

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, 2020 and 2019

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, 2020, at a meeting of the governing body of the charter holder on the 27th day of January 2021.

Isaac Ledesma

Signature of Board Secretary

Terry Spruill

Signature of Board President



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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. 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.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 25, 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 16 through 20 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 27, 2021, 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 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.



Houston, Texas
January 27, 2021

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash	\$ 7,346,979	\$ 5,785,641
Grants receivable	429,141	515,402
Other accounts receivables	1,055	1,055
Other assets	1,001	19,856
Total current assets	<u>7,778,176</u>	<u>6,321,954</u>
Noncurrent Assets:		
Property and equipment, net	<u>370,437</u>	<u>378,684</u>
Total noncurrent assets	<u>370,437</u>	<u>378,684</u>
TOTAL ASSETS	<u><u>\$ 8,148,613</u></u>	<u><u>\$ 6,700,638</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 29,767	\$ 85,051
Payroll and related liabilities	<u>263,817</u>	<u>252,228</u>
Total current liabilities	<u>293,584</u>	<u>337,279</u>
TOTAL LIABILITIES	<u><u>293,584</u></u>	<u><u>337,279</u></u>
Net Assets:		
Without donor restrictions	1,557,707	1,445,111
With donor restrictions	<u>6,297,322</u>	<u>4,918,248</u>
Total net assets	<u>7,855,029</u>	<u>6,363,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,148,613</u></u>	<u><u>\$ 6,700,638</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, 2020
(With summarized financial information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUES				
Local support:				
Local revenues	\$ 112,597	\$ -	\$ 112,597	\$ 119,743
Total local and other revenues	112,597	-	112,597	119,743
State program revenues:				
Foundation school program	-	7,963,054	7,963,054	6,471,744
Other state revenue (TEA)	-	109,508	109,508	34,563
Total state program revenues	-	8,072,562	8,072,562	6,506,307
Child Care and Development fund	-	44,369	44,369	42,977
School breakfast program	-	149,364	149,364	133,807
National school lunch program	-	325,599	325,599	348,062
ESEA Title I Part A	-	212,519	212,519	430,436
ESEA Title II Part A	-	19,590	19,590	37,870
ESEA Title III Part A	-	29,157	29,157	55,720
ESSER Grant	-	22,497	22,497	-
RLOC Local Match Reimbursement Program	-	65,431	65,431	-
ESEA Title IV Part A/Texas Hurricane Homeless Program	-	22,497	22,497	24,549
IDEA PART B formula	-	53,391	53,391	88,139
IDEA PART B preschool	-	-	-	1,968
Fresh Fruits and Vegetable Program	-	16,007	16,007	23,804
Total federal program revenues	-	960,421	960,421	1,187,332
Net assets released from restrictions:				
Restrictions satisfied by payments	7,653,909	(7,653,909)	-	-
TOTAL REVENUES	7,766,506	1,379,074	9,145,580	7,813,382
EXPENSES				
Program Services:				
Instruction and instructional-related services	4,134,720	-	4,134,720	3,697,836
Instructional and school leadership	371,830	-	371,830	406,628
Support Services:				
Support services - student (pupil)	589,001	-	589,001	583,270
Administrative support services	562,887	-	562,887	538,535
Support services - non-student based	1,993,995	-	1,993,995	2,003,545
Community services	1,475	-	1,475	8,689
Debt service	-	-	-	16,000
TOTAL EXPENSES	7,653,908	-	7,653,908	7,254,503
CHANGE IN NET ASSETS	112,598	1,379,074	1,491,672	558,879
NET ASSETS, BEGINNING	1,445,109	4,918,248	6,363,357	5,804,480
NET ASSETS, END OF YEAR	\$ 1,557,707	\$ 6,297,322	\$ 7,855,029	\$ 6,363,359

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, 2020
(With summarized financial information for 2019)

	Program Services			Supporting Services					2020 Total Expenditures	2019 Total Expenditures
	Instruction and Instructional Services	Instructional and School Leadership	Total Program Services	Support Services - Student (Pupil)	Support Services - Non-Student Based	Community Services	Administrative Support Services	Total Support Services		
EXPENSES:										
Teachers and other professional personnel	\$ 2,787,640	\$ 176,391	\$ 2,964,031	\$ 77,853	\$ -	\$ -	\$ 410,493	\$ 488,346	\$ 3,452,377	\$ 3,086,299
Support personnel	145,792	154,952	300,744	-	171,628	-	10,467	182,095	482,839	495,341
Employee Benefits	496,272	38,002	534,274	8,719	33,631	-	43,808	86,158	620,432	532,775
Total Payroll Expenses	3,429,704	369,345	3,799,049	86,572	205,259	-	464,768	756,599	4,555,648	4,114,415
Professional services	-	-	-	-	22,136	-	49,763	71,899	71,899	129,153
Contracted, maintenance and repair	2,760	-	2,760	79	178,008	-	-	178,087	180,847	166,529
Utilities	-	-	-	-	186,194	-	-	186,194	186,194	225,552
Rentals	-	-	-	3,189	1,105,825	1,475	-	1,110,489	1,110,489	1,115,365
Miscellaneous contracted services	280,020	-	280,020	2,199	91,027	-	3,697	96,923	376,943	471,716
Maintenance and operations	-	-	-	-	70,805	-	-	70,805	70,805	83,424
Instructional materials	100,766	-	100,766	-	-	-	-	-	100,766	19,276
Testing materials	13,515	-	13,515	-	-	-	-	-	13,515	32,201
Food service	-	-	-	493,501	-	-	-	493,501	493,501	499,728
Supplies and materials	280,437	2,485	282,922	3,404	778	-	5,392	9,574	292,496	168,312
Travel, subsistence, and stipends	19,845	-	19,845	57	-	-	9,390	9,447	29,292	84,084
Insurance and bonding costs	-	-	-	-	29,309	-	6,053	35,362	35,362	33,842
Depreciation expense	-	-	-	-	97,529	-	-	97,529	97,529	59,277
Miscellaneous operating costs	7,673	-	7,673	-	7,125	-	23,824	30,949	38,622	35,629
Other debt service expenditures	-	-	-	-	-	-	-	-	-	16,000
Total Non-payroll Expenses	705,016	2,485	707,501	502,429	1,788,736	1,475	98,119	2,390,759	3,098,260	3,140,088
TOTAL EXPENSES	\$ 4,134,720	\$ 371,830	\$ 4,506,550	\$ 589,001	\$ 1,993,995	\$ 1,475	\$ 562,887	\$ 3,147,358	\$ 7,653,908	\$ 7,254,503

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
State grant receipts	\$ 8,158,823	\$ 6,504,193
Federal grant receipts	960,421	1,187,332
Receipts from miscellaneous sources	112,597	137,334
Payments to or on behalf of employees for services rendered	(4,544,059)	(4,070,796)
Payments to vendors for goods and services rendered	<u>(3,037,160)</u>	<u>(3,082,924)</u>
Net cash provided by operating activities	<u>1,650,622</u>	<u>675,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(89,283)</u>	<u>(198,386)</u>
Net cash used in investing activities	<u>(89,283)</u>	<u>(198,386)</u>
NET INCREASE IN CASH	1,561,339	476,753
CASH, BEGINNING OF YEAR	<u>5,785,641</u>	<u>5,308,888</u>
CASH, END OF YEAR	<u>\$ 7,346,980</u>	<u>\$ 5,785,641</u>
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	<u>\$ 1,491,672</u>	<u>\$ 558,879</u>
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	97,529	59,277
(Decrease)/increase in grant receivable	86,261	(2,114)
Decrease in accounts receivable	-	17,591
Decrease in other assets	18,855	5,144
Decrease in accounts payable	(55,284)	(7,257)
Increase in accrued and other liabilities	<u>11,589</u>	<u>43,619</u>
Total adjustments	<u>158,950</u>	<u>116,260</u>
Net cash provided by operating activities	<u>\$ 1,650,622</u>	<u>\$ 675,139</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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019. 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, 2020 and 2019 was \$3,346,248 and \$3,304,335, respectively.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of August 31, 2020 and 2019, expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of August 31, 2020 and 2019 in the amount of \$429,141 and \$515,402, respectively, to be fully collectible. Accordingly, no

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

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, 2020 and 2019.

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>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 7,346,979	\$ 5,785,641
Grants receivable	429,141	515,402
Other accounts receivables	1,055	1,055
Other assets	<u>1,001</u>	<u>19,856</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,778,176</u>	<u>\$ 6,321,954</u>

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

Federal Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Academy did not conduct unrelated business activities during the year ended August 31, 2020 and 2019. Accordingly, the Academy did not provide for federal income taxes in the accompanying financial statements.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

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, the Financial Accounting Standards Board (FASB) issued 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 August 2016, the FASB issued ASU 2016-15 – *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which clarified guidance on certain cash flow classification issues. This update has been applied to the 2020 annual financial statements and footnotes. The adoption resulted in no impact to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

In November 2016, the FASB issued ASU 2016-18 – *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update has been applied to the 2020 annual financial statements and footnotes. The adoption resulted in no impact to the financial statements.

In June 2018, the FASB issued ASU 2018-08 – *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments require all entities, both donors and recipients, to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. This update will be effective for the School's 2021 annual financial statements. No additional disclosures will be required under this standard. Management does not believe this update will have significant impact on the Academy's financial statements.

2. CONCENTRATION OF CREDIT AND BUSINESS RISKS

The Academy maintains cash balances with financial institutions in the state. As of August 31, 2020 and 2019, 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 \$3,674,569 and \$2,233,968, 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 88% and 11%, respectively, of the Academy's total revenues for the year ended August 31, 2020 and 83% and 15%, respectively, of the Academy's total revenues for the year ended August 31, 2019.

3. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2020 and 2019, were as follows:

	2020	2019
Buildings & Improvements	\$ 75,425	\$ -
Computer and equipment	193,025	193,025
Furniture and fixtures	373,605	365,330
Leasehold improvements	404,710	404,710
	<u>1,046,765</u>	<u>963,065</u>
Accumulated depreciation and amortization	<u>(676,328)</u>	<u>(584,381)</u>
Property and equipment, net	<u>\$ 370,437</u>	<u>\$ 378,684</u>

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

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, 2020 and 2019 was \$97,529 and \$59,277, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2020 and 2019, the Academy had net assets with donor restrictions of \$6,297,322 and \$4,918,248 that consisted of the following, by program:

<u>Program</u>	<u>August 31, 2020</u>	<u>August 31, 2019</u>
Title I Programs	-	44,480
Food Program Service	22,018	41,302
Foundation School Program and Other State Aid	6,275,304	4,832,466
	<u>\$ 6,297,322</u>	<u>\$ 4,918,248</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, 2020 and 2019 was \$1,020,693 and \$1,011,415, 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>
2020	\$ 477,615
2021	477,615
2022	445,466
2023	349,020
	<u>\$ 1,749,716</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

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(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

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.

7. PENSION PLAN OBLIGATIONS

Plan Description

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

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

The following presents information about the Academy's multiemployer pension plan as of and for the year ended August 31, 2020 and 2019:

<u>Name of Pension Fund</u>	<u>EIN and Plan No.</u>	<u>Total Plan Assets</u> (in thousands)		<u>Accumulated Benefit Obligations</u> (in thousands)		<u>% funded</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
TRS	N/A	\$184,361,871	\$181,800,159	\$218,974,205	\$209,961,325	75.54%	75.24%

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FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

The following presents information about the Academy's involvement of such multiemployer pension plan for the year ended August 31, 2020 and 2019:

<u>Collective</u> <u>Bargaining</u> <u>Agreement</u>	<u>School's</u> <u>Contributions</u> <u>2020</u>	<u>School's</u> <u>Contributions</u> <u>2019</u>	<u>More than 5% of</u> <u>Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge</u> <u>Imposed</u>
N/A	\$148,032	\$107,734	No	N/A	No

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:

	<u>2020</u>
TRS Retirement	\$ 287,790
TRS Care	<u>24,296</u>
	<u>\$ 312,086</u>

The Academy's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$28,032 and \$24,966, for the fiscal year ended August 31, 2020 and 2019, respectively.

8. HEALTH CARE COVERAGE

During the year ended August 31, 2020 and 2019, 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 2020 and 2019 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

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(A Texas Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020 and 2019

students from the program, the budget must be amended on a regular basis. This has resulted in the variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

Management has taken steps to ensure that future related budgets are amended on a frequent basis to reflect changes in actual and budgeted amounts.

11. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID-19) as a pandemic. On March 13, 2020, The Governor of Texas (the “Governor”) declared a state of disaster for all Texas counties in response to the Pandemic. On March 19, 2020, The Governor issued Executive Order GA08 which temporarily closed schools in the State of Texas. Based on the Governor’s disaster declaration and Guidance from the Texas Education Agency (“TEA”), the District was able to plan during Spring Break (March 15-19), and was able to reopen on March 23, 2020 with remote/virtual instruction. This model was used to complete the 2019-2020 school year as of May 28, 2020.

Due to the continuing uncertainties surrounding COVID-19, the TEA recommended all public and charter schools to delay in person school for the 2020-2021 school year should the Local Education Agency (“LEA”) choose to open while following all federal, state, and local guidelines including county restrictions. Schools were permitted to start before a date that the LEA determined was appropriate for the community it serves. The District has two sites and was able to open to online learning on August 24, 2020. The school had four weeks to prepare for in-person learning based on TEA guidelines or request a waiver. Parents were given the option of in-person learning or online learning no later than August 4, 2020 for instruction to begin September 14, 2020.

As of October 1, 2020, the TEA announced that the minimum funding guarantee established for the pandemic would extend through the first half of the 2020-2021 school year. The TEA will address further funding adjustments for the second half of the school year by January 2021. As of the report date, no new information has been released by the TEA.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2021. 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. No other subsequent events occurred except as discussed in Note 11.

The Academy has entered into operating lease for 6057 Savoy, Houston, Texas 77036 with Eric LLC and Aundrea LLC. on December 15, 2020 for 10 years with renewal options of two periods of 5 years each. This will impact the future lease payments as discussed in Note 5.

SUPPLEMENTARY INFORMATION

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SUPPLEMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019)

			Totals	
			2020	2019
		Without Donor Restrictions	With Donor Restrictions	
Local support:				
5700	Local revenues	\$ 112,597	\$ -	\$ 112,597
	Total local support	112,597	-	112,597
State program revenues:				
5810	Foundation school program	-	7,963,054	7,963,054
5820	Other state revenue (TEA)	-	109,508	109,508
	Total state program revenues	-	8,072,562	8,072,562
Federal program revenues:				
5919	Child Care and Development fund	-	44,369	44,369
5921	School breakfast program	-	149,364	149,364
5922	National school lunch program	-	325,599	325,599
5921	ESEA Title I Part A	-	212,519	212,519
5922	ESEA Title II Part A	-	19,590	19,590
5929	ESEA Title III Part A	-	29,157	29,157
5929	ESSER Grant	-	22,497	22,497
5929	RLOC Local Match Reimbursement Program	-	65,431	65,431
	ESEA Title IV Part A/Texas Hurricane			
5929	Homeless Program	-	22,497	22,497
5929	IDEA PART B pre-school	-	-	-
5929	IDEA PART B formula	-	53,391	53,391
5939	Fresh Fruits and Vegetables Program	-	16,007	16,007
	Total Federal Program Revenues	-	960,421	960,421
Net assets released from restrictions:				
	Restrictions satisfied by payments	7,653,909	(7,653,909)	-
TOTAL REVENUES		\$ 7,766,506	\$ 1,379,074	\$ 9,145,580
Expenses:				
11	Instruction	4,051,790	-	4,051,790
12	Instructional resources and media services	59,862	-	59,862
13	Curriculum development and instructional staff development	23,068	-	23,068
23	School leadership	371,830	-	371,830
31	Guidance, counseling and evaluation services	31,167	-	31,167
33	Health services	58,945	-	58,945
35	Food services	498,889	-	498,889
36	Cocurricular/extracurricular activities	-	-	-
41	General administration	562,887	-	562,887
51	Facilities maintenance and operations	1,824,626	-	1,824,626
52	Security and monitoring services	65,525	-	65,525
53	Data Processing Services	103,844	-	103,844
61	Community Services	1,475	-	1,475
71	Other Debt Fees	-	-	-
TOTAL EXPENSES		\$ 7,653,908	\$ -	\$ 7,653,908
CHANGE IN NET ASSETS		112,598	1,379,074	1,491,672
NET ASSETS, BEGINNING OF YEAR		1,445,109	4,918,248	6,363,357
NET ASSETS, END OF YEAR		\$ 1,557,707	\$ 6,297,322	\$ 7,855,029

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

		<u>2020</u>	<u>2019</u>
6100	Payroll costs	\$ 4,555,648	4,114,415
6200	Professional and contracted services	1,926,372	2,108,315
6300	Supplies and maintenance	971,083	802,941
6400	Other operating costs	200,805	212,832
6500	Debt Service	<u>-</u>	<u>16,000</u>
	Total expenses	<u><u>\$ 7,653,908</u></u>	<u><u>\$ 7,254,503</u></u>

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF CAPITAL ASSETS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

		2020			
		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>

		2019			
		Ownership Interest			Total
		Local	State	Federal	
1535	Computer and equipment	\$ -	\$ 193,025	\$ -	\$ 193,025
1539	Furniture and fixtures	-	320,850	44,480	365,330
1540	Leasehold improvements	-	404,710	-	404,710
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 918,585</u>	<u>\$ 44,480</u>	<u>\$ 963,065</u>

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

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

		Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
		Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
Local support:										
5700	Local revenues	\$ 135,500	\$ 135,500	\$ 112,597	\$ (22,903)	-17%	{a}	\$ -	0%	
	Total local support	135,500	135,500	112,597	(22,903)	-17%		-	0%	
State program revenues:										
5810	Foundation school program	8,883,738	7,661,545	7,963,054	301,509	4%	{c}	(1,222,193)	-14%	{b}
5820	Other state revenue (TEA)	2,600	2,600	109,508	106,908	100%		-	0%	
		8,886,338	7,664,545	8,072,562	408,417	5%		(1,222,193)	-14%	
Federal program revenues:										
5919	Child Care and Development fund	60,000	60,000	44,369	(15,631)	-26%	{d}	-	0%	
5921	School breakfast program	161,400	161,400	149,364	(12,036)	-7%	{d}	-	0%	
5922	National school lunch program	357,700	357,700	325,599	(32,101)	-9%		-	0%	
5921	ESEA Title I Part A	359,165	359,165	212,519	(146,646)	-41%	{d}	-	0%	
5922	ESEA Title II Part A	32,067	32,067	19,590	(12,477)	-39%	{d}	-	0%	
5929	ESEA Title III Part A	46,257	46,257	29,157	(17,100)	-37%	{d}	-	0%	
5929	ESEA Title IV Part A/Texas Hurricane Homeless Pr	26,605	26,605	22,497	(4,108)	-15%	{d}	-	0%	
5929	ESSER Grant	-	225,000	22,497	(202,503)	-90%	{d}	225,000	100%	{e}
5929	RLOC Local Match Reimbursement Program	-	-	65,431	65,431	100%	{e}	-	0%	
5929	IDEA PART B pre-school	1,758	1,758	-	(1,758)	-100%	{d}	-	0%	
5929	IDEA PART B formula	104,666	104,666	53,391	(51,275)	-49%	{d}	-	0%	
5939	Fresh Fruits and Vegetables Program	22,806	22,806	16,007	(6,799)	-30%	{d}	-	0%	
	Total Federal Program Revenues	1,172,424	1,397,424	960,421	(437,003)	-31%		225,000	19%	
TOTAL REVENUES		\$ 10,194,262	\$ 9,197,069	\$ 9,145,580	\$ (51,489)	-1%		\$ (997,193)	-10%	

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

BUDGETARY COMPARISON SCHEDULE, CONT'D
FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
Expenses:									
11 Instruction	\$ 4,565,450	\$ 4,120,908	\$ 4,051,790	\$ (69,118)	-2%		\$ (444,542)	-10%	{f}
12 Instructional resources and media services	48,259	58,259	59,862	1,603	3%		10,000	21%	{g}
13 Curriculum development and instructional staff development	39,229	29,229	23,068	(6,161)	-21%	{h}	(10,000)	-25%	{h}
23 School leadership	546,886	366,886	371,830	4,944	1%		(180,000)	-33%	{i}
31 Guidance, counseling and evaluation services	112,079	32,912	31,167	(1,745)	-5%		(79,167)	-71%	{i}
33 Health services	89,329	61,111	58,945	(2,166)	-4%		(28,218)	-32%	{i}
34 Student (pupil) transportation	100,000	-	-	-	100%	{j}	(100,000)	-100%	{i}
35 Food services	566,906	491,906	498,889	6,983	1%		(75,000)	-13%	{d}
36 Cocurricular/extracurricular activities	15,000	-	-	-	100%	{j}	(15,000)	0%	
41 General administration	634,075	564,075	562,887	(1,188)	0%		(70,000)	-11%	{i}
51 Facilities maintenance and operations	2,414,714	1,765,521	1,824,626	59,105	3%		(649,193)	-27%	{i}
52 Security and monitoring services	105,940	70,940	65,525	(5,415)	-8%		(35,000)	-33%	{i}
53 Data Processing Services	57,314	162,000	103,844	(58,156)	-36%	{j}	104,686	183%	{k}
61 Community Services	14,100	14,100	1,475	(12,625)	-90%	{j}	-	0%	
71 Other Debt Fees	300,000	-	-	-	100%	{j}	(300,000)	-100%	{i}
TOTAL EXPENSES	\$ 9,609,281	\$ 7,737,847	\$ 7,653,908	\$ (83,939)	-1%		\$ (1,871,434)	-19%	
CHANGE IN NET ASSETS	582,381	1,456,622	1,491,672	32,450	2%		874,241	149%	
NET ASSETS, BEGINNING OF YEAR			6,363,357						
NET ASSETS, END OF YEAR			<u>\$ 7,855,029</u>						

Reference:

{a}	Decrease due to campus closures related to COVID; local activities not conducted	{g}	Budget updated for payroll-related expenditures. Increase approved by the board.
{b}	Revenue adjusted downward to reflect actual enrollment after snapshot	{h}	Decrease due to cancellation of in-person events because of COVID
{c}	Textbook adoption	{i}	Planned activities not implemented. Decrease approved by the board.
{d}	Decrease due to campus closures related to COVID; planned activities not conducted	{j}	Planned activities not implemented
{e}	Allotment received after finalizing budget	{k}	Budget updated to reflect SIS implementation. Increase approved by the board.
{f}	Budget reduced to reflect instructional activities supporting actual student enrollment		

COMPLIANCE AND INTERNAL CONTROL



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

To the 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, 2020, 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 27, 2021.

Internal Control over Financial Reporting

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

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

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

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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001.

The Academy's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted a certain matter that we reported to management of the Academy in a separate letter dated January 27, 2021.

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 27, 2021



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

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, 2020. 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.

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, 2020.

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 27, 2021

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through State Department of Agriculture			
Pass-Through Texas Department of Agriculture			
School Breakfast Program ¹	10.553	71401401	\$ 149,364
National School Lunch Program ¹	10.555	71301401	325,599
			<u>474,963</u>
Pass-Through Texas Department of Agriculture			
Fresh Fruit and Vegetable Program	10.582	10b-06	<u>16,007</u>
Total U.S. Department of Agriculture			<u>490,970</u>
U.S. Department of Education			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
ESEA Title I Part A: Improving Basic Education Program	84.010A	20610101101810	212,519
IDEA Part B: Special Education Program ²	84.027A	206600011018106000	53,391
ESEA Title II Part A: Improving Teacher Quality Program	84.367A	20694501101810	19,590
ESEA Title III Part A: English Language Acquisition Program	84.365A	20671001101810	29,157
ESEA Title IV Part A, Subpart I	84.424A	20680101101810	22,497
ESSER Grant	84.425D	20521001101810	22,497
Total U.S. Department of Education			<u>359,651</u>
CARES Act			
Pass-through Elementary and Secondary School			
Emergency Relief Fund (ESSER) from:			
Texas Education Agency			
RLOC Local Match Reimbursement Program	21.019	52202002	65,431
Total Texas Education Agency			<u>65,431</u>
U.S. Department of Health and Human Services			
Pass-Through Texas Workforce Commission			
Child Care Mandatory and Matching Funds of the Child Care			
and Development Fund	93.596	2812CCM24	44,369
Total U.S. Department of Health and Human Services			<u>44,369</u>
Total Expenditures of Federal Awards			<u>\$ 960,421</u>

Note 1: Represents Child Nutrition Cluster

Note 2: Represents Special Education Cluster (IDEA)

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. RELATIONSHIP TO FINANCIAL REPORT SUBMITTED TO GRANTOR AGENCIES

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

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

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

5. COMMITMENTS AND CONTINGENCIES

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

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

84.010

Title I Part A: Improving Basic Education 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.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

PART II: FINDINGS - FINANCIAL STATEMENT AUDIT

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 is 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.

Criteria: *Per the Near Final Summary of finances, the Academy has to spend 100% of Program Intent Code 36 (PIC 36) allotted amount. Actual amount spent was 71% of allotment.*

Cause: Management's inability to spend at least the minimum amount of \$395,800, but the Academy has only spent \$281,482 resulting in 71% of the allotment amount.

Effect: A minimum amount expected by TEA fund allotment could not be spent and this could potentially impact the amount allocated for early education funding.

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.

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

No findings were noted.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

Academy of Accelerated Learning, Inc.
A Texas Open-Enrollment Charter School

Academy of Accelerated
Learning, Inc.
6025 Chimney Rock
Houston, TX 77081
Phone: (713) 773-4766
Fax: (713) 666-2532

Academy of Accelerated
Learning, Inc.
6711 Bellfort
Houston, Texas 77087
Phone: 713-645-0336
Fax: 713-640-2435

Board of Directors
Mr. Percy Creuzot
President

Board Members
Mr. Isaac Ledesma
Dr. James Douglas
Mr. Tommy Brooks
Dr. Veda Brown

Superintendent
Mrs. Doris Rodgers Robins

Principal
Ms. LaChaundra Jackson
Ms. Janelle Glover

Finding No. 2020-001

Planned Corrective Action

The Academy of Accelerated Learning implemented a program to monitor special program spending throughout the fiscal year including PIC 36 (Early Education Allotment). There were a number of activities and initiatives planned for early education students that were not implemented due to the COVID-19 pandemic despite efforts to do so. It is anticipated that identified vendors will be able to provide real-time services in both remote and in-person formats as we move through the pandemic. If vendors are unable to meet our requirements, alternate providers will be identified and make other substitutions as necessary. The District has also identified additional supplies and services and new personnel hires that qualify for Early Education Allotment spending.

Anticipated Completion Date

February 1, 2021

Responsible Contact Person

Doris R. Robins, Superintendent