance	
REVENUES										
Local support:										
5700	Local revenues and intermediate sources	\$ 25,000	\$ 140,000	\$ 87,372	\$ (52,628)	-38%	{a}	\$ 115,000	460%	{n}
State program revenues:										
5810	Foundation school program Act	9,596,902	9,934,640	9,340,182	(594,458)	-6%		337,738	4%	
5820	Other state revenue (TEA)	-	-	63,241	63,241	100%	{b}	-	0%	
		9,596,902	9,934,640	9,403,423	(531,217)					
Federal program revenues:										
5900	Federal program revenues	3,753,119	3,123,857	2,489,816	(634,041)	-20%	{c}	(629,262)	-17%	{o}
TOTAL REVENUES		\$ 13,375,021	\$ 13,198,497	\$ 11,980,611	\$ (1,217,886)					
EXPENSES										
11	Instruction	\$ 7,218,300	\$ 7,032,044	\$ 5,449,890	\$ 1,582,154	22%	{d}	\$ 186,256	3%	
12	Instructional resources and media services	93,064	78,126	102,412	\$ (24,286)	-31%	{e}	14,938	16%	{p}
13	Curriculum development and instructional staff development	52,702	31,763	64,717	\$ (32,954)	-104%	{f}	20,939	40%	{q}
23	School leadership	738,207	519,751	625,094	\$ (105,343)	-20%	{g}	218,456	30%	{r}
31	Guidance, counseling and evaluation services	147,663	43,438	34,536	\$ 8,902	20%	{h}	104,225	71%	{s}
33	Health services	70,692	79,186	83,238	\$ (4,052)	-5%		(8,494)	-12%	{t}
35	Food services	892,164	722,665	750,371	\$ (27,706)	-4%		169,499	19%	{u}
36	Cocurricular/extracurricular activities	-	15,000	-	\$ 15,000	100%	{i}	(15,000)	-100%	{v}
41	General administration	821,692	769,123	945,313	\$ (176,190)	-23%	{za}	52,569	6%	
51	Facilities maintenance and operations	2,942,493	2,644,612	2,036,153	\$ 608,459	23%	{jj}	297,881	10%	{w}
52	Security and monitoring services	172,738	89,782	74,227	\$ 15,555	17%	{k}	82,956	48%	{x}
53	Data Processing Services	96,986	84,552	144,612	\$ (60,060)	-71%	{zb}	12,434	13%	{y}
61	Community Services	15,000	15,000	2,549	\$ 12,451	83%	{l}	-	0%	
71	Other Debt Fees	-	350,000	-	\$ 350,000	100%	{m}	(350,000)	-100%	{z}
TOTAL EXPENSES		\$ 13,261,701	\$ 12,475,042	\$ 10,313,112	\$ 2,161,930					
CHANGE IN NET ASSETS		113,320	723,455	1,667,499	(3,379,816)					
NET ASSETS, BEGINNING OF YEAR		9,363,655	9,363,655	9,363,655						
NET ASSETS, END OF YEAR		\$ 9,476,975	\$ 10,087,110	\$ 11,031,154						

Refer to page 20 for the references

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

References:

- {a} Decrease in local activities, field trips and donations due re-entry from COVID.
- {b} Allotment received after finalizing budget.
- {c} Decrease of grant draw downs SY 2022.
- {d} Decrease in enrollment, decrease in hiring due to Savoy campus delay in opening.
- {e} Unanticipated increase in services provided for instructional support.
- {f} Additional professional development for instructional staff.
- {g} Additional professional development for school leadership.
- {h} Decrease in counseling staff.
- {i} Decrease in local activities, field trips and donations due re-entry from COVID.
- {j} Decrease due to delay in Savoy campus opening.
- {k} Decrease due to change in security provider.
- {l} Decrease in parental and community involvement due re-entry from COVID.
- {m} Budgeted for unexpected debt fees.
- {n} Revenue adjusted upward to reflect increase local activities, field trips and donations.
- {o} Decrease of grant award.
- {p} Decrease in planned activities for SY 2022.
- {q} Decrease in planned staff development for SY 2022.
- {r} Decrease in planned school leadership training for SY 2022.
- {s} Decrease in hiring counseling staff.
- {t} Increase due to COVID health related activities.
- {u} Decrease due to COVID reimbursement allotment.
- {v} Anticipated expenditures of cocurricular activities.
- {w} Budgeted for unexpected debt fees.
- {x} Increase in admin salaries.

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2022

Description	Property Address	Total Assessed Value	Ownership Interest (Local)	Ownership Interest (State)	Ownership Interest (Federal)

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2022

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms & Conditions	Source of Funds Used	Payment Frequency	Total Paid During FY 2022	Principal Balance Due

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2022

Related Party Name	Name of Relation of the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY 2022

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

**USE OF FUNDS REPORTS – SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2022**

Data Codes

Responses

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, 48.104.		
AP1	Did your School expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the School have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the school's fiscal year.	\$648,460
AP4	List the actual direct program expenditures for state compensatory education programs during the School's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$675,923

Section B: Bilingual Education Programs

Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, 48.105.		
AP5	Did your School expend any bilingual education program state allotment funds during the School's fiscal year?	Yes
AP6	Does the School have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the School's fiscal year.	\$165,810
AP8	List the actual direct program expenditures for bilingual education programs during the School's fiscal year. (PICs 25, 35)	\$171,034

COMPLIANCE AND INTERNAL CONTROL



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of
Academy of Accelerated Learning, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Academy of Accelerated Learning, Inc. (the "Academy"), a Texas nonprofit organization, which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

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

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Texas
January 26, 2023



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Academy of Accelerated Learning, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Academy of Accelerated Learning Inc. (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such



that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Houston, Texas
January 26, 2023

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through State Department of Agriculture			
Pass-Through Texas Department of Agriculture			
School Breakfast Program ¹	10.553	71401401	\$ 205,379
National School Lunch Program ¹	10.555	71301401	557,861
			<u>763,240</u>
Pass-Through Texas Department of Agriculture			
Fresh Fruit and Vegetable Program	10.582	10b-06	9,570
Total U.S. Department of Agriculture			<u>772,810</u>
U.S. Department of Education			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
ESEA Title I Part A: Improving Basic Education Program	84.010A	22610101101810	468,901
IDEA Part B: Special Education Program ²	84.027A	226600011018106600	113,253
ESEA Title II Part A: Improving Teacher Quality Program	84.367A	22694501101810	23,663
ESEA Title III Part A: English Language Acquisition Program	84.365A	22671001101810	47,390
ESEA Title IV Part A, Subpart I	84.424A	22680101101810	1,475
CRRSA ESSER II	84.425D	21521001101810	381,889
ESSER Grant	84.425D	20521001101810	270,026
ARP ESSER III	84.425U	21528001101810	355,701
Total U.S. Department of Education			<u>1,662,298</u>
U.S. Department of Health and Human Services			
Pass-Through Texas Workforce Commission			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund ³	93.596	2812CCM24	54,708
Total U.S. Department of Health and Human Services			<u>54,708</u>
Total Expenditures of Federal Awards			<u>\$ 2,489,816</u>

Note 1: Represents Child Nutrition Cluster

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Academy of Accelerated Learning, Inc. ("the Academy") under programs of the federal government for the year ended August 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 to the financial statements.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Uniform Guidance Compliance Supplement.

3. RELATIONSHIP TO FINANCIAL REPORT SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals which would be included in the next report filed with the agencies, matching requirements not included in the Schedule and due to different program year ends.

4. ELECTION TO USE 10% DE MINIMUS INDIRECT COST RATE

The Academy's grant agreements do not allow use of indirect cost rate and hence, the Academy did not use 10% de minimum indirect cost rate.

5. COMMITMENTS AND CONTINGENCIES

Federal grants received by the Academy are subject to review and audit by grantor agencies. The Academy's management believes that the results of such audits will not have a material effect on the Schedule.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

PART 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards Section

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |
| 4. Identification of major programs: | |

Federal Assistance Listing
Number

Name of Federal Program

U.S. Department of Education

Pass-Through: State Department of Education

Pass-Through: Texas Education Agency

84.425D	ESSER Grant
84.425D	CRRSA ESSER II
84.425U	ARP ESSER III

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520 | Yes |

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

PART II: FINDINGS - FINANCIAL STATEMENT AUDIT

This section identifies the significant deficiencies, material weaknesses, and instances of fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting under 2 CFR Section 200.515(d)(2).

No findings were noted.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

PART III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving federal awards that are material to a major program.

No findings were noted.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

None for the fiscal year ended August 31, 2021.