

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
ANNUAL FINANCIAL AND COMPLIANCE AUDIT
AND
INDEPENDENT AUDITOR'S REPORT
Year Ended August 31, 2015

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

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ACADEMY OF ACCELERATED LEARNING, INC.

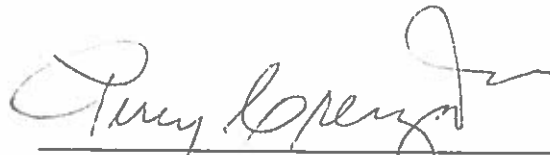
(Federal Employer Identification Number: 31-1583056)

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, 2015, at a meeting of the governing body of the charter holder on the 21st day of January, 2016.



Signature of Board Secretary



Signature of Board President



INDEPENDENT AUDITOR'S REPORT

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

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, 2015, and the related statements of activities 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.

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, 2015, 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.

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 22, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information on pages 14 through 17 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 21, 2016, 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.

McConell & Jones LLP

Houston, Texas
January 21, 2016

Financial Statements

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

STATEMENT OF FINANCIAL POSITION
YEAR ENDED AUGUST 31, 2015

ASSETS

Current Assets:

Cash	\$ 4,484,519
Grant receivables	239,891
Other assets	5,000
Total current assets	<u>4,729,410</u>

Noncurrent Assets:

Property and equipment, net	<u>77,967</u>
Total noncurrent assets	<u>77,967</u>
TOTAL ASSETS	<u><u>4,807,377</u></u>

LIABILITIES AND NET DEFICIT

Current Liabilities:

Accounts payable	83,181
Payroll and related liabilities	320,397
Accrued expenses	14,908
Total current liabilities	<u>418,486</u>
TOTAL LIABILITIES	<u>418,486</u>

Net Assets:

Temporarily restricted	3,296,797
Unrestricted	<u>1,092,094</u>
Total net assets	<u>4,388,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,807,377</u></u>

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

ACADEMY OF ACCELERATED LEARNING, INC.
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STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Local support:			
5751 Child Nutrition - Other Income	\$ 47,710	\$ -	\$ 47,710
5742 Other revenue	16,806	-	16,806
Total Local and Other Revenues	<u>64,516</u>	<u>-</u>	<u>64,516</u>
State program revenues:			
5811 Foundation - per capita	-	5,634,280	5,634,280
5812 Foundation school program entitlements	-	17,705	17,705
Total state program revenues	<u>-</u>	<u>5,651,985</u>	<u>5,651,985</u>
Federal program revenues:			
5830 Fruits and Vegetable Program	-	32,791	32,791
5929 Grade school lunch match grant	-	2,808	2,808
5921 School breakfast program	-	164,828	164,828
5922 National school lunch program	-	369,996	369,996
5929 ESEA Title I Part A	-	255,022	255,022
5929 ESEA Title I - Priority Focus Grant	-	19,367	19,367
5929 ESEA Title II Part A	-	32,602	32,602
5929 ESEA Title III Part A	-	35,541	35,541
5929 ESEA Title III Summer LEP	-	2,226	2,226
5929 IDEA PART B formula	-	101,727	101,727
5929 IDEA B Preschool	-	841	841
5931 Child Care Development Grant	-	68,825	68,825
Total federal program revenues	<u>-</u>	<u>1,086,574</u>	<u>1,086,574</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>5,529,015</u>	<u>(5,529,015)</u>	<u>-</u>
TOTAL REVENUES	<u><u>\$ 5,593,531</u></u>	<u><u>\$ 1,209,544</u></u>	<u><u>\$ 6,803,075</u></u>

Continued

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

ACADEMY OF ACCELERATED LEARNING, INC.
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STATEMENT OF ACTIVITIES, CONTINUED
YEAR ENDED AUGUST 31, 2015

		Unrestricted	Temporarily Restricted	Total
EXPENSES				
11	Instruction	\$ 2,732,653	\$ -	\$ 2,732,653
12	Instructional resources and media services	22,540	-	22,540
13	Curriculum development and instructional staff development	37,800	-	37,800
21	Instructional leadership	57,671	-	57,671
23	School leadership	250,371	-	250,371
31	Guidance, counseling and evaluation services	19,962	-	19,962
33	Health services	40,436	-	40,436
34	Student (pupil) transportation	13,377	-	13,377
35	Food services	482,965	-	482,965
36	Cocurricular/extracurricular activities	1,280	-	1,280
41	General administration	508,184	-	508,184
51	Facilities maintenance and operations	1,285,705	-	1,285,705
52	Security and monitoring services	1,459	-	1,459
TOTAL EXPENSES		<u>5,454,403</u>	<u>-</u>	<u>5,454,403</u>
CHANGE IN NET ASSETS		139,128	1,209,544	1,348,672
NET ASSETS, BEGINNING		<u>952,966</u>	<u>2,087,253</u>	<u>3,040,219</u>
NET ASSETS, END OF YEAR		<u><u>\$ 1,092,094</u></u>	<u><u>\$ 3,296,797</u></u>	<u><u>\$ 4,388,891</u></u>

Concluded

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

ACADEMY OF ACCELERATED LEARNING, INC.
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STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

State grant receipts	\$ 5,563,553
Federal grant receipts	1,086,574
Receipts from miscellaneous sources	64,516
Payments to vendors for goods and services rendered	(3,400,090)
Payments to or on behalf of employees for services rendered	(2,261,317)
Net cash provided by operating activities	<u>1,053,236</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(40,723)
Net cash used in investing activities	<u>(40,723)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of loans from related parties	1,533,336
Net cash provided by financing activities	<u>1,533,336</u>

NET INCREASE IN CASH 2,545,849

CASH, BEGINNING OF YEAR 1,938,670

CASH, END OF YEAR \$ 4,484,519

Reconciliation of change in net assets

to net cash used in operating activities:

Change in net assets \$ 1,348,672

Adjustments to reconcile change in net assets

to net cash used in operating activities:

Depreciation and amortization	36,936
Increase in grant receivable	(88,432)
Increase in other assets	(5,000)
Decrease in accounts payable	(281,702)
Increase in payroll and related liabilities	27,854
Increase in accrued expenses	<u>14,908</u>

Total adjustments (295,436)

Net cash provided by operating activities \$ 1,053,236

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

**Notes To The
Financial Statements**

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 three 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 influences 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. 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 and 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 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 accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the standards setting body that establishes accounting and financial reporting principles for nonprofit organizations.

The Academy’s financial statements are presented in accordance with FASB’s Accounting Standards Codification (ASC) Topic 958-205, *Not-For-Profit Entities, Presentation of Financial Statements*. Under FASB ASC Topic 958-205, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

Accordingly, net assets of the Academy and changes therein are classified and reported as follows:

Unrestricted – These are net assets that are not subject to donor-imposed stipulations. Balance in unrestricted net assets as of August 31, 2015 amounted to \$1,092,094.

Temporarily restricted – These are net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Academy, and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Academy had a balance of \$3,296,797 in its temporarily restricted net assets account as of August 31, 2015.

Permanently restricted – These are net assets that are required to be maintained in perpetuity with only the income to be used for the Academy's activities due to donor-imposed restrictions. The Academy did not have any permanently restricted net assets as of August 31, 2015.

Contributions

The Academy accounts for contributions in accordance with FASB ASC Topic 958-605, *Not-For-Profit Entities, Revenue Recognition*. In accordance with FASB ASC Topic 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities. Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support. Contributions with donor imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets. Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

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.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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, 2015, was \$1,255,000.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of August 31, 2015 and expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of August 31, 2015 in the amount of \$239,891 to be fully collectible. Accordingly, no 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, 2015.

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, 2015. 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. The Academy's Federal income tax returns for years 2012 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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.

New Accounting Pronouncements

In May 2014, FASB issued Accounting Standard Update (ASU) 2014-09 – *Revenue from Contracts with Customers (Topic) 606*. This Statement is a joint collaborative effort between FASB and the International Accounting Standard Board (IASB) to improve and standardize revenue recognition across industries or transactions. Previous revenue recognition guidance in U.S. GAAP comprised broad revenue concepts together with numerous requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. Accordingly, FASB and IASB developed a common revenue standard that would: (a) remove inconsistencies and weaknesses in revenue requirements (b) provide a more robust framework for addressing revenue issues (c) improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets (d) provide useful information to users of financial statements through improved disclosure requirements, and (e) simplify the preparation of financial statement by reducing the number of requirements to which an entity must refer. The core principle underlying the provisions of the Statement is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should apply the following five steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The provisions of this Statement are effective for annual reporting periods beginning after December 15, 2017. Management is evaluating the impact, if any, upon its financial position, results of operations or cash flow upon adoption

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

2. CONCENTRATION OF CREDIT AND BUSINESS RISKS

The Academy maintains cash balances with financial institutions in the state. As of August 31, 2015, 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 \$3,749,369. 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 83% and 15%, respectively, of the Academy's total revenues for the year ended August 31, 2015.

3. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2015, were as follows:

CAPITAL ASSETS

	<u>Amount</u>
Computer and equipment	\$ 53,533
Furniture and fixtures	221,546
Leasehold improvements	<u>263,375</u>
	538,454
Accumulated depreciation and amortization	<u>(460,488)</u>
Property and equipment, net	<u><u>\$ 77,966</u></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 15.

Depreciation and amortization expense for the year ended August 31, 2015 was \$36,936.

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

4. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2015, the Academy had temporarily restricted net assets of \$3,296,797 that consisted of the following, by program:

<u>Program</u>	<u>Amount</u>
National School Breakfast and Lunch program	\$ 102,912
Textbook & Kindergarten Materials	17,705
Foundation School Program and other State Aid	3,176,180
	<u>\$ 3,296,797</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, 2015 was \$842,482.

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>
2016	\$ 851,945
2017	523,857
2018	528,205
2019	532,589
2020	492,259
	<u>\$ 2,928,855</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
YEAR ENDED AUGUST 31, 2015

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, 2015:

Name of Pension Fund	EIN and Plan Number	Total Plan Assets	<u>Accumulated Benefit Obligations</u>	<u>% funded</u>	<u>Collective Bargaining Agreement</u>	<u>Academy contributions</u>	<u>More than 5% of total contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge imposed</u>
TRS	N/A	\$157,261,707,241	\$159,496,075,886	83.25%	N/A	\$76,430	No	N/A	Yes

Funding Policy

Under provisions in State law, the System’s plan members are required to contribute 6.70% of their annual covered salary for retirement and the State of Texas contributes an amount equal to 6.80% of the covered payroll of the Academy’s employees compensated with State funds for retirement. The Academy contributes 6.80% of the covered payroll of employees compensated with Federal funds for retirement. There have been no changes that would affect the comparison of employer contributions from year to year. For the fiscal year ended

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

August 31, 2015, the Academy's employees contributed a total of approximately \$164,909 to the System for retirement.

8. HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of the Academy were covered by a Health Insurance Plan (the "Plan"). The Academy contributed, depending on the coverage option selected by employees, \$325 and \$338 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. RELATED PARTY TRANSACTIONS

The Academy employed the legal services of one of its former board members, a related party, to represent the Academy in an arbitration claim matter brought against the Academy during fiscal year 2012. The arbitration matter was concluded during fiscal year ended August 31, 2013. The Academy paid the former board member the sum of \$20,000 in connection with the arbitration matter and other legal services during the fiscal year ended August 31, 2015.

10. CHARTER HOLDER OPERATIONS

The charter holder operated only a single charter in fiscal year 2014 and did not conduct any other charter or non-charter activities. The charter holder license expired on July 31, 2013. The charter holder submitted its charter renewal application to 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.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events January 21, 2016. 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.
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SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2015

6100	Payroll costs	\$ 3,133,297
6200	Professional and contracted services	1,481,955
6300	Supplies and materials	659,675
6400	Other operating costs	<u>179,476</u>
	Total expenses	<u>\$ 5,454,403</u>

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF CAPITAL ASSETS
AUGUST 31, 2015

		Ownership Interest		
		Local	State	Federal
1535	Computer and equipment	\$ -	\$ 53,533	\$ -
1539	Furniture and fixtures	-	221,547	-
1540	Leasehold improvements	-	263,375	-
1570	Accumulated Depreciation		(460,488)	
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 77,967</u>	<u>\$ -</u>

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

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2015

		Original/final budgeted amounts	Actual amounts	Variance from final budget	Percentage
Local support:					
5751	Child Nutrition - Other Income	\$ -	\$ 47,710	\$ 47,710	0%
5742	Other revenue	7,300	16,806	9,506	130% [1]
	Total Local and Other Revenues	7,300	64,516	57,216	
State program revenues:					
5811	Foundation - per capita	5,466,579	5,634,280	167,701	3%
5812	Foundation school program entitlements	17,705	17,705	-	0%
	Total state program revenues	5,484,284	5,651,985	167,701	
Federal program revenues:					
5830	Fruits and Vegetable Program	-	32,791	32,791	0%
5929	Grade school lunch match grant	2,880	2,808	(72)	-3%
5921	School breakfast program	160,000	164,828	4,828	3%
5922	National school lunch program	400,415	369,996	(30,419)	-8%
5929	ESEA Title I Part A	233,007	255,022	22,015	9%
5929	ESEA Title I Part A - Priority Focus	19,367	19,367	-	0%
5929	ESEA Title II Part A	33,463	32,602	(861)	-3%
5929	ESEA Title III Part A	53,682	35,541	(18,141)	-34% [2]
5929	Title III - Summer LEP	-	2,226	2,226	0%
5929	IDEA PART B formula	124,395	101,727	(22,668)	-18% [2]
5929	IDEA B Preschool	1,359	841	(518)	-38% [2]
5931	Child Care Development Grant	75,000	68,825	(6,175)	-8%
	Total Federal Program Revenues	1,103,568	1,086,574	(16,994)	
		\$ 6,595,152	\$ 6,803,075	\$ 207,923	

Continue

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

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED AUGUST 31, 2015

		Original/final budgeted amounts	Actual amounts	Variance from final budget	Percentage
11	Instruction	\$ 3,175,000	\$ 2,732,653	\$ 442,347	14% [3]
12	Instructional resources and media services	25,000	22,540	2,460	10% [3]
13	Curriculum development and instructional staff development	43,100	37,800	5,300	12% [3]
21	Instructional leadership	57,000	57,671	(671)	-1%
23	School leadership	250,000	250,371	(371)	0%
31	Guidance, counseling and evaluation services	24,000	19,962	4,038	17% [3]
33	Health services	41,000	40,436	564	1%
34	Student (pupil) transportation	14,000	13,377	623	4%
35	Food services	550,000	482,965	67,035	12% [4]
36	Cocurricular/extracurricular activities	1,500	1,280	220	15% [3]
41	General administration	679,277	508,184	171,093	25% [3]
51	Facilities maintenance and operations	1,200,000	1,285,705	(85,705)	-7%
52	Security and monitoring services	2,000	1,459	541	27% [3]
71	Other Debt Fees	5,000	-	5,000	100% [3]
TOTAL EXPENSES		6,066,877	5,454,403	612,474	
CHANGE IN NET ASSETS		528,275	1,348,672	(404,551)	
NET ASSETS, BEGINNING OF YEAR			3,040,219		
NET ASSETS, END OF YEAR			\$ 4,388,891		

Explanation Unaudited:

- [1] Actual amount includes unanticipated dividend
- [2] Actual revenue is based on reimbursement of expenditures. Balance will be rolled forward to fiscal year 2016.
- [3] Projects budgeted for completion in fiscal year 2015 did not occur
- [4] Budget overestimated based on prior-year student participation in program

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, 2015, 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 21, 2016.

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 two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding No. 2015-01 and Finding No. 2015-02.

We noted certain matters that we reported to management of the Academy in a separate letter dated January 21, 2016.

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.

McConell & Jones LLP

Houston, Texas
January 21, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McConell & Jones LLP

Houston, Texas
January 21, 2016

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

<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			
Child Nutrition Cluster:			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
School Breakfast Program	10.553	71401501	\$ 167,636
National School Lunch Program	10.555	71301501	369,996
			<u>537,632</u>
Pass-Through Texas Department of Agriculture			
Fresh Fruit and Vegetable Program	10.582	CEID#00479	<u>32,791</u>
Total U.S. Department of Agriculture			<u>570,423</u>
U.S. Department of Education			
Pass-Through Texas Education Agency			
ESEA Title I Part A: Improving Basic Education Program	84.010	1561011210181002	255,022
Title I Focus 1003(A) Priority and Focus School Grant	84.010	15610112101810002	19,367
Special Education – Grants to State IDEA Part B	84.027	156600011018106600	101,727
Special Education – Preschool Grants IDEA Preschool	84.173	146610011018106610	841
ESEA Title II Part A: Improving Teacher Quality Program	84.367	15694501101810	32,602
ESEA Title III Part A: English Language Acquisition Program	84.365	15671001101810	35,541
ESEA Title III – Summer LEP	84.369	69551302	<u>2,226</u>
Total U.S. Department of Education			<u>447,326</u>
U.S. Department of Health and Human Services			
Pass-Through Texas Workforce Commission			
Pass-Through Harris County Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2812CCM24	49,935
Pass-Through City of Houston			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>18,890</u>
Total U.S. Department of Health and Human Services			<u>68,825</u>
Total Expenditures of Federal Awards			<u>\$ 1,086,574</u>

See accompanying notes to the schedule of expenditures of federal awards.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

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, 2015. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, 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.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

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 Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 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.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

PART 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|---|------------|
| 1. Type of auditors' 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 auditors' report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 4. Identification of major programs: | |

Federal CFDA Number

Name of Federal Program

Child Nutrition Cluster:

10.553

School Breakfast Program

10.555

National School Lunch Program

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee under OMB Circular A-133, Section 530 | Yes |

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

PART II: FINDINGS - FINANCIAL STATEMENT AUDIT

STATE COMPLIANCE AND REPORTING REQUIREMENTS

Compliance Requirements on Minimum Allotment Spending

Finding No. 2015 – 01:

Condition: During the course of our audit, we noted that the Academy has not expended minimum percentage allotment of Foundation School Program (FSP) for some programs as required by the State of Texas legislation described below.

Criteria: Texas Administrative Code (TAC), Title 19, Rule 105.11 specifies the minimum % of FSP allotment to be spent on certain programs. No more than 48% of each school district's Foundation School Program (FSP) special allotments under the Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to the following programs: compensatory education, bilingual education and special language programs, and special education. No more than 45% of each school district's FSP special allotments under the Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to gifted and talented education programs. No more than 42% of each school district's FSP special allotments under the Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to career and technical education programs.

Cause: Management believes that all expenses were coded and allocated to the appropriate program intent codes.

Effect: Noncompliance with TAC, Title 19, Rule 105.11.

Recommendation: We recommend that the Academy follow the TAC 105.11 requirements of minimum spending of FSP allotment for the program intent codes.

Views of Responsible Officials and Planned Corrective Actions: Management understands the minimum spending requirements for the program intent codes, as specified in by the TAC 105.11. Management believes that adding program intent codes to the District management monthly reporting and the board of directors quarterly reporting will assist in keeping track of the minimum spending requirements.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

STATE COMPLIANCE AND REPORTING REQUIREMENTS

Compliance Requirements on Board Training

Finding No. 2015 – 02:

Condition: During the course of our audit, we noted that one of the Academy's board members did not complete the required initial 12 hours of instructional training within one calendar year of appointment as required by the State of Texas legislation described below.

Criteria: Texas Administrative Code (TAC), Title 19, Rule 100.1102 specifies the minimum requirements for board training that members of the governing body of a charter holder or a member of the governing body of a charter school must complete training course consisting of 12 instructional hours, excluding breaks, administrative tasks, and other non-instructional time, within one calendar year of appointment or election to the governing body.

Cause: Management thought that such initial requirement for training is required to be completed within fiscal year of the Academy.

Effect: Noncompliance with TAC, Title 19, Rule 100.1102.

Recommendation: We recommend that the Academy implement a policy requiring its board members to meet minimum training requirements required by the TEA.

Views of Responsible Officials and Planned Corrective Actions: Management understands the requirement for training is required for each board member to complete annually. Management has identified the issue and is implementing a plan to communicate web-based and in-person training opportunities to all board members at the local, state and national levels including conferences and workshops.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

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
YEAR ENDED AUGUST 31, 2015

There were no prior year audit findings to report on.