

**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, 2023 and 2022

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, 2023, at a meeting of the governing body of the charter holder on the 23rd day of January 2024.

A handwritten signature in blue ink, consisting of a large loop followed by a series of smaller loops and a final flourish.

Signature of Board Secretary

A handwritten signature in blue ink, appearing to read 'Tony Barry' in a cursive script.

Signature of Board President



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Academy of Accelerated Learning, Inc. (the "Academy"), which comprise the statement of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and



Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Academy's August 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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



McConnell
Jones

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the schedule of expenditures of federal awards and other supplementary information presented under table of contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

January 26, 2024 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

McConnell & Jones LLP

Houston, Texas
January 26, 2024

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,769,848	\$ 9,792,239
Grants receivable	295,949	352,358
Other accounts receivables	112,274	6,029
Prepaid expense	11,661	11,661
Total current assets	9,189,732	10,162,287
Noncurrent Assets:		
Security deposits	61,701	61,701
Property and equipment, net	2,799,131	1,830,920
Right of use assets - operating, net	1,829,024	-
Total noncurrent assets	4,689,856	1,892,621
TOTAL ASSETS	\$ 13,879,588	\$ 12,054,908
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 37,886	\$ 236,721
Payroll and related liabilities	545,486	498,535
Right of use liability - operating lease due within one year	1,093,947	-
Total current liabilities	1,677,319	735,256
Right of use liability - operating lease due in more than one year	742,239	-
Total noncurrent liabilities	742,239	-
TOTAL LIABILITIES	\$ 2,419,558	\$ 735,256
Net Assets:		
Without donor restrictions	1,943,975	1,694,346
With donor restrictions	9,516,055	9,625,306
Total net assets	11,460,030	11,319,652
TOTAL LIABILITIES AND NET ASSETS	\$ 13,879,588	\$ 12,054,908

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, 2023
(With summarized financial information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
REVENUES				
Local support:				
Local revenues	\$ 249,629	\$ -	\$ 249,629	\$ 87,372
Total local and other revenues	249,629	-	249,629	87,372
State program revenues:				
Foundation school program	-	8,595,126	8,595,126	9,368,501
Other state revenue (TEA)	-	108,075	108,075	63,241
Total state program revenues	-	8,703,201	8,703,201	9,431,742
Child Care and Development fund	-	80,000	80,000	54,708
School breakfast program	-	147,321	147,321	205,379
National school lunch program	-	464,289	464,289	557,861
ESEA Title I Part A	-	516,895	516,895	658,927
ESEA Title II Part A	-	45,250	45,250	45,705
ESEA Title III Part A	-	53,317	53,317	47,390
ESEA Title IV Part A	-	38,507	38,507	49,586
ESSER Grant	-	15,576	15,576	270,026
CRRSA ESSER II	-	1,038,076	1,038,076	381,889
ARP ESSER III	-	615,876	615,876	355,701
IDEA PART B formula	-	124,582	124,582	113,253
IDEA PART B pre-school	-	2,050	2,050	-
Fresh Fruits and Vegetable Program	-	-	-	9,570
Total federal program revenues	-	3,141,739	3,141,739	2,749,995
Net assets released from restrictions:				
Restrictions satisfied by payments	11,954,191	(11,954,191)	-	-
TOTAL REVENUES	\$ 12,203,820	\$ (109,251)	\$ 12,094,569	\$ 12,269,109
EXPENSES				
Program Services:				
Instruction and instructional-related services	6,303,563	-	6,303,563	5,617,019
Instructional and school leadership	533,625	-	533,625	625,094
Support Services:				
Support services - student (pupil)	894,662	-	894,662	868,145
Administrative support services	1,135,581	-	1,135,581	945,313
Support services - non-student based	3,078,640	-	3,078,640	2,254,992
Community services	8,120	-	8,120	2,549
TOTAL EXPENSES	11,954,191	-	11,954,191	10,313,112
CHANGE IN NET ASSETS	249,629	(109,251)	140,378	1,955,997
NET ASSETS, BEGINNING OF YEAR	1,694,346	9,625,306	11,319,652	9,363,655
NET ASSETS, END OF YEAR	\$ 1,943,975	\$ 9,516,055	\$ 11,460,030	\$ 11,319,652

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

ACADEMY OF ACCELERATED LEARNING, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023
(With summarized financial information for 2022)

	Program Services			Supporting Services					2023 Total Expenditures	2022 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	\$ 3,317,744	\$ 368,096	\$ 3,685,840	\$ 109,086	\$ -	\$ -	\$ 358,402	\$ 467,488	\$ 4,153,328	\$ 3,818,260
Support personnel	303,030	94,368	397,398	-	258,444	-	79,868	338,312	735,710	674,507
Employee Benefits	497,036	66,672	563,708	14,898	45,926	-	62,984	123,808	687,516	702,492
Total Payroll Expenses	4,117,810	529,136	4,646,946	123,984	304,370	-	501,254	929,608	5,576,554	5,195,259
Professional services	594,048	-	594,048	-	8,450	-	350,567	359,017	953,065	80,067
Contracted, maintenance and repair	3,760	-	3,760	-	278,810	-	-	278,810	282,570	209,275
Utilities	-	-	-	-	313,047	-	-	313,047	313,047	290,205
Rentals	-	-	-	3,201	1,155,966	4,005	-	1,163,172	1,163,172	1,055,884
Miscellaneous contracted services	624,537	-	624,537	-	325,717	-	188,858	514,575	1,139,112	987,243
Maintenance and operations	-	-	-	-	143,469	-	-	143,469	143,469	86,381
Instructional materials	(4,555)	-	(4,555)	-	-	-	-	-	(4,555)	21,488
Testing materials	53,526	-	53,526	-	-	-	-	-	53,526	27,423
Food service	4,693	-	4,693	759,930	-	971	-	760,901	765,594	726,931
Supplies and materials	805,979	4,489	810,468	7,547	70,859	3,144	10,044	91,594	902,062	1,303,490
Travel, subsistence, and stipends	88,220	-	88,220	-	-	-	36,655	36,655	124,875	76,702
Insurance and bonding costs	-	-	-	-	33,205	-	18,682	51,887	51,887	45,659
Depreciation expense	-	-	-	-	403,844	-	-	403,844	403,844	157,284
Miscellaneous operating costs	15,545	-	15,545	-	40,902	-	29,521	70,423	85,968	49,821
Total Non-payroll Expenses	2,185,753	4,489	2,190,242	770,678	2,774,270	8,120	634,327	4,187,395	6,377,637	5,117,853
TOTAL EXPENSES	\$ 6,303,563	\$ 533,625	\$ 6,837,188	\$ 894,662	\$ 3,078,640	\$ 8,120	\$ 1,135,581	\$ 5,117,003	\$ 11,954,191	\$ 10,313,112

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

ACADEMY OF ACCELERATED LEARNING, INC.
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
State grant receipts	\$ 8,759,610	\$ 9,656,451
Federal grant receipts	3,141,739	2,498,816
Receipts from miscellaneous sources	143,384	82,398
Payments to or on behalf of employees for services rendered	(5,529,603)	(5,066,528)
Payments to vendors for goods and services rendered	<u>(6,165,466)</u>	<u>(4,963,112)</u>
Net cash provided by operating activities	<u>349,664</u>	<u>2,208,025</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,372,055)</u>	<u>(1,422,056)</u>
Net cash used in investing activities	<u>(1,372,055)</u>	<u>(1,422,056)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,022,391)	776,969
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,792,239</u>	<u>9,015,270</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,769,848</u>	<u>\$ 9,792,239</u>
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	<u>\$ 140,378</u>	<u>\$ 1,667,499</u>
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	403,844	157,284
Changes in operating assets and liabilities:		
Grants receivable	56,409	408,305
Other accounts receivable	(106,245)	(4,974)
Right of use asset - operating	(1,829,024)	-
Accounts payable	(198,835)	(14,205)
Accrued and other liabilities	46,951	140,393
Deferred revenues	-	(155,277)
Right of use liability - operating	<u>1,836,186</u>	<u>-</u>
Total adjustments	<u>209,286</u>	<u>531,526</u>
Net cash provided by operating activities	<u>\$ 349,664</u>	<u>\$ 2,199,025</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, 2023 and 2022

NOTE 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. The Academy operates three different campus locations under a single charter in fiscal year 2023 and 2022, and did not conduct any other charter or non-charter activities. The Academy’s current charter expires on July 31, 2033.

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 Accounting and Presentation

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

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

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.

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FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022 was \$3,902,766 and \$3,864,361, respectively.

Grants Receivable

Grants receivables represent pending reimbursements of program expenses incurred and billed as of August 31, 2023 and 2022, expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of August 31, 2023 and 2022 in the amount of \$295,949 and \$352,358, respectively, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

Capital Asset

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, 2023 and 2022.

Right-of-Use Assets – Operating

A right-of-use-asset – operating is recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

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:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 8,769,848	\$ 9,792,239
Grants receivable	295,949	352,358
Other accounts receivables	112,274	6,029
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,178,071</u>	<u>\$ 10,150,626</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 educational 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

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FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

under Section 509(a) of the Internal Revenue Code. The Academy did not conduct unrelated business activities during the years ended August 31, 2023 and 2022. Accordingly, the Academy did not provide for federal income taxes in the accompanying financial statements.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the Academy's financial statements are the state funding receivables, functional allocations of expenses and the useful lives used for estimating annual depreciation and amortization amounts for property and equipment.

Compensated Absences

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

Budget

The official school budget is prepared for adoption for required for all funds in the aggregate. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

Prior to the beginning of each school year, the Academy prepares and submits its annual budget for the next fiscal year. However, due to the significant inflows and outflows of students from the program, the budget must be amended on a regular basis. This has resulted in the variances between the original adopted budget and the final amended budget presented on the Budgetary Comparison Schedule. Management has taken steps to ensure that future

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

related budgets are amended on a frequent basis to reflect changes in actual and budget amounts.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – Leases (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. ASU 2016-02 changes the accounting for leases, primarily by lessees in operating leases, by requiring: (a) the recognition of (i) a lease asset (right of use) and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position and (ii) a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis, and (b) the classification of all lease payments within the operating activities in the statement of cash flows. FASB delayed the leasing standard effective date for non-public entities to December 15, 2023. The new standard increases transparency and comparability among organizations by requiring the recognition of Right of Use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is recognizing ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

During fiscal year 2023, the Academy adopted FASB ASSU 2016-02. As a result of the adoption of the standard. The Academy recorded a Right of use asset – operating of \$1,829,024 relating to operating leases.

NOTE 2: CONCENTRATION OF CREDIT AND BUSINESS RISKS

The Academy maintains cash balances with financial institutions in the state. As of August 31, 2023 and 2022, the Academy's cash balance at one of the financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$4,361,706 and \$5,698,732, 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 72% and 26% of the Academy's total revenues for the years ended August 31, 2023 and 88% and 11% of the Academy's total revenues for the year ended August 31, 2022.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Buildings & Improvements	\$ 379,399	\$ 379,399
Computer and equipment	193,025	193,025
Furniture and fixtures	497,660	459,114
Leasehold improvements	3,080,732	1,747,223
Art & Collections	5,583	5,583
	<u>4,156,399</u>	<u>2,784,344</u>
Accumulated depreciation and amortization	<u>(1,357,268)</u>	<u>(953,424)</u>
Property and equipment, net	<u>\$ 2,799,131</u>	<u>\$ 1,830,920</u>

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

Depreciation and amortization expense for the year ended August 31, 2023 and 2022 was \$403,844 and \$157,284, respectively.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2023 and 2022, the Academy had net assets with donor restrictions of \$9,516,055 and \$9,625,306 that consisted of the following, by program:

<u>Program</u>	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Food Program Service	\$ 135,510	\$ 144,250
Foundation School Program and Other State Aid	9,380,545	9,481,056
	<u>\$ 9,516,055</u>	<u>\$ 9,625,306</u>

NOTE 5: OPERATING LEASES

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Academy determines lease classification as operating or finance at the lease commencement date. The Academy determined all leases resulting in the recognition of ROU assets and lease liabilities to be operating leases.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

The Academy uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The Academy leases office space, equipment and classrooms under operating leases. The leases expire through July 31, 2026. The lease cost for all operating leases for the year ended August 31, 2023 and 2022 was \$1,105,162 and \$797,700, respectively. Cash paid included in the measurement of lease liabilities consisted of operating cash flows from leases of \$1,836,186 and ROU assets obtained in exchange for new lease liabilities of \$2,800,712.

The following table provides the weighted-average term and discount rates for operating leases outstanding as of August 31, 2023.

Weighted-average remaining lease term	74 months
Weighted-average discount rate	5%

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>
2024	\$ 1,118,760
2025	678,304
2026	124,114
	<u>\$ 1,921,178</u>

NOTE 6: COMMITMENTS AND CONTINGENCIES

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

NOTE 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, 2023 and 2022:

<u>Name of Pension</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>Fund</u>	<u>No.</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
TRS	N/A	\$213,472,526	\$207,621,898	\$255,860,887	\$243,553,045	73.15%	75.62%

The following presents information about the Academy’s involvement of such multiemployer pension plan for the year ended August 31, 2023 and 2022:

<u>Collective Bargaining Agreements</u>	<u>School's Contributions</u> <u>2023</u>	<u>School's Contributions</u> <u>2022</u>	<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
N/A	\$218,102	\$199,904	No	N/A	No

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023 and 2022

Funding Policy

Under provisions in State law, the System's plan members are required to contribute 8% of their annual covered salary for TRS Retirement and .65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 8% of the covered payroll of the participating employees compensated with State funds for TRS Retirement and 1.25% for TRS Care.

The Academy employees' contributions to the TRS System were as follows:

	<u>2023</u>	<u>2022</u>
TRS Retirement	\$ 334,407	\$ 321,375
TRS Care	<u>27,171</u>	<u>26,112</u>
	<u>\$ 361,578</u>	<u>\$ 347,487</u>

The Academy's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$31,349 and \$30,129, for the fiscal year ended August 31, 2023 and 2022, respectively.

NOTE 8: HEALTH CARE COVERAGE

During the year ended August 31, 2023 and 2022, employees of the Academy were covered by a Health Insurance Plan (the "Plan"). The Academy contributed, depending on the coverage option selected by employees, \$424 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.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2024, the date the financial statements were available to be issued. On November 9, 2023, the Academy closed on the issuance of two bonds totaling \$15,000,000 for the purchase of the Savoy building, a building previously leased as a school location.

SUPPLEMENTARY INFORMATION

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SUPPLEMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

		Totals			
		Without Donor Restrictions	With Donor Restrictions	2023	2022
Local support:					
5700	Local revenues	\$ 249,629	\$ -	\$ 249,629	\$ 87,372
	Total local support	249,629	-	249,629	87,372
State program revenues:					
5810	Foundation school program	-	8,595,126	8,595,126	9,368,501
5820	Other state revenue (TEA)	-	108,075	108,075	63,241
	Total state program revenues	-	8,703,201	8,703,201	9,431,742
Federal program revenues:					
5919	Child Care and Development fund	-	80,000	80,000	54,708
5921	School breakfast program	-	147,321	147,321	214,949
5922	National school lunch program	-	464,289	464,289	557,861
5921	ESEA Title I Part A	-	516,895	516,895	658,927
5922	ESEA Title II Part A	-	45,250	45,250	45,705
5929	ESEA Title III Part A	-	53,317	53,317	47,390
5929	ESEA Title IV Part A	-	38,507	38,507	49,586
5929	ESSER Grant	-	15,576	15,576	270,026
5929	ESSER Grant II	-	1,038,076	1,038,076	381,889
5929	ARP ESSER III	-	615,876	615,876	355,701
5929	IDEA PART B formula	-	124,582	124,582	113,253
5929	IDEA PART B PreSchool	-	2,050	2,050	-
	Total Federal Program Revenues	-	3,141,739	3,141,739	2,749,995
Net assets released from restrictions:					
	Restrictions satisfied by payments	11,954,191	(11,954,191)	-	-
TOTAL REVENUES		\$ 12,203,820	\$ (109,251)	\$ 12,094,569	\$ 12,269,109
Expenses:					
11	Instruction	6,142,852	-	6,142,852	5,449,890
12	Instructional resources and media services	94,813	-	94,813	102,412
13	Curriculum development and instructional staff development	139,320	-	139,320	64,717
23	School leadership	533,625	-	533,625	625,094
31	Guidance, counseling and evaluation services	61,381	-	61,381	34,536
33	Health services	70,150	-	70,150	83,238
35	Food services	763,131	-	763,131	750,371
41	General administration	1,133,018	-	1,133,018	945,313
51	Facilities maintenance and operations	2,786,381	-	2,786,381	2,036,153
52	Security and monitoring services	148,151	-	148,151	74,227
53	Data Processing Services	73,249	-	73,249	144,612
61	Community Services	8,120	-	8,120	2,549
TOTAL EXPENSES		\$ 11,954,191	\$ -	\$ 11,954,191	\$ 10,313,112
CHANGE IN NET ASSETS		249,629	(109,251)	140,378	1,955,997
NET ASSETS, BEGINNING OF YEAR		1,694,346	9,625,306	11,319,652	9,363,655
NET ASSETS, END OF YEAR		\$ 1,943,975	\$ 9,516,055	\$ 11,460,030	\$ 11,319,652

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Payroll costs	\$ 5,576,554	\$ 5,195,259
Professional and contracted services	3,850,967	2,622,674
Supplies and maintenance	1,860,096	2,165,713
Other operating costs	<u>666,574</u>	<u>329,466</u>
Total expenses	<u><u>\$ 11,954,191</u></u>	<u><u>\$ 10,313,112</u></u>

ACADEMY OF ACCELERATED LEARNING, INC.
(A Texas Nonprofit Organization)
SCHEDULES OF CAPITAL ASSETS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

		2023			
		Ownership Interest			Total
		Local	State	Federal	
1520	Buildings & improvements	\$ -	\$ 379,399	\$ -	\$ 379,399
1535	Computer and equipment	-	193,025	-	193,025
1539	Furniture and fixtures	-	453,180	44,480	497,660
1540	Leasehold improvements	-	3,080,732	-	3,080,732
	Art & Collections	-	5,583	-	5,583
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 4,111,919</u>	<u>\$ 44,480</u>	<u>\$4,156,399</u>

		2022			
		Ownership Interest			Total
		Local	State	Federal	
1520	Buildings & improvements	\$ -	\$ 379,399	\$ -	\$ 379,399
1535	Computer and equipment	-	193,025	-	193,025
1539	Furniture and fixtures	-	414,634	44,480	459,114
1540	Leasehold improvements	-	1,747,223	-	1,747,223
	Art & Collections	-	5,583	-	5,583
	Total property and equipment at cost	<u>\$ -</u>	<u>\$ 2,739,864</u>	<u>\$ 44,480</u>	<u>\$2,784,344</u>

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

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

				Actual Compared to Final Budgeted Amounts		Explanations See References	Final Compared to Original Budgeted Amounts		Explanations See References			
				Amounts			Budgeted Amounts					
				Original	Final	Actual Amounts	\$ Variance	% Variance	Unaudited	\$ Variance	% Variance	Unaudited
REVENUES												
Local support:												
5700	Local revenues and intermediate sources			\$ 25,000	\$ 220,000	\$ 249,629	\$ 29,629	13%	{a}	\$ 195,000	780%	{b}
State program revenues:												
5810	Foundation school program Act			9,596,902	8,666,155	8,595,126	(71,029)	-1%	{b}	(930,747)	-10%	{i}
5820	Other state revenue			-	-	108,075	108,075	100%		-	0%	
				9,596,902	8,666,155	8,703,201	37,046					
Federal program revenues:												
5900	Federal program revenues			3,753,119	3,409,092	3,141,739	(267,353)	-8%		(344,027)	-9%	
TOTAL REVENUES				\$ 13,375,021	\$ 12,295,247	\$ 12,094,569	\$ (200,678)					
EXPENSES												
11	Instruction			\$ 4,726,670	\$ 4,398,018	\$ 4,484,282	\$ (86,264)	-2%	{c}	\$ 328,652	7%	{j}
11	Instruction - Learning Loss using ESSER funds			2,491,630	1,806,862	1,658,570	148,292	8%		684,768	27%	
12	Instructional resources and media services			93,064	101,238	94,813	6,425	6%		(8,174)	-9%	
13	Curriculum development and instructional staff development			52,702	147,377	139,320	8,057	5%		(94,675)	-180%	{k}
23	School leadership			738,207	473,338	533,625	(60,287)	-13%	{c}	264,869	36%	{l}
31	Guidance, counseling and evaluation services			147,663	58,241	61,381	(3,140)	-5%		89,422	61%	{m}
33	Health services			70,692	67,534	70,150	(2,616)	-4%		3,158	4%	
35	Food services			892,164	843,964	763,131	80,833	10%	{d}	48,200	5%	
41	General administration			821,692	797,676	1,133,018	(335,342)	-42%	{e}	24,016	3%	
51	Facilities maintenance and operations			2,942,493	2,657,135	2,786,381	(129,246)	-5%		285,358	10%	{n}
52	Security and monitoring services			172,738	226,208	148,151	78,057	35%	{f}	(53,470)	-31%	{o}
53	Data Processing Services			96,986	68,567	73,249	(4,682)	-7%		28,419	29%	{p}
61	Community Services			15,000	9,742	8,120	1,622	17%	{g}	5,258	35%	{q}
TOTAL EXPENSES				\$ 13,261,701	\$ 11,655,900	\$ 11,954,191	\$ (298,291)					
CHANGE IN NET ASSETS				113,320	639,347	140,378	97,613					
NET ASSETS, BEGINNING OF YEAR				11,319,652	11,319,652	11,319,652						
NET ASSETS, END OF YEAR				\$ 11,432,972	\$ 11,958,999	\$ 11,460,030						

Refer to next page for the references

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

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

References:

- {a}** Increase in local activities, field trips and donations.
- {b}** Allotment received after finalizing budget.
- {c}** Additional professional development for school leadership.
- {d}** Decrease in enrollment due to Savoy campus delay in opening.
- {e}** Increase in contracted professional services.
- {f}** Decrease due to Savoy campus delay in opening.
- {g}** Decrease due to Savoy campus delay in opening.
- {h}** Revenue adjusted upward to reflect increase local activities, field trips and interest rate on CDARS
- {i}** Revenue adjusted to reflect grant adjustment based on enrollment and average daily attendance.
- {j}** Decrease due to plan to expend ESSER III funds in SY 2023-2024.
- {k}** Increase due to additional professional development for instructional staff.
- {l}** Decrease in planned school leadership training for SY 2003.
- {m}** Decrease in hiring counseling staff.
- {n}** Decrease due to Savoy campus delay in opening.
- {o}** Increase due to anticipate cost increases for security.
- {p}** Decrease due to Savoy campus delay in opening for SY 2023.
- {q}** Decrease in parental and community involvement due to re-entry from COVID

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

SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2023

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

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

SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2023

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms & Conditions	Source of Funds Used	Payment Frequency	Total Paid During FY 2023	Principal Balance Due
Isaac Ledesma	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference	Reimbursement of expense	Foundation School Program	1	547.59	0
Isaac Ledesma	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference, and parking	Reimbursement of expense	Foundation School Program	1	689.55	0
James Douglas	Academy of Accelerated Learning, Inc.	Board Member	Per diem for conference	Reimbursement of expense	Foundation School Program	1	192.00	0
Tommy Brooks	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference	Reimbursement of expense	Foundation School Program	1	547.82	0
Tommy Brooks	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference	Reimbursement of expense	Foundation School Program	1	496.50	0
Veda Brown	Academy of Accelerated Learning, Inc.	Board Member	Mileage for board meetings	Reimbursement of expense	Foundation School Program	2	441.45	0
Veda Brown	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference	Reimbursement of expense	Foundation School Program	1	345.27	0
Veda Brown	Academy of Accelerated Learning, Inc.	Board Member	Mileage and per diem for conference, and hotel	Reimbursement of expense	Foundation School Program	1	652.17	0

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

SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2023

Related Party Name	Name of Relation of the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY 2023

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

**USE OF FUNDS REPORTS – SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2023**

<u>Data Codes</u>		<u>Responses</u>
Section A: Compensatory Education Programs		
Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, 48.104.		
AP1	Did your School expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the School have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the school's fiscal year.	\$720,401
AP4	List the actual direct program expenditures for state compensatory education programs during the School's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$1,496,924
Section B: Bilingual Education Programs		
Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, 48.105.		
AP5	Did your School expend any bilingual education program state allotment funds during the School's fiscal year?	Yes
AP6	Does the School have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the School's fiscal year.	\$167,424
AP8	List the actual direct program expenditures for bilingual education programs during the School's fiscal year. (PICs 25, 35)	\$169,369

COMPLIANCE AND INTERNAL CONTROL



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Academy of Accelerated Learning, Inc. (the "Academy"), a Texas nonprofit organization, which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2023-001, to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2023-002, to be a significant deficiency.

Report on Compliance and Other Matters

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

The Academy's Response to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Academy's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

McConnell & Jones LLP

Houston, Texas
January 26, 2024



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Academy of Accelerated Learning Inc. (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2023. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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



McConnell Jones

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

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

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

McConnell & Jones LLP

Houston, Texas
January 26, 2024

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through State Department of Agriculture			
Pass-Through Texas Department of Agriculture			
School Breakfast Program ¹	10.553	71401401	\$ 147,321
National School Lunch Program ¹	10.555	71301401	464,289
Total U.S. Department of Agriculture			<u>611,610</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	23610101101810	516,895
IDEA Part B: Special Education Program ²	84.027A	236600011018106600	124,582
IDEA Part B: Preschool: Special Education - Preschool Grants	84.173A	236610011018106000	2,050
ESEA Title II Part A: Improving Teacher Quality Program	84.367A	23694501101810	45,250
ESEA Title III Part A: English Language Acquisition Program	84.365A	23671001101810	53,317
ESEA Title IV Part A, Subpart I	84.424A	23680101101810	38,507
COVID-19 - CRRSA ESSER II	84.425D	21521001101810	1,038,076
COVID-19 - ESSER Grant	84.425D	20521001101810	15,576
COVID-19 - ARP ESSER III	84.425U	21528001101810	615,876
Total U.S. Department of Education			<u>2,450,129</u>
U.S. Department of Health and Human Services			
Pass-Through Texas Workforce Commission			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund ³	93.596	2812CCM24	80,000
Total U.S. Department of Health and Human Services			<u>80,000</u>
Total Expenditures of Federal Awards			<u>\$ 3,141,739</u>

Note 1: Represents Child Nutrition Cluster

Note 2: Represents Special Education Cluster (IDEA)

Note 3: Represents 477 Cluster

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 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, 2023. 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.

NOTE 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.

NOTE 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.

NOTE 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.

ACADEMY OF ACCELERATED LEARNING, INC.
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 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, 2023

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? | Yes |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | Yes |
| 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:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program</u>
<i>U.S. Department of Education</i>	
<i>Pass-Through: State Department of Education</i>	
<i>Pass-Through: Texas Education Agency</i>	
84.425D	COVID-19 - ESSER Grant
84.425D	COVID-19 - CRRSA ESSER II
84.425U	COVID-19 - ARP ESSER III

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520 | No |

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

PART II: FINDINGS - FINANCIAL STATEMENT AUDIT

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

2023-001 Financial Close and Reporting, Material Weakness

Criteria: Academy of Accelerated Learning, Inc. (the “Academy”) internal control structure should ensure that financial information is complete, accurate, and made available in a timely and orderly manner.

Condition: The Academy’s books and records, except for the bank accounts, for 2023 fiscal year were not reconciled and closed in a timely manner. As a result, numerous adjusting entries were made by the client during the audit process.

Cause: A thorough and timely and reconciliation review of the year-end balances was not performed to ensure that account balances were calculated and recorded in accordance with generally accepted accounting principles.

Effect: The financial records of the Academy were misstated at the beginning of the audit process.

Recommendation: We recommend that the Academy develop monthly and annual closing procedures to ensure that account reconciliations are completed accurately and timely.

Managements Response: The Academy has reviewed the Independent Auditor’s recommendation. The Academy’s new leadership is committed to developing processes to review and reconcile account balances monthly and close its books in a timely manner. To ensure that financial information is complete and accurate, a closing checklist will be integrated as part of the monthly and year-end closing accounting procedures. Additionally, the Academy has recently employed highly skilled staff to facilitate the implementation of policies that follow generally accepted accounting principles.

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

2023-002 Journal Entries, Significant Deficiency

Criteria: Academy of Accelerated Learning, Inc. (the “Academy”) internal control structure should ensure that there is adequate segregation of duties.

Condition: The journal entries of the Academy are prepared and recorded without review and approval of a person other than the person preparing and recording the journal entries.

Cause: The Academy does not have a segregation of duties procedures in place for the separate review and approval of journal entries, including adequate personnel to ensure that segregation controls are effective.

Effect: Journal entries are recorded without adequate segregation of duties, causing an increased potential for errors or fraudulent activities to occur.

Recommendation: The Academy design and implement effective segregation procedures to establish a review and approval process over journal entries and ensure adequate levels of staffing to ensure the effectiveness of the procedures established.

Managements Response: The Academy has reviewed the Independent Auditor’s recommendation. The Academy has implemented procedures for separate review and approval of journal entries. Journal entries will be prepared by staff personnel and reviewed and approved by the Chief Financial Officer.

ACADEMY OF ACCELERATED LEARNING, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023

None for the fiscal year ended August 31, 2022.