

Audited Financial Statements

American International Academy

Westland, Michigan

June 30, 2021

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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, 2021, 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, 2021, 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, and schedule of expenditures of federal awards as required 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*, are presented for purposes of additional analysis and are 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 1, 2021, 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, 2021. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

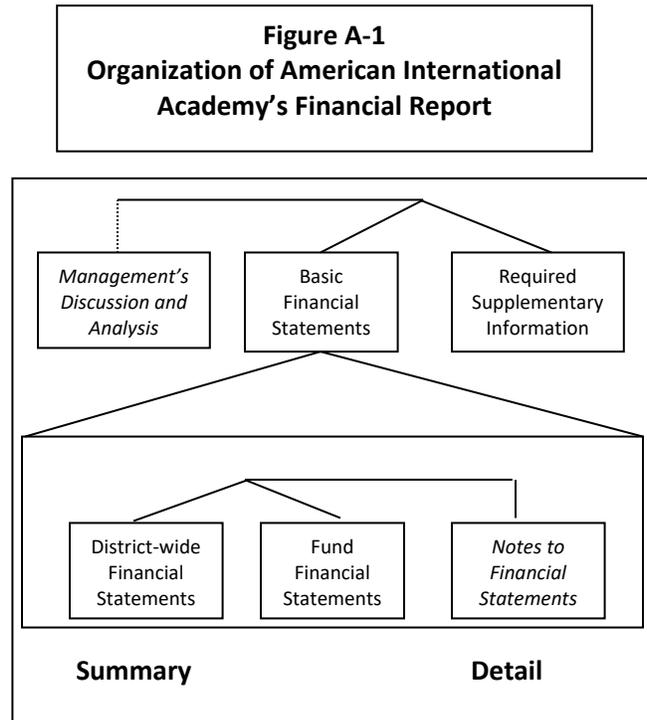
Financial Highlights

- The Academy had an increase in the general fund balance of \$808,645. This gives the Academy a general fund balance of \$1,710,277.

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 \$4,385,850 increased by \$1,547,853 during the year. The increase is related to the strong 2020-21 financial performance in the General Fund, an increase in capital assets net of depreciation mainly in the form of facility improvements and new equipment and furniture, and a 2/3 reduction in long-term debt. See Figures A-3 and A-4.

The total revenues increased approximately 2% to \$7,997,363. State aid foundation allowance included in revenue from state sources accounts for approximately 71% of the Academy's revenue. The blended enrollment decreased approximately 22.39 students in the current year to 702.14 students; when combined with no increase in budgeted state foundation allowance payments of \$8,111, resulted in a decrease in budgeted state foundation allowance payments of \$178,360.

The total cost of instruction decreased approximately 13% to \$2,350,098. Support services (including community services and food services) decreased approximately 15% to \$3,858,387. The decrease in cost of instruction and support services is directly related to the Academy operating 100% virtually or with no in-person instruction during 2020-21 due to the COVID-19 pandemic .

Figure A-3
American International Academy's Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,123,897	\$ 1,791,395
Capital assets	<u>2,822,864</u>	<u>2,383,089</u>
Total assets and deferred outflows	<u>5,946,761</u>	<u>4,174,484</u>
Long-term debt outstanding	162,372	489,170
Other liabilities	<u>1,398,539</u>	<u>847,317</u>
Total liabilities and deferred inflows	1,560,911	1,336,487
Net position:		
Net investment in capital assets	2,660,492	1,893,919
Restricted	13,055	45,273
Unrestricted	<u>1,712,303</u>	<u>898,805</u>
Total net position	<u>\$ 4,385,850</u>	<u>\$ 2,837,997</u>

Academy Governmental Activities

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

	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,595	\$ -
Federal and state operating grants	2,171,313	1,914,744
General revenues:		
State aid - unrestricted	5,737,506	5,800,483
Miscellaneous	88,975	145,284
Total revenues	<u>7,999,389</u>	<u>7,860,511</u>
Expenses:		
Instruction	2,350,098	2,700,585
Support and community services	3,858,387	4,536,107
Interest on long-term debt	22,835	61,540
Unallocated depreciation	220,216	175,383
Total expenses	<u>6,451,536</u>	<u>7,473,615</u>
Change in net position	<u>\$ 1,547,853</u>	<u>\$ 386,896</u>

Financial Analysis of The Academy's Funds

The general fund balance at June 30, 2021 is \$1,710,277 or 26% of expenditures. General fund revenue increased almost 3% primarily due to an increase in operating grants related to the COVID-19 pandemic. Expenditures decreased approximately 9% primarily due to no in-person instruction during 2020-21. More detailed information about long-term debt may be found in Note 8 to the financial statements.

Revenues exceeded expenditures in the Special Revenue fund by approximately \$21,647 for the year ended June 30, 2021. The special revenue fund made transfers to the General Fund during the year totaling (\$8,592).

The Debt Service Fund received transfers from the General fund during the year totaling \$138,468 to meet debt service obligations. The 2015 series revenue bonds related to facilities acquisition were fully retired during the year.

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 1% and 3% of the final budgeted amounts, respectively.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021, the Academy had invested \$2,822,864 in capital assets net of accumulated depreciation as summarized in Figure A-5. Total depreciation expense for the year was \$220,216. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets (net of depreciation) are as follows:

Figure A-5
American International Academy's Capital Assets

	<u>2021</u>	<u>2020</u>
Land	\$ 400,000	\$ 400,000
Building and improvements	2,557,819	2,004,233
Furniture and equipment	<u>616,104</u>	<u>509,699</u>
Subtotal	3,573,923	2,913,932
Accumulated depreciation	<u>751,059</u>	<u>530,843</u>
Net book value of capital assets	<u><u>\$ 2,822,864</u></u>	<u><u>\$ 2,383,089</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 two facilities during FY 2021-2022 at a cost that will enable improved and expanded operations.

The Academy continues to place emphasis upon enrollment stability to maintain its operating margin, which is essential to offering improved program quality 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, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	1,513,660
Accounts receivable		5,979
Deposits		26,464
Due from other governmental units		1,527,309
Prepaid expenses		50,485
		<hr/>
Total current assets		3,123,897

Capital Assets - Net of Accumulated Depreciation

2,822,864

Total assets and deferred outflows \$ 5,946,761

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$	241,608
Notes payable		201,982
Unearned revenue		625,316
Other accrued expenses		329,633
Long-term debt - current portion		120,886
		<hr/>
Total current liabilities		1,519,425

Long-Term Debt - Long-Term Portion

41,486

Net Position

Net investment in capital assets		2,660,492
Restricted for debt service and food operations		13,055
Unrestricted		1,712,303
		<hr/>
Total net position		4,385,850
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u><u>5,946,761</u></u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 2,013,284	\$ -	\$ 788,876	\$ (1,224,408)
Added needs	336,814	-	327,270	(9,544)
Support services				
Pupil support services	330,167	-	161,017	(169,150)
Instructional staff support services	380,838	-	288,285	(92,553)
General administration	549,982	-	6,400	(543,582)
School administration	332,675	-	87	(332,588)
Business support services	136,251	-	21,010	(115,241)
Operations and maintenance	1,027,605	-	77,664	(949,941)
Pupil transportation services	290,105	-	17,016	(273,089)
Central support services	351,049	-	13,903	(337,146)
Athletic activities	10,907	-	-	(10,907)
Food services	434,369	1,595	454,421	21,647
Community services	14,439	-	15,364	925
Unallocated depreciation	220,216	-	-	(220,216)
Unallocated interest	22,835	-	-	(22,835)
	\$ 6,451,536	\$ 1,595	\$ 2,171,313	(4,278,628)
General Purpose Revenues				
State school aid - unrestricted				5,737,506
Miscellaneous revenues				88,975
				5,826,481
Change in net position				1,547,853
Net position - July 1, 2020				2,837,997
Net position - June 30, 2021				\$ 4,385,850

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

	ASSETS		
	<u>General</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,513,660	\$ -	\$ 1,513,660
Accounts receivable	5,979	-	5,979
Deposits	26,464	-	26,464
Due from other governmental units	1,503,230	24,079	1,527,309
Due from other funds	4,066	-	4,066
Prepaid expenses	50,485	-	50,485
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,103,884</u>	<u>\$ 24,079</u>	<u>\$ 3,127,963</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 237,532	\$ 4,076	\$ 241,608
Notes payable	201,982	-	201,982
Due to other funds	-	4,066	4,066
Unearned revenue	625,316	-	625,316
Other accrued expenses	326,751	2,882	329,633
	<hr/>	<hr/>	<hr/>
Total liabilities	1,391,581	11,024	1,402,605
Deferred Inflows of Resources -			
Unavailable Revenue	2,026	-	2,026
Fund Balance			
Nonspendable	76,949	-	76,949
Restricted	-	13,055	13,055
Unassigned	1,633,328	-	1,633,328
	<hr/>	<hr/>	<hr/>
Total fund balance	1,710,277	13,055	1,723,332
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 3,103,884</u>	<u>\$ 24,079</u>	<u>\$ 3,127,963</u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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

Total Governmental Fund Balances	\$ 1,723,332
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,573,923 and the accumulated depreciation is \$751,059.	2,822,864
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	2,026
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(162,372)</u>
Net Position of Governmental Activities	<u><u>\$ 4,385,850</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, 2021

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Revenues			
Local sources	\$ 88,968	\$ 1,602	\$ 90,570
State sources	6,467,020	32,132	6,499,152
Federal sources	985,352	422,289	1,407,641
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	7,541,340	456,023	7,997,363
Expenditures			
Instruction			
Basic programs	2,013,284	-	2,013,284
Added needs	336,814	-	336,814
Support services			
Pupil support services	330,167	-	330,167
Instructional staff support services	380,838	-	380,838
General administration	549,982	-	549,982
School administration	332,675	-	332,675
Business support services	136,251	-	136,251
Operations and maintenance	1,027,605	-	1,027,605
Pupil transportation services	290,105	-	290,105
Central support services	351,049	-	351,049
Athletic activities	10,907	-	10,907
Food services	-	434,369	434,369
Community services	14,439	-	14,439
Capital outlay	659,991	-	659,991
Debt principal and interest	168,712	183,750	352,462
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	6,602,819	618,119	7,220,938
Excess (deficiency) of revenues over expenditures	938,521	(162,096)	776,425
Other Financing Sources (Uses)			
Operating transfers in	8,592	138,468	147,060
Operating transfers out	(138,468)	(8,592)	(147,060)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(129,876)	129,876	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	808,645	(32,220)	776,425
Fund balance - July 1, 2020	901,632	45,275	946,907
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2021	\$ 1,710,277	\$ 13,055	\$ 1,723,332
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 776,425

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	\$ 659,991	
Depreciation and amortization expense	<u>(220,216)</u>	439,775

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end. 2,026

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:

Repayment of loan principal	\$ 326,798	
Interest expense	<u>2,829</u>	<u>329,627</u>

Change in Net Position of Governmental Activities \$ 1,547,853

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 renewed 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, 2021 were approximately \$195,000.

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, 2021 was approximately \$80,350.

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.

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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (Food Services)- The special revenue fund, which the Academy does not currently maintain, 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.

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.
- 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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— Continued

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

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, 2021 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 2021 and are considered current for the purposes of these financial statements.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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

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 of 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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
- 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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 19 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

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, 2021, the Academy did not hold any investments.

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, 2021, \$1,343,121 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2021.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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.
- 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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,263,002
Federal sources	<u>264,307</u>
Total	<u>\$ 1,527,309</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</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	509,699	106,405	-	616,104
Leasehold Improvements	<u>616,357</u>	<u>553,586</u>	-	<u>1,169,943</u>
Sub-total	2,913,932	659,991	-	3,573,923
Accumulated depreciation				
Building	148,638	34,697	-	183,335
Equipment	186,616	94,699	-	281,315
Leasehold Improvements	<u>195,589</u>	<u>90,820</u>	-	<u>286,409</u>
Sub-total	<u>530,843</u>	<u>220,216</u>	-	<u>751,059</u>
Total net capital assets	<u>\$ 2,383,089</u>	<u>\$ 439,775</u>	<u>\$ -</u>	<u>\$ 2,822,864</u>

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

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2021 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 19/20	3.65%	August, 2020	Paid in full
SAAN 20/21	3.45%	August, 2021	To provide Academy with funds to finance school operations, secured by future state aid payments.

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>
SAAN 19/20	\$ 242,189	\$ -	\$ 242,189	\$ -
SAAN 20/21	-	1,125,000	923,018	201,982
Total	<u>\$ 242,189</u>	<u>\$ 1,125,000</u>	<u>\$ 1,165,207</u>	<u>\$ 201,982</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 294,621
University oversight fee	35,012
Total other accrued expenses	<u>\$ 329,633</u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2021:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Note Payable 1	6.88%	September, 2021	Note payable for equipment payable at \$4,103 including interest monthly
Note Payable 2	6.84%	August, 2022	Note payable for equipment payable at \$6,724 including interest monthly
Note Payable 3	6.02%	March, 2023	Note payable for equipment payable at \$3,232 including interest monthly
Revenue Bond 2015	10%	November, 2020	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. Paid in full

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Note Payable 1	\$ 54,750	\$ -	\$ 46,659	\$ 8,091	\$ 8,091
Note Payable 2	161,336	-	71,331	90,005	76,895
Note Payable 3	98,084	-	33,808	64,276	35,900
Revenue Bond 2015	175,000	-	175,000	-	-
Total	<u>\$ 489,170</u>	<u>\$ -</u>	<u>\$ 326,798</u>	<u>\$ 162,372</u>	<u>\$ 120,886</u>

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

	<u>Principal</u>	<u>Interest</u>
2022	\$ 120,886	\$ 6,044
2023	41,486	830

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 – OPERATING LEASE

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Bus Lease (4)	June, 2022	\$85,296 yearly	Lease payable monthly at \$7,108
Bus Lease (3)	June, 2022	\$52,092 yearly	Lease payable monthly at \$4,341

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

	<u>Vehicles</u>
2022	\$ 137,388

The lease expense included in the statement of activities for the year ended June 30, 2021 amounted to approximately \$182,800.

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 - Food Services</u>	<u>Debt Service</u>
Transfer In	\$ 8,592	\$ -	\$ 138,468
Transfer Out	138,468	8,592	-

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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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.

NOTE 12 – CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

AMERICAN INTERNATIONAL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 152,545	\$ 143,699	\$ 88,968	\$ (54,731)
State sources	6,207,250	6,511,219	6,467,020	(44,199)
Federal sources	1,047,999	987,672	985,352	(2,320)
Total general fund revenues	7,407,794	7,642,590	7,541,340	(101,250)
Expenditures				
Instruction				
Basic programs	2,417,364	2,046,591	2,013,284	(33,307)
Added needs	1,017,985	370,675	336,814	(33,861)
Support services				
Pupil support services	374,258	342,493	330,167	(12,326)
Instructional staff support services	318,349	391,172	380,838	(10,334)
General administration	532,977	559,520	549,982	(9,538)
School administration	398,290	337,292	332,675	(4,617)
Business support services	123,000	141,346	136,251	(5,095)
Operations and maintenance	949,603	1,680,306	1,027,605	(652,701)
Pupil transportation services	520,212	312,204	290,105	(22,099)
Central support services	414,915	391,636	351,049	(40,587)
Athletic activities	33,140	28,215	10,907	(17,308)
Community services	63,663	16,175	14,439	(1,736)
Capital outlay	-	481	659,991	659,510
Debt principal and interest	-	168,712	168,712	-
Total general fund expenditures	7,163,756	6,786,818	6,602,819	(183,999)
Excess (deficiency) of revenues over expenditures	244,038	855,772	938,521	82,749
Other Financing Sources Uses				
Operating transfers in	-	3,804	8,592	4,788
Operating transfers out	(240,993)	(138,807)	(138,468)	339
Total other financing sources (uses)	(240,993)	(135,003)	(129,876)	5,127
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	3,045	720,769	808,645	87,876
Fund balance - July 1, 2020	901,632	901,632	901,632	-
Fund balance - June 30, 2021	<u>\$ 904,677</u>	<u>\$ 1,622,401</u>	<u>\$ 1,710,277</u>	<u>\$ 87,876</u>

AMERICAN INTERNATIONAL ACADEMY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue - Food Services	Debt Services	Total
Revenues			
Local sources	\$ 1,595	\$ 7	\$ 1,602
State sources	32,132	-	32,132
Federal sources	422,289	-	422,289
	456,016	7	456,023
Expenditures			
Support services			
Food services	434,369	-	434,369
Debt principal and interest	-	183,750	183,750
	434,369	183,750	618,119
Excess (deficiency) of revenues over expenditures	21,647	(183,743)	(162,096)
Other Financing Sources (Uses)			
Operating transfers in	-	138,468	138,468
Operating transfers out	(8,592)	-	(8,592)
	(8,592)	138,468	129,876
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	13,055	(45,275)	(32,220)
Fund balance - July 1, 2020	-	45,275	45,275
Fund balance - June 30, 2021	\$ 13,055	\$ -	\$ 13,055

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Other local revenues	\$ 88,968
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State Sources

At risk	178,960
Great start readiness program	463,371
Special education	87,183
State aid	<u>5,737,506</u>

Total state sources	6,467,020
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Federal Sources

IDEA	166,060
Title I	255,904
Title II A	75,010
Other program revenue	<u>488,378</u>

Total federal sources	<u>985,352</u>
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Total general fund revenues	<u><u>\$ 7,541,340</u></u>
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AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 1,457,353
Repairs and maintenance	3,495
Rentals	23,383
Other purchased services	7,750
Supplies and materials	516,466
Other expenditures	4,837
	<hr/>
Total basic programs	2,013,284

Added Needs

Purchased services	290,119
Other purchased services	5,849
Supplies and materials	40,846
	<hr/>
Total added needs	336,814

Pupil Support Services

Guidance services	154,088
Health services	5,994
Psychological services	12,988
Speech pathology and audiology	89,589
Social work services	52,358
Other pupil services	15,150
	<hr/>
Total pupil support services	330,167

Instructional Staff Support Services

Purchased services	323,939
Other purchased services	9,783
Supplies and materials	47,116
	<hr/>
Total instructional staff support services	380,838

General Administration

Purchased services	223,588
Supplies and materials	478
Other expenditures	325,916
	<hr/>
Total general administration	549,982

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2021

School Administration

Purchased services	303,966
Repairs and maintenance	378
Rentals	9,201
Supplies and materials	19,130

Total school administration 332,675

Business Support Services

Purchased services	85,664
Rentals	21,010
Other purchased services	1,200
Other expenditures	28,377

Total business support services 136,251

Operations and Maintenance

Purchased services	409,107
Repairs and maintenance	231,091
Rentals	55,516
Other purchased services	885
Supplies and materials	330,530
Other expenditures	476

Total operations and maintenance 1,027,605

Pupil Transportation Services

Purchased services	92,777
Repairs and maintenance	5,598
Rentals	186,432
Supplies and materials	5,298

Total pupil transportation services 290,105

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2021

Central Support Services

Purchased services	303,816
Repairs and maintenance	32,532
Supplies and materials	13,522
Other expenditures	<u>1,179</u>

Total central support services 351,049

Athletic Activities

Purchased services	600
Supplies and materials	6,969
Other expenditures	<u>3,338</u>

Total athletic activities 10,907

Community Services

Other purchased services	14,300
Supplies and materials	<u>139</u>

Total community services 14,439

Capital Outlay

659,991

Debt Principal and Interest

168,712

Total general fund expenditures \$ 6,602,819

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, 2021, 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 1, 2021.

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) as a basis for designing audit 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021



**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 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, 2021. 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 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 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, 2021.

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 1, 2021

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through the Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program Commodities 2020-21	N/A	10.555	\$ 36,773	\$ -	\$ -	\$ -	\$ 7,627	\$ 7,627	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2019-20 - COVID-19	200902	10.555	<u>109,522</u>	<u>109,522</u>	<u>28,680</u>	<u>-</u>	<u>28,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
National School Lunch Program (including commodities) Subtotal		10.555	146,295	109,522	28,680	-	36,307	7,627	-	-
Summer Food Service Program Operating 2020-21	200900/ 210904	10.559	<u>390,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,309</u>	<u>390,912</u>	<u>21,603</u>	<u>-</u>
Total Child Nutrition Cluster			537,207	109,522	28,680	-	405,616	398,539	21,603	-
Special Education Cluster - U.S. Department of Ed. - Passed through the Wayne County RESA:										
IDEA Flowthrough:										
IDEA Flowthrough 1920	200450	84.027	122,676	122,676	45,225	-	45,225	-	-	-
IDEA Flowthrough 2021	210450	84.027	<u>166,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,319</u>	<u>166,060</u>	<u>87,741</u>	<u>-</u>
Total Special Education Cluster			288,736	122,676	45,225	-	123,544	166,060	87,741	-
Child Care and Development Fund (CCDF) Cluster - U.S Department of Health and Human Services - Passed Through the Michigan Department of Education:										
Child Development and Care Block Grant:										
Child Development and Care Block Grant 2021 - COVID-19	N/A	93.575	10,200	-	-	-	10,200	2,491	(7,709)	-

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, 2021

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, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Agriculture - Passed Through the Michigan Department of Education: Fresh Fruit and Vegetable Program:										
Fresh Fruit and Vegetable Program 2020-21	210950	10.582	23,750	-	-	-	23,750	23,750	-	-
U.S. Department of Ed. - Passed Through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1920	201530	84.010	465,774	286,767	131,452	-	264,957	133,505	-	-
Title I Part A 2021	210530	84.010	458,972	-	-	-	73,718	122,399	48,681	-
Total Title I Part A Passed Through the Michigan Department of Education		84.010	924,746	286,767	131,452	-	338,675	255,904	48,681	-
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	-	45,185	-	-	-
Total Title I Part A		84.010	969,931	331,952	176,637	-	383,860	255,904	48,681	-
Title II Part A:										
Title II Part A 1920	200520	84.367	81,252	35,075	28,509	-	69,720	41,211	-	-
Title II Part A 2021	210520	84.367	59,344	-	-	-	23,024	35,825	12,801	-
Total Title II Part A		84.367	140,596	35,075	28,509	-	92,744	77,036	12,801	-
Title IV Part A:										
Title IV Part A 1920	200750	84.424	49,054	29,888	19,508	-	25,229	5,721	-	-
Title IV Part A 2021	210750	84.424	43,105	-	-	-	10,387	21,254	10,867	-
Total Title IV Part A		84.424	92,159	29,888	19,508	-	35,616	26,975	10,867	-

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, 2021

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, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other Federal Awards (Continued):										
Education Stabilization Fund:										
Governor's Emergency Education Relief (GEER) Fund 2021 - COVID-19	201200	84.425	67,000	-	-	-	-	39,635	39,635	-
Elementary and Secondary School Emergency Relief Fund (ESSER I) 1920 - COVID-19	203710	84.425	335,013	-	-	-	89,173	130,721	41,548	-
Education Equity (ESSER) 1920 - COVID-19	203720	84.425	<u>33,501</u>	-	-	-	<u>24,611</u>	<u>26,042</u>	<u>1,431</u>	-
Total Education Stabilization Fund		84.425	435,514	-	-	-	113,784	196,398	82,614	-
U.S. Department of Treasury - Passed Through the Michigan Department of Education:										
Coronavirus Relief Fund (CRF):										
CRF State Aid 2021 - COVID-19	11(p)	21.019	253,586	-	-	-	253,586	253,586	-	-
District COVID Costs 2021 - COVID-19	103(2)	21.019	<u>8,928</u>	-	-	-	<u>8,928</u>	<u>8,928</u>	-	-
Total Coronavirus Relief Fund		21.019	<u>262,514</u>	-	-	-	<u>262,514</u>	<u>262,514</u>	-	-
Total Federal Awards			<u>\$ 2,760,607</u>	<u>\$ 629,113</u>	<u>\$ 298,559</u>	<u>\$ -</u>	<u>\$ 1,451,628</u>	<u>\$ 1,409,667</u>	<u>\$ 256,598</u>	<u>\$ -</u>

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, 2021

Revenues to Expenditures

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

General Fund	\$ 985,352
Special Revenue Fund	<u>422,289</u>
Subtotal	1,407,641
Current year unavailable revenue not collected within 60 days	<u>2,026</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,409,667</u></u>

Federal Receivables

Receivables from federal sources - As reported on financial statements	\$ 264,307
Current year Child Development and Care Block Grant deferred revenue	<u>(7,709)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 256,598</u></u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 REPORT

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

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I

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