

**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, 2021 and 2020**

**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, 2021, at a meeting of the governing body of the charter holder on the 25<sup>th</sup> day of January 2022.

  
\_\_\_\_\_  
Signature of Board Secretary  
\_\_\_\_\_  
Signature of Board President



# McConnell Jones

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying 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, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of August 31, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Academy's 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 28, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information on pages 17 through 23 is likewise presented for purposes of additional analysis, as required by the Texas Education Agency, and is 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 auditing standards generally accepted in the United States of America. In our opinion, the information is 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 24, 2022, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not



# McConnell Jones

to provide an opinion on 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.

*McConnell & Jones*

Houston, Texas  
January 24, 2022

## **FINANCIAL STATEMENTS**

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

**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2021 AND 2020**

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|                                  | <u>2021</u>                 | <u>2020</u>                |
|----------------------------------|-----------------------------|----------------------------|
| ASSETS                           |                             |                            |
| Current Assets:                  |                             |                            |
| Cash and cash equivalents        | \$ 9,015,270                | \$ 7,346,979               |
| Grants receivable                | 472,165                     | 429,141                    |
| Other accounts receivables       | 1,055                       | 1,055                      |
| Prepaid expense                  | 11,661                      | -                          |
| Total current assets             | <u>9,500,151</u>            | <u>7,777,175</u>           |
| Noncurrent Assets:               |                             |                            |
| Security deposits                | 61,701                      | 1,001                      |
| Property and equipment, net      | 566,147                     | 370,437                    |
| Total noncurrent assets          | <u>627,848</u>              | <u>371,438</u>             |
| TOTAL ASSETS                     | <u><u>\$ 10,127,999</u></u> | <u><u>\$ 8,148,613</u></u> |
| LIABILITIES AND NET ASSETS       |                             |                            |
| Current Liabilities:             |                             |                            |
| Accounts payable                 | \$ 250,925                  | \$ 29,767                  |
| Payroll and related liabilities  | 358,142                     | 263,817                    |
| Deferred revenues                | 155,277                     | -                          |
| Total current liabilities        | <u>764,344</u>              | <u>293,584</u>             |
| TOTAL LIABILITIES                | <u><u>764,344</u></u>       | <u><u>293,584</u></u>      |
| Net Assets:                      |                             |                            |
| Without donor restrictions       | 1,606,974                   | 1,557,707                  |
| With donor restrictions          | 7,756,681                   | 6,297,322                  |
| Total net assets                 | <u>9,363,655</u>            | <u>7,855,029</u>           |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 10,127,999</u></u> | <u><u>\$ 8,148,613</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, 2021**  
**(With summarized financial information for 2020)**

|                                                       |                               |                            | <b>Totals</b>    |                  |
|-------------------------------------------------------|-------------------------------|----------------------------|------------------|------------------|
|                                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2021             | 2020             |
| REVENUES                                              |                               |                            |                  |                  |
| Local support:                                        |                               |                            |                  |                  |
| Local revenues                                        | \$ 49,267                     | \$ -                       | \$ 49,267        | \$ 112,597       |
| Total local and other revenues                        | 49,267                        | -                          | 49,267           | 112,597          |
| State program revenues:                               |                               |                            |                  |                  |
| Foundation school program                             | -                             | 8,501,433                  | 8,501,433        | 7,963,054        |
| Other state revenue (TEA)                             | -                             | 2,780                      | 2,780            | 109,508          |
| Total state program revenues                          | -                             | 8,504,213                  | 8,504,213        | 8,072,562        |
| Child Care and Development fund                       | -                             | 23,693                     | 23,693           | 44,369           |
| School breakfast program                              | -                             | 291,267                    | 291,267          | 149,364          |
| National school lunch program                         | -                             | 425,925                    | 425,925          | 325,599          |
| ESEA Title I Part A                                   | -                             | 348,111                    | 348,111          | 212,519          |
| ESEA Title II Part A                                  | -                             | 17,976                     | 17,976           | 19,590           |
| ESEA Title III Part A                                 | -                             | 52,254                     | 52,254           | 29,157           |
| ESSER Grant                                           | -                             | -                          | -                | 22,497           |
| ESSER II Grant                                        | -                             | 1,585                      | 1,585            | -                |
| RLOC Local Match Reimbursement Program                | -                             | -                          | -                | 65,431           |
| ESEA Title IV Part A/Texas Hurricane Homeless Program | -                             | -                          | -                | 22,497           |
| IDEA PART B formula                                   | -                             | 57,426                     | 57,426           | 53,391           |
| Fresh Fruits and Vegetable Program                    | -                             | -                          | -                | 16,007           |
| Total federal program revenues                        | -                             | 1,218,237                  | 1,218,237        | 960,421          |
| Net assets released from restrictions:                |                               |                            |                  |                  |
| Restrictions satisfied by payments                    | 8,263,091                     | (8,263,091)                | -                | -                |
| <b>TOTAL REVENUES</b>                                 | <b>8,312,358</b>              | <b>1,459,359</b>           | <b>9,771,717</b> | <b>9,145,580</b> |
| EXPENSES                                              |                               |                            |                  |                  |
| Program Services:                                     |                               |                            |                  |                  |
| Instruction and instructional-related services        | 4,054,501                     | -                          | 4,054,501        | 4,134,720        |
| Instructional and school leadership                   | 644,486                       | -                          | 644,486          | 371,830          |
| Support Services:                                     |                               |                            |                  |                  |
| Support services - student (pupil)                    | 812,858                       | -                          | 812,858          | 589,001          |
| Administrative support services                       | 548,764                       | -                          | 548,764          | 562,887          |
| Support services - non-student based                  | 2,199,094                     | -                          | 2,199,094        | 1,993,995        |
| Community services                                    | 3,388                         | -                          | 3,388            | 1,475            |
| <b>TOTAL EXPENSES</b>                                 | <b>8,263,091</b>              | <b>-</b>                   | <b>8,263,091</b> | <b>7,653,908</b> |
| CHANGE IN NET ASSETS                                  | 49,267                        | 1,459,359                  | 1,508,626        | 1,491,672        |
| NET ASSETS, BEGINNING OF YEAR                         | 1,557,707                     | 6,297,322                  | 7,855,029        | 6,363,357        |
| NET ASSETS, END OF YEAR                               | \$ 1,606,974                  | \$ 7,756,681               | \$ 9,363,655     | \$ 7,855,029     |

*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, 2021**  
**(With summarized financial information for 2020)**

|                                           | Program Services                       |                   |                        | Supporting Services                |                                      |                    |                                 |                        |                         |                         |
|-------------------------------------------|----------------------------------------|-------------------|------------------------|------------------------------------|--------------------------------------|--------------------|---------------------------------|------------------------|-------------------------|-------------------------|
|                                           | Instruction and Instructional Services | School Leadership | Total Program Services | Support Services - Student (Pupil) | Support Services - Non-Student Based | Community Services | Administrative Support Services | Total Support Services | 2020 Total Expenditures | 2019 Total Expenditures |
| <b>EXPENSES:</b>                          |                                        |                   |                        |                                    |                                      |                    |                                 |                        |                         |                         |
| Teachers and other professional personnel | \$ 2,792,633                           | \$ 271,687        | \$ 3,064,320           | \$ 266,044                         | \$ -                                 | \$ -               | \$ 366,711                      | \$ 632,755             | \$ 3,697,075            | \$ 3,452,377            |
| Support personnel                         | 183,325                                | 184,209           | 367,534                | -                                  | 211,037                              | -                  | 6,121                           | 217,158                | 584,692                 | 482,839                 |
| Employee Benefits                         | 534,599                                | 55,426            | 590,025                | 10,403                             | 42,100                               | -                  | 59,344                          | 111,847                | 701,872                 | 620,432                 |
| Total Payroll Expenses                    | 3,510,557                              | 511,322           | 4,021,879              | 276,447                            | 253,137                              | -                  | 432,176                         | 961,760                | 4,983,639               | 4,555,648               |
| Professional services                     | -                                      | -                 | -                      | -                                  | 6,000                                | -                  | 84,966                          | 90,966                 | 90,966                  | 71,899                  |
| Contracted, maintenance and repair        | 5,060                                  | -                 | 5,060                  | -                                  | 232,647                              | -                  | -                               | 232,647                | 237,707                 | 180,847                 |
| Utilities                                 | -                                      | -                 | -                      | -                                  | 258,954                              | -                  | -                               | 258,954                | 258,954                 | 186,194                 |
| Rentals                                   | -                                      | -                 | -                      | 2,960                              | 1,062,177                            | 3,388              | -                               | 1,068,525              | 1,068,525               | 1,110,489               |
| Miscellaneous contracted services         | 213,066                                | -                 | 213,066                | -                                  | 99,802                               | -                  | 18,751                          | 118,553                | 331,619                 | 376,943                 |
| Maintenance and operations                | -                                      | -                 | -                      | -                                  | 112,202                              | -                  | -                               | 112,202                | 112,202                 | 70,805                  |
| Instructional materials                   | 4,248                                  | -                 | 4,248                  | -                                  | -                                    | -                  | -                               | -                      | 4,248                   | 100,766                 |
| Testing materials                         | 29,274                                 | -                 | 29,274                 | -                                  | -                                    | -                  | -                               | -                      | 29,274                  | 13,515                  |
| Food service                              | -                                      | -                 | -                      | 525,649                            | -                                    | -                  | -                               | 525,649                | 525,649                 | 493,501                 |
| Supplies and materials                    | 268,997                                | 19,681            | 288,678                | 7,770                              | 16                                   | -                  | 224                             | 8,010                  | 296,688                 | 292,496                 |
| Travel, subsistence, and stipends         | 23,299                                 | -                 | 23,299                 | 32                                 | -                                    | -                  | 1,712                           | 1,744                  | 25,043                  | 29,292                  |
| Insurance and bonding costs               | -                                      | -                 | -                      | -                                  | 32,851                               | -                  | 5,675                           | 38,526                 | 38,526                  | 35,362                  |
| Depreciation expense                      | -                                      | -                 | -                      | -                                  | 114,229                              | -                  | -                               | 114,229                | 114,229                 | 97,529                  |
| Miscellaneous operating costs             | -                                      | 113,483           | 113,483                | -                                  | 27,079                               | -                  | 5,260                           | 32,339                 | 145,822                 | 38,622                  |
| Total Non-payroll Expenses                | 543,944                                | 133,164           | 677,108                | 536,411                            | 1,945,957                            | 3,388              | 116,588                         | 2,602,344              | 3,279,452               | 3,098,260               |
| <b>TOTAL EXPENSES</b>                     | <b>\$ 4,054,501</b>                    | <b>\$ 644,486</b> | <b>\$ 4,698,987</b>    | <b>\$ 812,858</b>                  | <b>\$ 2,199,094</b>                  | <b>\$ 3,388</b>    | <b>\$ 548,764</b>               | <b>\$ 3,564,104</b>    | <b>\$ 8,263,091</b>     | <b>\$ 7,653,908</b>     |

*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, 2021 AND 2020**

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|                                                             | <u>2021</u>         | <u>2020</u>         |
|-------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                        |                     |                     |
| State grant receipts                                        | \$ 8,616,466        | \$ 8,158,823        |
| Federal grant receipts                                      | 1,218,237           | 960,421             |
| Receipts from miscellaneous sources                         | 49,267              | 112,597             |
| Payments to or on behalf of employees for services rendered | (4,889,314)         | (4,544,059)         |
| Payments to vendors for goods and services rendered         | <u>(3,016,426)</u>  | <u>(3,037,160)</u>  |
| Net cash provided by operating activities                   | <u>1,978,230</u>    | <u>1,650,622</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES                        |                     |                     |
| Purchase of property and equipment                          | <u>(309,940)</u>    | <u>(89,283)</u>     |
| Net cash used in investing activities                       | <u>(309,940)</u>    | <u>(89,283)</u>     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                   | 1,668,290           | 1,561,339           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                | <u>7,346,980</u>    | <u>5,785,641</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR                      | <u>\$ 9,015,270</u> | <u>\$ 7,346,980</u> |
| Reconciliation of change in net assets                      |                     |                     |
| to net cash provided by operating activities:               |                     |                     |
| Change in net assets                                        | <u>\$ 1,508,626</u> | <u>\$ 1,491,672</u> |
| Adjustments to reconcile change in net assets               |                     |                     |
| to net cash provided by operating activities:               |                     |                     |
| Depreciation and amortization                               | 114,229             | 97,529              |
| Changes in operating assets and liabilities:                |                     |                     |
| Grants receivable                                           | (43,024)            | 86,261              |
| Prepaid expense                                             | (11,661)            | 18,855              |
| Security deposits                                           | (60,700)            | -                   |
| Accounts payable                                            | 221,158             | (55,284)            |
| Accrued and other liabilities                               | 94,325              | 11,589              |
| Deferred revenues                                           | <u>155,277</u>      | <u>-</u>            |
| Total adjustments                                           | <u>469,604</u>      | <u>158,950</u>      |
| Net cash provided by operating activities                   | <u>\$ 1,978,230</u> | <u>\$ 1,650,622</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, 2021 and 2020**

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**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. The charter holder submitted its charter renewal application to Texas Education Agency (TEA) on March 26, 2013 before the due date of April 5, 2013. TEA approved the charter holder’s renewal application on April 2, 2014, with an effective date of August 1, 2013, to expire on July 31, 2023.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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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:

**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, 2021 and 2020. 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, 2021 and 2020 was \$3,862,982 and \$3,346,248, respectively.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of August 31, 2021 and 2020, expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of August 31, 2021 and 2020 in the amount of \$470,580 and \$429,141, respectively, to be fully collectible. Accordingly, no

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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allowance for delinquent grants receivable was made in the accompanying financial statements.

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, 2021 and 2020.

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>2021</u>         | <u>2020</u>         |
|-------------------------------------------------------------------------------------|---------------------|---------------------|
| Financial assets at year end:                                                       |                     |                     |
| Cash and cash equivalents                                                           | \$ 9,015,270        | \$ 7,346,979        |
| Grants receivable                                                                   | 472,165             | 429,141             |
| Other accounts receivables                                                          | <u>1,055</u>        | <u>1,055</u>        |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 9,488,490</u> | <u>\$ 7,777,175</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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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activities during the year ended August 31, 2021 and 2020. Accordingly, the Academy did not provide for federal income taxes in the accompanying financial statements.

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. Management is currently evaluating the impact this update will have on the Academy's 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 amendments will not change

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management does not expect the adoption to have a material impact on the financial statements.

**2. CONCENTRATION OF CREDIT AND BUSINESS RISKS**

The Academy maintains cash balances with financial institutions in the state. As of August 31, 2021 and 2020, 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 \$4,720,315 and \$3,674,569, 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 87% and 12%, respectively, of the Academy's total revenues for the years ended August 31, 2021 and 88% and 11%, respectively, of the Academy's total revenues for the year ended August 31, 2020.

**3. PROPERTY AND EQUIPMENT**

Property and equipment at August 31, 2021 and 2020, were as follows:

|                                           | <u>2021</u>       | <u>2020</u>       |
|-------------------------------------------|-------------------|-------------------|
| Buildings & Improvements                  | \$ 321,817        | \$ 75,425         |
| Computer and equipment                    | 193,025           | 193,025           |
| Furniture and fixtures                    | 398,052           | 373,605           |
| Leasehold improvements                    | 443,810           | 404,710           |
|                                           | <u>1,356,704</u>  | <u>1,046,765</u>  |
| Accumulated depreciation and amortization | <u>(790,557)</u>  | <u>(676,328)</u>  |
| Property and equipment, net               | <u>\$ 566,147</u> | <u>\$ 370,437</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 17.

Depreciation and amortization expense for the year ended August 31, 2021 and 2020 was \$114,229 and \$97,529, respectively.

**ACADEMY OF ACCELERATED LEARNING, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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**4. NET ASSETS WITH DONOR RESTRICTIONS**

At August 31, 2021 and 2020, the Academy had net assets with donor restrictions of \$7,756,681 and \$6,297,322 that consisted of the following, by program:

| <u>Program</u>                                | <u>August 31, 2021</u> | <u>August 31, 2020</u> |
|-----------------------------------------------|------------------------|------------------------|
| Food Program Service                          | \$ 57,966              | \$ 22,018              |
| Foundation School Program and Other State Aid | 7,698,715              | 6,275,304              |
|                                               | <u>\$ 7,756,681</u>    | <u>\$ 6,297,322</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, 2021 and 2020 was \$987,375 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>       |
|------------------------------|---------------------|
| 2022                         | \$ 1,558,350        |
| 2023                         | 1,480,038           |
| 2024                         | 1,448,919           |
| 2025                         | 1,112,681           |
| 2026                         | 613,392             |
| Thereafter                   | 2,555,801           |
|                              | <u>\$ 8,769,181</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.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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**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](http://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, 2021 and 2020:

| <u>Name of</u><br><u>Pension</u><br><u>Fund</u> | <u>EIN and</u><br><u>Plan No.</u> | <u>Total Plan Assets</u><br>(in thousands) |               | <u>Accumulated Benefit Obligations</u><br>(in thousands) |               | <u>% funded</u> |             |
|-------------------------------------------------|-----------------------------------|--------------------------------------------|---------------|----------------------------------------------------------|---------------|-----------------|-------------|
|                                                 |                                   | <u>2021</u>                                | <u>2020</u>   | <u>2021</u>                                              | <u>2020</u>   | <u>2021</u>     | <u>2020</u> |
|                                                 |                                   |                                            |               |                                                          |               |                 |             |
| TRS                                             | N/A                               | \$223,172,755                              | \$184,361,871 | \$227,273,464                                            | \$218,974,205 | 88.79%          | 75.54%      |

The following presents information about the Academy’s involvement of such multiemployer pension plan for the year ended August 31, 2021 and 2020:

| <u>Collective</u><br><u>Bargaining</u><br><u>Agreement</u> | <u>School's</u><br><u>Contributions</u><br><u>2021</u> | <u>School's</u><br><u>Contributions</u><br><u>2020</u> | <u>More than 5% of</u><br><u>Total Contributions</u> | <u>FIP/RP Status</u> | <u>Surcharge</u><br><u>Imposed</u> |
|------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------|----------------------|------------------------------------|
| N/A                                                        | \$161,944                                              | \$148,032                                              | No                                                   | N/A                  | No                                 |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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*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:

|                | 2021              | 2020              |
|----------------|-------------------|-------------------|
| TRS Retirement | \$ 287,670        | \$ 287,790        |
| TRS Care       | 24,283            | 24,296            |
|                | <u>\$ 311,953</u> | <u>\$ 312,086</u> |

The Academy's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$28,534 and \$28,032, for the fiscal year ended August 31, 2021 and 2020, respectively.

**8. HEALTH CARE COVERAGE**

During the year ended August 31, 2021 and 2020, employees of the Academy were covered by a Health Insurance Plan (the "Plan"). The Academy contributed, depending on the coverage option selected by employees, \$397 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 2021 and 2020 and did not conduct any other charter or non-charter activities. The charter holder's current charter is set to expire on July 31, 2023.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021 and 2020**

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**11. RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID-19) as a pandemic triggering significant negative impact on the global economy. Management assessed the effect of COVID-19 and has determined that the effect of COVID-19 is not expected to be significant, and that it will not create a substantial doubt about the Academy's ability to continue as a going concern. The Academy continues to take proper actions to maintain the health and safety of the employees and students at the Academy as well as regular operations of the Academy. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

**12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 24, 2022. 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, 2021**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020)**

|                                        |                                                            |                               |                            | Totals       |              |
|----------------------------------------|------------------------------------------------------------|-------------------------------|----------------------------|--------------|--------------|
|                                        |                                                            | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2021         | 2020         |
| Local support:                         |                                                            |                               |                            |              |              |
| 5700                                   | Local revenues                                             | \$ 49,267                     | \$ -                       | \$ 49,267    | \$ 112,597   |
|                                        | Total local support                                        | 49,267                        | -                          | 49,267       | 112,597      |
| State program revenues:                |                                                            |                               |                            |              |              |
| 5810                                   | Foundation school program                                  | -                             | 8,501,433                  | 8,501,433    | 7,963,054    |
| 5820                                   | Other state revenue (TEA)                                  | -                             | 2,780                      | 2,780        | 109,508      |
|                                        | Total state program revenues                               | -                             | 8,504,213                  | 8,504,213    | 8,072,562    |
| Federal program revenues:              |                                                            |                               |                            |              |              |
| 5919                                   | Child Care and Development fund                            | -                             | 23,693                     | 23,693       | 44,369       |
| 5921                                   | School breakfast program                                   | -                             | 291,267                    | 291,267      | 149,364      |
| 5922                                   | National school lunch program                              | -                             | 425,925                    | 425,925      | 325,599      |
| 5921                                   | ESEA Title I Part A                                        | -                             | 348,111                    | 348,111      | 212,519      |
| 5922                                   | ESEA Title II Part A                                       | -                             | 17,976                     | 17,976       | 19,590       |
| 5929                                   | ESEA Title III Part A                                      | -                             | 52,254                     | 52,254       | 29,157       |
| 5929                                   | ESSER Grant                                                | -                             | -                          | -            | 22,497       |
| 5929                                   | ESSER Grant II                                             | -                             | 1,585                      | 1,585        | -            |
| 5929                                   | RLOC Local Match Reimbursement Program                     | -                             | -                          | -            | 65,431       |
|                                        | ESEA Title IV Part A/Texas Hurricane                       | -                             | -                          | -            | 22,497       |
| 5929                                   | Homeless Program                                           | -                             | -                          | -            | 53,391       |
| 5929                                   | IDEA PART B formula                                        | -                             | 57,426                     | 57,426       | 16,007       |
| 5939                                   | Fresh Fruits and Vegetables Program                        | -                             | -                          | -            | -            |
|                                        | Total Federal Program Revenues                             | -                             | 1,218,237                  | 1,218,237    | 960,421      |
| Net assets released from restrictions: |                                                            |                               |                            |              |              |
|                                        | Restrictions satisfied by payments                         | 8,263,091                     | (8,263,091)                | -            | -            |
| TOTAL REVENUES                         |                                                            | \$ 8,312,358                  | \$ 1,459,359               | \$ 9,771,717 | \$ 9,145,580 |
| Expenses:                              |                                                            |                               |                            |              |              |
| 11                                     | Instruction                                                | 3,980,286                     | -                          | 3,980,286    | 4,051,790    |
| 12                                     | Instructional resources and media services                 | 21,657                        | -                          | 21,657       | 59,862       |
| 13                                     | Curriculum development and instructional staff development | 52,558                        | -                          | 52,558       | 23,068       |
| 23                                     | School leadership                                          | 644,486                       | -                          | 644,486      | 371,830      |
| 31                                     | Guidance, counseling and evaluation services               | 29,619                        | -                          | 29,619       | 31,167       |
| 33                                     | Health services                                            | 66,557                        | -                          | 66,557       | 58,945       |
| 35                                     | Food services                                              | 716,682                       | -                          | 716,682      | 498,889      |
| 41                                     | General administration                                     | 548,764                       | -                          | 548,764      | 562,887      |
| 51                                     | Facilities maintenance and operations                      | 1,974,536                     | -                          | 1,974,536    | 1,824,626    |
| 52                                     | Security and monitoring services                           | 80,986                        | -                          | 80,986       | 65,525       |
| 53                                     | Data Processing Services                                   | 143,572                       | -                          | 143,572      | 103,844      |
| 61                                     | Community Services                                         | 3,388                         | -                          | 3,388        | 1,475        |
| TOTAL EXPENSES                         |                                                            | \$ 8,263,091                  | \$ -                       | \$ 8,263,091 | \$ 7,653,908 |
| CHANGE IN NET ASSETS                   |                                                            | 49,267                        | 1,459,359                  | 1,508,626    | 1,491,672    |
| NET ASSETS, BEGINNING OF YEAR          |                                                            | 1,557,707                     | 6,297,322                  | 7,855,029    | 6,363,357    |
| NET ASSETS, END OF YEAR                |                                                            | \$ 1,606,974                  | \$ 7,756,681               | \$ 9,363,655 | \$ 7,855,029 |

**ACADEMY OF ACCELERATED LEARNING, INC.**  
**(A Texas Nonprofit Organization)**  
**SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

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|      |                                      | <u>2021</u>         | <u>2020</u>         |
|------|--------------------------------------|---------------------|---------------------|
| 6100 | Payroll costs                        | 4,983,639           | 4,555,648           |
| 6200 | Professional and contracted services | 1,987,771           | 1,926,372           |
| 6300 | Supplies and maintenance             | 968,061             | 971,083             |
| 6400 | Other operating costs                | <u>323,620</u>      | <u>200,805</u>      |
|      | Total expenses                       | <u>\$ 8,263,091</u> | <u>\$ 7,653,908</u> |

**ACADEMY OF ACCELERATED LEARNING, INC.**  
**(A Texas Nonprofit Organization)**  
**SCHEDULES OF CAPITAL ASSETS**  
**FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

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|      |                                      | <b>2021</b>        |                     |                  |                     |
|------|--------------------------------------|--------------------|---------------------|------------------|---------------------|
|      |                                      | 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> |

|      |                                      | <b>2020</b>        |                     |                  |                     |
|------|--------------------------------------|--------------------|---------------------|------------------|---------------------|
|      |                                      | Ownership Interest |                     |                  | Total               |
|      |                                      | Local              | State               | Federal          |                     |
| 1520 | Buildings & improvements             | \$ -               | \$ 75,425           | \$ -             | \$ 75,425           |
| 1535 | Computer and equipment               | -                  | 193,025             | -                | 193,025             |
| 1539 | Furniture and fixtures               | -                  | 329,125             | 44,480           | 373,605             |
| 1540 | Leasehold improvements               | -                  | 404,710             | -                | 404,710             |
|      | Total property and equipment at cost | <u>\$ -</u>        | <u>\$ 1,002,285</u> | <u>\$ 44,480</u> | <u>\$ 1,046,765</u> |

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

**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

|  |  |  |  | Actual Compared to<br>Final Budgeted<br>Amounts |  |
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**ACADEMY OF ACCELERATED LEARNING, INC.**  
**(A Texas Nonprofit Organization)**

**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

---

| Description | Property Address | Total Assessed Value | Ownership Interest (Local) | Ownership Interest (State) | Ownership Interest (Federal) |
|-------------|------------------|----------------------|----------------------------|----------------------------|------------------------------|
|             |                  |                      |                            |                            |                              |
|             |                  |                      |                            |                            |                              |
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**ACADEMY OF ACCELERATED LEARNING, INC.**  
**(A Texas Nonprofit Organization)**

**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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| Related Party<br>Name | Name of<br>Relation to the<br>Related Party | Relationship | Type of Transaction | Description of<br>Terms &<br>Conditions | Source of Funds<br>Used | Payment<br>Frequency | Total Paid<br>During FY<br>2021 | Principal<br>Balance Due |
|-----------------------|---------------------------------------------|--------------|---------------------|-----------------------------------------|-------------------------|----------------------|---------------------------------|--------------------------|
|                       |                                             |              |                     |                                         |                         |                      |                                 |                          |
|                       |                                             |              |                     |                                         |                         |                      |                                 |                          |
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**ACADEMY OF ACCELERATED LEARNING, INC.**  
**(A Texas Nonprofit Organization)**

**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

---

| 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 2021 |
|--------------------|---------------------------------------|--------------|-------------------------|-------------------|-------------|----------------------|---------------------------|
|                    |                                       |              |                         |                   |             |                      |                           |
|                    |                                       |              |                         |                   |             |                      |                           |
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## **COMPLIANCE AND INTERNAL CONTROL**



# McConnell Jones

## 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, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2022.

### 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

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# McConnell Jones

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 24, 2022



# McConnell Jones

## 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 Program**

We have audited Academy of Accelerated Learning, Inc.'s (the "Academy") compliance with the types of compliance requirements described in the *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, 2021. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

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# McConnell Jones

## ***Opinion on Each Major Federal Program***

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, 2021.

## ***Report on Internal Control over Compliance***

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houston, Texas  
January 24, 2022

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u>                                  | <u>Federal<br/>Assistance<br/>Listing Number</u> | <u>Pass-Through Entity<br/>Identifying Number</u> | <u>Federal<br/>Expenditures</u> |
|------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|---------------------------------|
| <b>U.S. Department of Agriculture</b>                                                          |                                                  |                                                   |                                 |
| Pass-Through State Department of Agriculture                                                   |                                                  |                                                   |                                 |
| Pass-Through Texas Department of Agriculture                                                   |                                                  |                                                   |                                 |
| School Breakfast Program <sup>1</sup>                                                          | 10.553                                           | 71401401                                          | \$ 248,691                      |
| National School Lunch Program <sup>1</sup>                                                     | 10.555                                           | 71301401                                          | 425,925                         |
|                                                                                                |                                                  |                                                   | <u>674,616</u>                  |
| Pass-Through Texas Department of Agriculture                                                   |                                                  |                                                   |                                 |
| Fresh Fruit and Vegetable Program                                                              | 10.582                                           | 10b-06                                            | <u>42,576</u>                   |
| <b>Total U.S. Department of Agriculture</b>                                                    |                                                  |                                                   | <u>717,192</u>                  |
| <b>U.S. Department of Education</b>                                                            |                                                  |                                                   |                                 |
| Pass-Through State Department of Education                                                     |                                                  |                                                   |                                 |
| Pass-Through Texas Education Agency                                                            |                                                  |                                                   |                                 |
| ESEA Title I Part A: Improving Basic Education Program                                         | 84.010A                                          | 20610101101810                                    | 348,111                         |
| IDEA Part B: Special Education Program <sup>2</sup>                                            | 84.027A                                          | 206600011018106000                                | 57,426                          |
| ESEA Title II Part A: Improving Teacher Quality Program                                        | 84.367A                                          | 20694501101810                                    | 17,976                          |
| ESEA Title III Part A: English Language Acquisition Program                                    | 84.365A                                          | 20671001101810                                    | 52,254                          |
| COVID-19 - ESSER II Grant                                                                      | 84.369A                                          | N/A                                               | <u>1,585</u>                    |
| <b>Total U.S. Department of Education</b>                                                      |                                                  |                                                   | <u>477,352</u>                  |
| <b>U.S. Department of Health and Human Services</b>                                            |                                                  |                                                   |                                 |
| Pass-Through Texas Workforce Commission                                                        |                                                  |                                                   |                                 |
| Child Care Mandatory and Matching Funds of the Child Care<br>and Development Fund <sup>3</sup> | 93.596                                           | 2812CCM24                                         | <u>23,693</u>                   |
| <b>Total U.S. Department of Health and Human Services</b>                                      |                                                  |                                                   | <u>23,693</u>                   |
| <b>Total Expenditures of Federal Awards</b>                                                    |                                                  |                                                   | <u><u>\$ 1,218,237</u></u>      |

*Note 1: Represents Child Nutrition Cluster*

*Note 2: Represents Special Education Cluster (IDEA)*

*Note 3: Represents 477 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, 2021**

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**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, 2021. 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 minimus 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.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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**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 CFDA Number

Name of Federal Program

*U.S. Department of Education*

*Pass-Through: State Department of Education*

*Pass-Through: Texas Education Agency*

10.553

School Breakfast Program

10.555

National School Lunch Program

- |                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| 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       |

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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**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.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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**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.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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**STATE COMPLIANCE AND REPORTING REQUIREMENTS**

**Compliance Requirements on Minimum Allotment Spending**

Finding No. 2020 – 001:

***Condition:*** During the course of our audit procedures on PEIMS, it was noted that state funds allotment for individual programs were not expended by the Academy to meet the minimum percentage requirements for program intent codes 36 Early Education Allotment as specified by the Near Final Summary Report.

***Recommendation:*** We recommend that the Academy determine a method for allocating the appropriate level of funding to Early Education. We recommend that the Academy accomplish this by examining the historic budget and spending trends and identifying areas in which Early Education spending can be increased in order to comply with state mandates. Additionally, it is recommended that the Academy identify areas of need within the school that could qualify for additional Early Education spending.

***Current Status:*** This finding was resolved in the current year.