

Audited Financial Statements

American International Academy

Westland, Michigan

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of American International Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of American International Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise American International Academy's basic financial statements as listed in the table of contents.

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 opinions 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 from 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of American International Academy, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise American International Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 November 20, 2020, on our consideration of American International 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 American International 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 American International Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of American International Academy’s annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

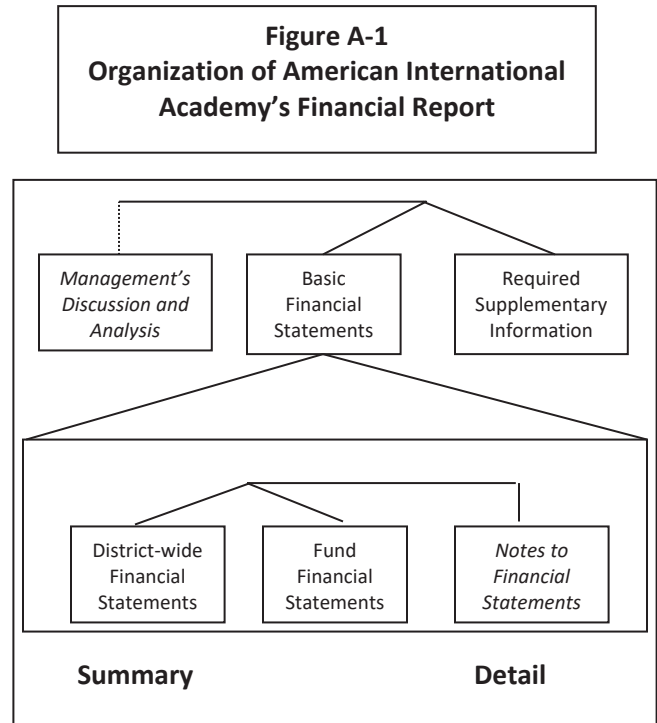
Financial Highlights

- The Academy had an increase in the general fund balance of \$289,406. This gives the Academy a general fund balance of \$901,632.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarized the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Governmental funds	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the academy’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Academy-Wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net position and how they have changed. Net position – the difference between the Academy's assets, deferred outflows, liabilities and deferred inflows, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental activities – The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like school lunch).

The Academy has only governmental funds - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis Of The Academy As A Whole

Net position - the Academy's combined net position of \$2,837,997 increased by \$386,896 during the year. The increase is related to the increased revenue as a result of the increase in the student population and reduction of some long-term debt. See Figures A-3 and A-4.

The total revenues increased approximately 5% to \$7,860,511. State aid foundation allowance included in revenue from state sources accounts for approximately 80% of the Academy's revenue. The blended enrollment increased approximately 41.3 students in the current year to 724.53 students; when combined with an increase in budgeted state foundation allowance payments of \$240 to \$8,111, resulted in an increase in budgeted state foundation allowance payments of \$471,853.

The total cost of instruction increased approximately 3% to \$2,700,585. Support services (including community services and food services) increased approximately 10% to \$4,536,107. The increase in support services is directly related to the increase in enrollment as well as expenditures to bring the east wing of the third campus online for the 2019-20 school year.

Figure A-3
American International Academy's Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,791,395	\$ 1,805,943
Capital assets	<u>2,383,089</u>	<u>2,110,844</u>
Total assets and deferred outflows	<u>4,174,484</u>	<u>3,916,787</u>
Long-term debt outstanding	489,170	625,369
Other liabilities	<u>847,317</u>	<u>840,317</u>
Total liabilities and deferred inflows	1,336,487	1,465,686
Net position:		
Net investment in capital assets	1,893,919	1,485,475
Restricted	45,273	361,591
Unrestricted	<u>898,805</u>	<u>604,035</u>
Total net position	<u>\$ 2,837,997</u>	<u>\$ 2,451,101</u>

Academy Governmental Activities

Figure A-4
Changes in American International Academy's Net Position

	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and state operating grants	1,914,744	1,805,102
General revenues:		
State aid - unrestricted	5,800,483	5,533,979
Miscellaneous	145,284	261,801
Total revenues	<u>7,860,511</u>	<u>7,600,882</u>
Expenses:		
Instruction	2,700,585	2,641,223
Support and community services	4,536,107	3,910,032
Facilities acquisition	-	3,418
Interest on long-term debt	61,540	77,289
Unallocated depreciation	175,383	123,125
Total expenses	<u>7,473,615</u>	<u>6,755,087</u>
Change in net position	<u>\$ 386,896</u>	<u>\$ 845,795</u>

Financial Analysis of The Academy's Funds

The general fund balance at June 30, 2020 is \$901,632 or 12% of expenditures. General fund revenue increased more than 6% primarily due to the increase in enrollment and operating grants. Expenditures increased approximately 14% primarily due also to the increase in enrollment and operating grants. More detailed information about long-term debt may be found in Note 8 to the financial statements.

Revenues fell short of expenditures in the Special Revenue fund by approximately (\$7,167) for the year ended June 30, 2020. The special revenue fund received transfers from the General Fund during the year totaling \$13,248.

The Debt Service Fund received transfers from the General fund during the year totaling \$78,476 to meet debt service obligations. The 2015 series revenue bonds maturity was extended one year to generate cash flow for facility renovations during summer 2019.

General Fund Budgetary Highlights

The Academy revised its budget over the course of the year as the result of increases in enrollment and operating grants.

Actual revenues and expenditures were within approximately 10% and 10% of the budgeted amounts, respectively.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the Academy had invested \$2,383,089 in capital assets net of accumulated depreciation as summarized in Figure A-5. Total depreciation expense for the year was \$175,383. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5
American International Academy's Capital Assets

	<u>2020</u>	<u>2019</u>
Land	\$ 400,000	\$ 400,000
Building and improvements	2,004,233	1,763,678
Furniture and equipment	<u>509,699</u>	<u>302,625</u>
Subtotal	2,913,932	2,466,303
Accumulated depreciation	<u>530,843</u>	<u>355,460</u>
Net book value of capital assets	<u><u>\$ 2,383,089</u></u>	<u><u>\$ 2,110,843</u></u>

Debt Administration

Information related to the Academy's debt can be found in Note 8 of the financial statements.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy continued renovating an additional facility during FY 2020-2021 at a cost that will add significant new capacity for added enrollment and enable improved operating margins on support services.

The Academy continues to place emphasis upon enrollment increases to improve its operating margin, which is essential to offering improved programmatic opportunities for students.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 300 S. Henry Ruff Rd., Westland, MI 48186 or call (734) 895-7974.

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 303,484
Investments - restricted for debt service	45,273
Accounts receivable	2
Deposits	16,464
Due from other governmental units	1,402,084
Prepaid expenses	24,088
	<hr/>
Total current assets	1,791,395

Capital Assets - Net of Accumulated Depreciation

2,383,089

Total assets and deferred outflows

\$ 4,174,484

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$ 120,943
Notes payable	242,189
Unearned revenue	148,601
Other accrued expenses	335,584
Long-term debt - current portion	317,930
	<hr/>
Total current liabilities	1,165,247

Long-Term Debt - Long-Term Portion

171,240

Net Position

Net investment in capital assets	1,893,919
Restricted for debt service and food operations	45,273
Unrestricted	898,805
	<hr/>
Total net position	2,837,997
	<hr/>
Total liabilities, deferred inflows and net position	<u>\$ 4,174,484</u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 1,982,009	\$ -	\$ 370,703	\$ (1,611,306)
Added needs	718,576	-	672,742	(45,834)
Support services				
Pupil support services	324,234	-	137,097	(187,137)
Instructional staff support services	353,362	-	161,961	(191,401)
General administration	525,587	-	7,105	(518,482)
School administration	462,764	-	-	(462,764)
Business support services	124,683	-	-	(124,683)
Operations and maintenance	1,136,383	-	19,047	(1,117,336)
Pupil transportation services	458,435	-	-	(458,435)
Central support services	447,658	-	11,943	(435,715)
Athletic activities	61,953	-	-	(61,953)
Food services	551,462	-	531,047	(20,415)
Community services	89,586	-	3,099	(86,487)
Unallocated depreciation	175,383	-	-	(175,383)
Unallocated interest	61,540	-	-	(61,540)
Total primary government	<u>\$ 7,473,615</u>	<u>\$ -</u>	<u>\$ 1,914,744</u>	<u>(5,558,871)</u>
General Purpose Revenues				
State school aid - unrestricted				5,800,483
Miscellaneous revenues				145,284
Total general purpose revenues				<u>5,945,767</u>
Change in net position				386,896
Net position - July 1, 2019				<u>2,451,101</u>
Net position - June 30, 2020				\$ 2,837,997

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Cash and cash equivalents	\$ 303,484	\$ -	\$ 303,484
Investments	-	45,273	45,273
Accounts receivable	-	2	2
Deposits	16,464	-	16,464
Due from other governmental units	1,371,631	30,453	1,402,084
Due from other funds	24,775	-	24,775
Prepaid expenses	<u>23,081</u>	<u>1,007</u>	<u>24,088</u>
Total assets	<u>\$ 1,739,435</u>	<u>\$ 76,735</u>	<u>\$ 1,816,170</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 117,408	\$ 3,535	\$ 120,943
Notes payable	242,189	-	242,189
Due to other funds	-	24,775	24,775
Unearned revenue	148,601	-	148,601
Other accrued expenses	<u>329,605</u>	<u>3,150</u>	<u>332,755</u>
Total liabilities	837,803	31,460	869,263

Fund Balance

Nonspendable	39,545	1,007	40,552
Restricted	-	44,268	44,268
Unassigned	<u>862,087</u>	<u>-</u>	<u>862,087</u>
Total fund balance	<u>901,632</u>	<u>45,275</u>	<u>946,907</u>
Total liabilities and fund balance	<u>\$ 1,739,435</u>	<u>\$ 76,735</u>	<u>\$ 1,816,170</u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances	\$ 946,907
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,913,932 and the accumulated depreciation is \$530,843.	2,383,089
Interest is not payable until due in governmental activities, and, therefore, is not recorded in the funds.	(2,829)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(489,170)</u>
Net Position of Governmental Activities	<u><u>\$ 2,837,997</u></u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Revenues			
Local sources	\$ 143,551	\$ 1,733	\$ 145,284
State sources	6,558,330	18,141	6,576,471
Federal sources	<u>625,851</u>	<u>512,906</u>	<u>1,138,757</u>
Total governmental fund revenues	7,327,732	532,780	7,860,512
Expenditures			
Instruction			
Basic programs	1,982,009	-	1,982,009
Added needs	718,576	-	718,576
Support services			
Pupil support services	324,234	-	324,234
Instructional staff support services	353,362	-	353,362
General administration	525,587	-	525,587
School administration	462,764	-	462,764
Business support services	124,683	-	124,683
Operations and maintenance	1,136,383	-	1,136,383
Pupil transportation services	458,435	-	458,435
Central support services	447,658	-	447,658
Athletic activities	61,953	-	61,953
Food services	-	551,462	551,462
Community services	89,586	-	89,586
Capital outlay	447,629	-	447,629
Debt principal and interest	<u>138,242</u>	<u>389,750</u>	<u>527,992</u>
Total governmental fund expenditures	<u>7,271,101</u>	<u>941,212</u>	<u>8,212,313</u>
Excess (deficiency) of revenues over expenditures	56,631	(408,432)	(351,801)
Other Financing Sources (Uses)			
Proceeds from long-term debt	324,499	-	324,499
Operating transfers in	-	91,724	91,724
Operating transfers out	<u>(91,724)</u>	<u>-</u>	<u>(91,724)</u>
Total other financing sources (uses)	<u>232,775</u>	<u>91,724</u>	<u>324,499</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	289,406	(316,708)	(27,302)
Fund balance - July 1, 2019	<u>612,226</u>	<u>361,983</u>	<u>974,209</u>
Fund balance - June 30, 2020	<u><u>\$ 901,632</u></u>	<u><u>\$ 45,275</u></u>	<u><u>\$ 946,907</u></u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	(27,302)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period:

Capital outlay	\$	447,629	
Depreciation and amortization expense		<u>(175,383)</u>	272,246

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(324,499)	
Repayment of loan principal		460,698	
Interest expense		<u>5,753</u>	<u>141,952</u>

Change in Net Position of Governmental Activities	\$	<u>386,896</u>
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AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of American International Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

American International Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 23, 2011, and began operation in July, 2011.

In July 2018, the Academy extended a contract with Lake Superior State University’s Board of Trustees through June 30, 2021 to charter a public school academy. The contract was subsequently renewed through June 30, 2021, with the option to extend until June 30, 2023 if terms are met by the Academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Lake Superior State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2020 were approximately \$191,800.

In July, 2017 the Academy entered into an agreement with AccessPoint Educational HR (“AP”) to provide a variety of services including human resources, employee benefits, and payroll services. Additionally, the Academy leases all of its employees from AP. The Academy is obligated to pay AP fees between 1.17% and 1.24% of gross wages, depending on the class of employee. The total paid for the year ended June 30, 2020 was approximately \$99,340.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2020 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2020 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of capitalizing individual assets with a useful life of more than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portions of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2020 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 21 of these financial statements.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 303,484
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>45,273</u>
Total deposits and investments			<u>\$ 348,757</u>

The above amounts are reported in the financial statements as follows:

Deposits:		
Cash - General fund		\$ 303,484
Investments:		
Investments - Debt service fund		<u>45,273</u>
Total deposits and investments		<u>\$ 348,757</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the Academy's investments were rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2020, \$145,118 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2020.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$	1,103,525
Federal sources		<u>298,559</u>
Total	\$	<u><u>1,402,084</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not subject to depreciation				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets subject to depreciation				
Building	1,387,876	-	-	1,387,876
Equipment	302,625	207,074	-	509,699
Leasehold Improvements	<u>375,802</u>	<u>240,555</u>	<u>-</u>	<u>616,357</u>
Sub-total	2,466,303	447,629	-	2,913,932
Accumulated depreciation				
Building	113,941	34,697	-	148,638
Equipment	117,068	69,548	-	186,616
Leasehold Improvements	<u>124,451</u>	<u>71,138</u>	<u>-</u>	<u>195,589</u>
Sub-total	<u>355,460</u>	<u>175,383</u>	<u>-</u>	<u>530,843</u>
Total net capital assets	<u>\$ 2,110,843</u>	<u>\$ 272,246</u>	<u>\$ -</u>	<u>\$ 2,383,089</u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS – Continued

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2020 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 18/19	5.30%	August, 2019	Paid in full
SAAN 19/20	3.65%	August, 2020	To provide Academy with funds to finance school operations, secured by future state aid payments.

Loan Activity

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2020</u>
SAAN 18/19	\$ 205,094	\$ -	\$ 205,094	\$ -
SAAN 19/20	-	1,350,000	1,107,811	242,189
Total	<u>\$ 205,094</u>	<u>\$ 1,350,000</u>	<u>\$ 1,312,905</u>	<u>\$ 242,189</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 297,588	\$ 297,588
University oversight fee	35,167	35,167
Interest	<u>2,829</u>	<u>-</u>
Total other accrued expenses	<u>\$ 335,584</u>	<u>\$ 332,755</u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2020:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Note Payable 1	0%	July, 2019	Academy entered into settlement agreement April, 2015. Settlement called for reduction in amount owed to \$350,000 with \$60,000 due and paid upon execution. Remaining balance paid via state aid intercept at \$7,250 monthly.
Note Payable 2	9.00%	July, 2019	Note payable for equipment payable at \$4,819 including interest monthly
Note Payable 3	6.88%	September, 2021	Note payable for equipment payable at \$4,103 including interest monthly
Note Payable 4	6.84%	August, 2022	Note payable for equipment payable at \$6,724 including interest monthly
Note Payable 5	6.02%	March, 2023	Note payable for equipment payable at \$3,232 including interest monthly
Revenue Bond 2015	10%	November, 2019	Issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.
Revenue Bond 2017	10%	November, 2019	Issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	Balance July 1, 2019	Additions	Retirements and Payments	Balance June 30, 2020	Due Within One Year
Note Payable 1	\$ 7,250	\$ -	\$ 7,250	\$ -	\$ -
Note Payable 2	4,783	-	4,783	-	-
Note Payable 3	98,336	-	43,586	54,750	46,659
Note Payable 4	-	218,275	56,939	161,336	71,106
Note Payable 5	-	106,224	8,140	98,084	25,165
Revenue Bond 2015	385,000	-	210,000	175,000	175,000
Revenue Bond 2017	130,000	-	130,000	-	-
Total	<u>\$ 625,369</u>	<u>\$ 324,499</u>	<u>\$ 460,698</u>	<u>\$ 489,170</u>	<u>\$ 317,930</u>

Following are maturities of long-term obligations for principal and interest for the next three years and in total:

	Principal	Interest
2021	\$ 317,930	\$ 23,866
2022	120,351	7,322
2023	50,888	1,350

NOTE 9 – OPERATING LEASE

Lease Information

	Maturity Date	Approximate Payment	Other
Bus Lease (5)	June, 2021	\$101,484 yearly	Lease payable monthly at \$8,457
Bus Lease (4)	June, 2022	\$85,296 yearly	Lease payable monthly at \$7,108

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 – OPERATING LEASE - Continued

The approximate amount of lease obligations coming due during the next two years is as follows:

	<u>Vehicles</u>
2021	\$ 186,780
2022	85,296

The lease expense included in the statement of activities for the year ended June 30, 2020 amounted to approximately \$181,600.

NOTE 10 – INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 13,248	\$ 78,476
Transfer Out	91,724	-	-

As stipulated by the Academy's revenue bond agreements which is described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the necessary portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 – CONTINGENCIES

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses, the economy and school. As a precaution to slow the spread of the virus the 2019 – 2020 school year ended in person education early pursuant to the governor of Michigan's executive order on March 13, 2020. There were also resulting budget cuts to state aid that resulted in reduced state funding for the last payment of the year. The Academy is economically dependent upon this state funding for normal and continued operations. The reduced funding will be supplemented two for one with federal program funds during the 2020 – 2021 school year however the existence and continuation of federal resources beyond this coming fiscal year is not currently known. While the situation continues to evolve, and the full impact is yet to be determined, it can be reasonably expected that state funding for schools will be affected due to the economic effects of COVID-19.

SUPPLEMENTARY INFORMATION

AMERICAN INTERNATIONAL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 141,575	\$ 155,266	\$ 143,551	\$ (11,715)
State sources	7,966,598	6,690,262	6,558,330	(131,932)
Federal sources	685,943	747,023	625,851	(121,172)
Total general fund revenues	8,794,116	7,592,551	7,327,732	(264,819)
Expenditures				
Instruction				
Basic programs	2,777,825	2,282,315	1,982,009	(300,306)
Added needs	935,304	815,317	718,576	(96,741)
Support services				
Pupil support services	516,883	337,473	324,234	(13,239)
Instructional staff support services	363,319	335,890	353,362	17,472
General administration	478,465	537,840	525,587	(12,253)
School administration	500,139	462,360	462,764	404
Business support services	175,536	124,789	124,683	(106)
Operations and maintenance	1,474,619	1,402,635	1,136,383	(266,252)
Pupil transportation services	592,117	460,700	458,435	(2,265)
Central support services	484,575	529,432	447,658	(81,774)
Athletic activities	192,587	66,952	61,953	(4,999)
Community services	70,495	90,264	89,586	(678)
Capital outlay	-	-	447,629	447,629
Debt principal and interest	123,116	152,661	138,242	(14,419)
Total general fund expenditures	8,684,980	7,598,628	7,271,101	(327,527)
Excess (deficiency) of revenues over expenditures	109,136	(6,077)	56,631	62,708
Other Financing Sources Uses				
Proceeds from long-term debt	150,000	324,499	324,499	-
Operating transfers out	(248,136)	(319,818)	(91,724)	228,094
Total other financing sources (uses)	(98,136)	4,681	232,775	228,094
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	11,000	(1,396)	289,406	290,802
Fund balance - July 1, 2019	612,226	612,226	612,226	-
Fund balance - June 30, 2020	<u>\$ 623,226</u>	<u>\$ 610,830</u>	<u>\$ 901,632</u>	<u>\$ 290,802</u>

AMERICAN INTERNATIONAL ACADEMY

COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2020

ASSETS

	Special Revenue	Debt Service	Total
Investments	\$ -	\$ 45,273	\$ 45,273
Accounts Receivable	-	2	2
Due from other governmental units	30,453	-	30,453
Prepaid expenses	1,007	-	1,007
Total assets	<u>\$ 31,460</u>	<u>\$ 45,275</u>	<u>\$ 76,735</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 3,535	\$ -	\$ 3,535
Due to other funds	24,775	-	24,775
Other accrued expenses	3,150	-	3,150
Total liabilities	31,460	-	31,460

Fund Balance

Nonspendable	1,007	-	1,007
Restricted	(1,007)	45,275	44,268
Total fund balance	-	45,275	45,275
Total liabilities and fund balance	<u>\$ 31,460</u>	<u>\$ 45,275</u>	<u>\$ 76,735</u>

AMERICAN INTERNATIONAL ACADEMY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue	Debt Services	Total
Revenues			
Local sources	\$ -	\$ 1,733	\$ 1,733
State sources	18,141	-	18,141
Federal sources	512,906	-	512,906
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	531,047	1,733	532,780
Expenditures			
Support services			
Food services	551,462	-	551,462
Debt principal and interest	-	389,750	389,750
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	551,462	389,750	941,212
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(20,415)	(388,017)	(408,432)
Other Financing Sources (Uses)			
Operating transfers in	13,248	78,476	91,724
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(7,167)	(309,541)	(316,708)
	<hr/>	<hr/>	<hr/>
Fund balance - July 1, 2019	7,167	354,816	361,983
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2020	\$ -	\$ 45,275	\$ 45,275
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Local Sources

Other local revenues	\$ 143,551
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State Sources

At risk	393,615
Great start readiness program	308,783
Special education	55,449
State aid	<u>5,800,483</u>

Total state sources	6,558,330
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Federal Sources

IDEA	122,676
Title I	388,772
Title II A	80,543
Other program revenue	<u>33,860</u>

Total federal sources	<u>625,851</u>
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Total general fund revenues	<u><u>\$ 7,327,732</u></u>
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AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Basic Programs

Purchased services	\$ 1,680,275
Repairs and maintenance	4,750
Rentals	23,166
Other purchased services	300
Supplies and materials	268,927
Other expenditures	4,591
	<hr/>
Total basic programs	1,982,009

Added Needs

Purchased services	668,268
Other purchased services	8,460
Supplies and materials	41,848
	<hr/>
Total added needs	718,576

Pupil Support Services

Guidance services	171,767
Health services	10,564
Psychological services	11,699
Speech pathology and audiology	67,950
Social work services	61,746
Other pupil services	508
	<hr/>
Total pupil support services	324,234

Instructional Staff Support Services

Purchased services	278,674
Other purchased services	9,000
Supplies and materials	65,538
Other expenditures	150
	<hr/>
Total instructional staff support services	353,362

General Administration

Purchased services	225,595
Supplies and materials	57
Other expenditures	299,935
	<hr/>
Total general administration	525,587

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2020

School Administration

Purchased services	431,619
Rentals	7,095
Supplies and materials	24,050
	<hr/>
Total school administration	462,764

Business Support Services

Purchased services	85,681
Rentals	422
Other purchased services	1,146
Other expenditures	37,434
	<hr/>
Total business support services	124,683

Operations and Maintenance

Purchased services	629,813
Repairs and maintenance	183,836
Rentals	8,432
Other purchased services	1,026
Supplies and materials	312,094
Other expenditures	1,182
	<hr/>
Total operations and maintenance	1,136,383

Pupil Transportation Services

Purchased services	223,844
Repairs and maintenance	4,635
Rentals	185,163
Supplies and materials	40,648
Other expenditures	4,145
	<hr/>
Total pupil transportation services	458,435

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2020

Central Support Services

Purchased services	405,771
Repairs and maintenance	920
Rentals	4,290
Supplies and materials	12,688
Other expenditures	23,989

Total central support services 447,658

Athletic Activities

Purchased services	37,352
Supplies and materials	12,601
Other expenditures	12,000

Total athletic activities 61,953

Community Services

Purchased services	60,894
Other purchased services	28,271
Supplies and materials	421

Total community services 89,586

Capital Outlay

447,629

Debt Principal and Interest

138,242

Total general fund expenditures \$ 7,271,101

APPENDIX

Federal Awards Report



**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 Board of Directors
of American International Academy**

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 the governmental activities, each major fund, and the aggregate remaining fund information of American International Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise American International Academy's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered American International 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American International Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of American International Academy's internal control.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Crosby Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan
November 20, 2020



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

To the Board of Directors
of American International Academy

We have audited the American International Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of American International Academy's major federal programs for the year ended June 30, 2020. American International 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of American International Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the American International 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 major federal program. However, our audit does not provide a legal determination of the American International Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, American International 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 June 30, 2020.

Report on Internal Control over Compliance

Management of American International 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 of compliance, we considered American International 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American International 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
November 20, 2020

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture -										
Passed through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program Bonus Commodities 2019-20	N/A	10.555	\$ 36,028	\$ -	\$ -	\$ -	\$ 27,361	\$ 27,361	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2018-19	191960	10.555	340,901	300,196	14,055	-	54,760	40,705	-	-
National School Lunch Program 2019-20	201960	10.555	192,287	-	-	-	192,287	192,287	-	-
COVID-19 - National School Lunch Program 2019-20	200902	10.555	<u>80,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,842</u>	<u>109,522</u>	<u>28,680</u>	<u>-</u>
National School Lunch Program (including commodities) Subtotal		10.555	650,058	300,196	14,055	-	355,250	369,875	28,680	-
National School Breakfast Program 2018-19	191970	10.553	167,081	143,853	7,477	-	30,705	23,228	-	-
National School Breakfast Program 2019-20	201970	10.553	<u>102,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,185</u>	<u>102,185</u>	<u>-</u>	<u>-</u>
National School Breakfast Program Subtotal		10.553	<u>269,266</u>	<u>143,853</u>	<u>7,477</u>	<u>-</u>	<u>132,890</u>	<u>125,413</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster			919,324	444,049	21,532	-	488,140	495,288	28,680	-
Special Education Cluster - U.S. Department of Ed. -										
Passed through the Wayne County RESA										
IDEA Flowthrough:										
IDEA Flowthrough 1819	190450	84.027A	103,602	127,776	24,174	-	24,174	-	-	-
IDEA Flowthrough 1920	200450	84.027A	<u>122,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,451</u>	<u>122,676</u>	<u>45,225</u>	<u>-</u>
Total Special Education Cluster			226,278	127,776	24,174	-	101,625	122,676	45,225	-

See accompanying notes to schedule of expenditures of federal awards

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2020

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Current Year Cash Transferred To Subrecipient
Clusters (Continued):										
Title I Cluster - U.S. Department of Ed. -										
Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1819	191530	84.010	410,956	291,755	141,370	(5,463)	192,727	56,820	-	-
Title I Part A 1920	201530	84.010	465,774	-	-	-	155,315	286,767	131,452	-
Total Title I Part A Passed Through the Michigan Department of Education		84.010	876,730	291,755	141,370	(5,463)	348,042	343,587	131,452	-
Passed through the Wayne County RESA -										
Title I Part A - Regional Assistance Grant:										
Title I Part A - Regional Assistance Grant 1920	N/A	84.010	45,185	-	-	-	-	45,185	45,185	-
Total Title I Part A Cluster		84.010	921,915	291,755	141,370	(5,463)	348,042	388,772	176,637	-
Other Federal Awards										
Passed through the Michigan Department of Education:										
Food Equipment Grant:										
Food Equipment Grant EAG 2019	171991	10.579	15,534	-	-	-	9,092	9,092	-	-
Fresh Fruit and Vegetable Program:										
Fresh Fruit and Vegetable Program 2019-20	190950/ 200950	10.582	8,526	-	-	-	8,526	8,526	-	-
Title II Part A - Supporting Effective Instruction:										
Title II Part A 1819	190520	84.367	104,259	33,369	18,238	-	63,706	45,468	-	-
Title II Part A 1920	200520	84.367	81,252	-	-	-	6,566	35,075	28,509	-
Total Title II Part A		84.367	185,511	33,369	18,238	-	70,272	80,543	28,509	-
Title IV Part A - Student Support and Academic Enrichment:										
Title IV Part A 1819	190750	84.424	26,067	-	-	-	3,972	3,972	-	-
Title IV Part A 1920	200750	84.424	49,054	-	-	-	10,380	29,888	19,508	-
Total Title IV Part A		84.424	75,121	-	-	-	14,352	33,860	19,508	-
Total noncluster programs passed through the Michigan Department of Education			284,692	33,369	18,238	-	102,242	132,021	48,017	-
Total Federal Awards			\$ 2,352,209	\$ 896,949	\$ 205,314	\$ (5,463)	\$ 1,040,049	\$ 1,138,757	\$ 298,559	\$ -

See accompanying notes to schedule of expenditures of federal awards

AMERICAN INTERNATIONAL ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 625,851
Special Revenue Fund	<u>512,906</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,138,757</u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of American International Academy under programs of the federal government for the year ended June 30, 2020. The information in this 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 American International Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of American International 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

American International Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR'S REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 – ADJUSTMENTS AND TRANSFERS

The amount included as an adjustment for Title I Part A for fiscal-year 2018 - 2019 of \$5,463 reflects an adjustment to beginning accrued revenue. American International Academy did not collect these funds prior to September 30, 2019.

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐yes ☒no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐yes ☒no
- Noncompliance material to financial statements noted? ☐yes ☒no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐yes ☒no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ☐yes ☒no

Identification of major programs:

CFDA Number(s)
#10.553, 10.555

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒yes ☐no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None