

Audited Financial Statements

American International Academy

Westland, Michigan

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of American International Academy

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American International Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American International Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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 detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the American International Academy's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 additional supplementary information, including 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 October 30, 2023, 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

Rochester, Michigan
October 30, 2023

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, 2023. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

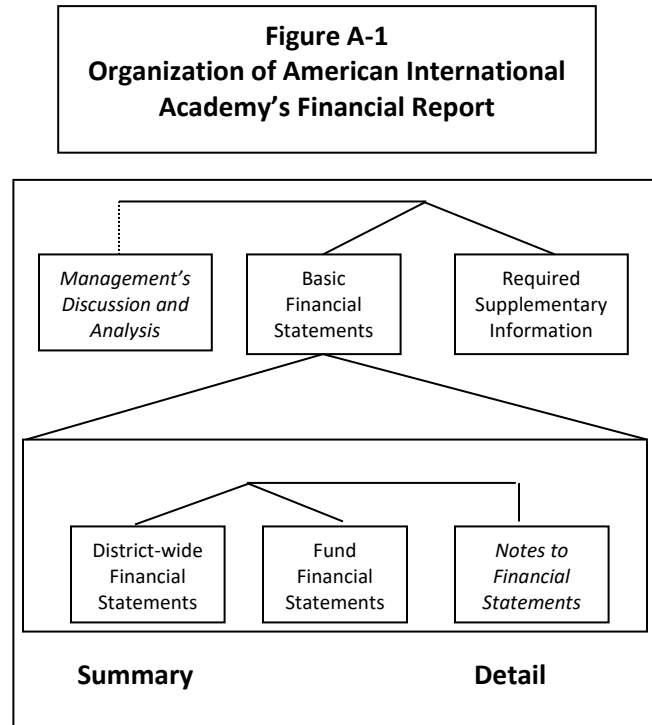
Financial Highlights

- The Academy had an increase in the general fund balance of \$28,603. This gives the Academy a general fund balance of \$663,583.

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
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

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 \$3,515,083 increased by \$72,538 during the year. The increase is related to the 2022-23 financial performance in the General Fund, an increase in capital assets net of depreciation/amortization mainly in the form of facility improvements and new equipment and furniture, and an increase in long-term debt. See Figures A-3 and A-4.

The total governmental fund revenues increased 7.7% to \$9,163,199. State aid foundation allowance included in revenue from state sources accounts for approximately 57% of the Academy's revenue. The blended enrollment increased approximately 18 students in the current year to 560.32 students; when combined with a 5.2% increase in budgeted state foundation allowance payments of \$9,150, resulted in an increase in budgeted state foundation allowance payments of \$423,010.

The total cost of instruction increased approximately 3.5% to \$3,935,943. Support services (including community services and food services) decreased approximately 8.1% to \$4,757,288. The decrease in support services is directly related to the Academy completing fewer facility improvements during 2022-23.

Figure A-3
American International Academy's Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 2,244,345	\$ 2,121,773
Capital assets	<u>3,177,602</u>	<u>3,383,228</u>
Total assets and deferred outflows	<u>5,421,947</u>	<u>5,505,001</u>
Long-term debt outstanding	80,277	327,133
Other liabilities	<u>1,826,587</u>	<u>1,735,323</u>
Total liabilities and deferred inflows	1,906,864	2,062,456
Net position:		
Net investment in capital assets	2,850,467	2,782,393
Unrestricted	<u>664,616</u>	<u>660,152</u>
Total net position	<u>\$ 3,515,083</u>	<u>\$ 3,442,545</u>

Academy Governmental Activities

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

	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and state operating grants	3,788,267	3,545,435
General revenues:		
State aid - unrestricted	5,187,104	4,764,094
Miscellaneous	<u>163,690</u>	<u>165,980</u>
Total revenues	<u>9,139,061</u>	<u>8,475,509</u>
Expenses:		
Instruction	3,935,943	3,803,157
Support and community services	4,757,288	5,169,912
Interest on long-term debt	30,473	33,042
Unallocated depreciation / amortization	<u>342,819</u>	<u>412,703</u>
Total expenses	<u>9,066,523</u>	<u>9,418,814</u>
Change in net position	<u>\$ 72,538</u>	<u>\$ (943,305)</u>

Financial Analysis of The Academy's Funds

The general fund balance at June 30, 2023 is \$663,583 or 7.8% of expenditures. General fund revenue increased almost 7.7% primarily due to an increase in state unrestricted aid from enrollment increases. Expenditures decreased 3.8% primarily due to a reduction in facility upgrades. More detailed information about long-term debt may be found in Note 8 to the financial statements.

Expenditures exceeded revenues in the Special Revenue fund by approximately \$70,891 for the year ended June 30, 2023. The special revenue fund received transfers from the General Fund during the year totaling \$70,891.

General Fund Budgetary Highlights

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

Actual revenues and expenditures were within approximately 3.9% and 4% of the final budgeted amounts, respectively.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the Academy had invested \$3,177,602 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5, a 6.1% decrease from 2021-22. Total depreciation expense for the year was \$342,819. More detailed information about capital assets can be found in Note 5 to the financial statements.

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

Figure A-5
American International Academy's Capital Assets

	<u>2023</u>	<u>2022</u>
Land	\$ 400,000	\$ 400,000
Building and improvements	3,319,856	3,236,821
Furniture and equipment	<u>829,184</u>	<u>775,026</u>
Subtotal	4,549,040	4,411,847
Accumulated depreciation / amortization	<u>1,371,438</u>	<u>1,028,619</u>
Net book value of capital assets	<u><u>\$ 3,177,602</u></u>	<u><u>\$ 3,383,228</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

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) 713-5525.

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	1,591
Accounts receivable		72,172
Deposits		8,007
Due from other governmental units		2,118,351
Prepaid expenses		44,224
		<hr/>
Total current assets		2,244,345

Capital Assets - Net of Accumulated Depreciation / Amortization

3,177,602

Total assets and deferred outflows \$ 5,421,947

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$	278,385
Notes payable		241,401
Due to other governmental units		112,338
Unearned revenue		410,646
Other accrued expenses		536,959
Long-term debt - current portion		246,858
		<hr/>
Total current liabilities		1,826,587

Long-Term Debt - Long-Term Portion

80,277

Net Position

Net investment in capital assets		2,850,467
Unrestricted		664,616
		<hr/>
Total net position		3,515,083
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u><u>5,421,947</u></u>

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants	Government Type Activities
Instruction				
Basic programs	\$ 3,016,855	\$ -	\$ 2,140,222	\$ (876,633)
Added needs	919,088	-	432,223	(486,865)
Support services				
Pupil support services	649,397	-	649,397	-
Instructional staff support services	425,522	-	44,327	(381,195)
General administration	533,683	-	-	(533,683)
School administration	466,679	-	-	(466,679)
Business support services	172,798	-	-	(172,798)
Operations and maintenance	885,534	-	-	(885,534)
Pupil transportation services	489,771	-	-	(489,771)
Central support services	440,666	-	-	(440,666)
Athletic activities	90,110	-	-	(90,110)
Food services	545,162	-	514,389	(30,773)
Community services	57,966	-	7,709	(50,257)
Unallocated depreciation / amortization	342,819	-	-	(342,819)
Unallocated interest	30,473	-	-	(30,473)
Total primary government	\$ 9,066,523	\$ -	\$ 3,788,267	(5,278,256)
General Purpose Revenues				
State school aid - unrestricted				5,187,104
Miscellaneous revenues				163,690
Total general purpose revenues				5,350,794
Change in net position				72,538
Net position - July 1, 2022				3,442,545
Net position - June 30, 2023				\$ 3,515,083

See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

ASSETS

	General	Non-Major Special Revenue - Food Services	Total
Cash and cash equivalents	\$ 1,591	\$ -	\$ 1,591
Accounts receivable	72,172	-	72,172
Deposits	8,007	-	8,007
Due from other governmental units	1,970,159	148,192	2,118,351
Due from other funds	116,502	-	116,502
Prepaid expenses	43,754	470	44,224
	<u>\$ 2,212,185</u>	<u>\$ 148,662</u>	<u>\$ 2,360,847</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 252,246	\$ 26,139	\$ 278,385
Notes payable	241,401	-	241,401
Due to other governmental units	112,338	-	112,338
Due to other funds	-	116,502	116,502
Unearned revenue	410,646	-	410,646
Other accrued expenses	530,938	6,021	536,959
	<u>1,547,569</u>	<u>148,662</u>	<u>1,696,231</u>

Deferred Inflows of Resources -

Unavailable Revenue	1,033	-	1,033
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Fund Balance

Nonspendable	51,761	-	51,761
Unassigned	611,822	-	611,822
	<u>663,583</u>	<u>-</u>	<u>663,583</u>

Total liabilities and fund balance	<u>\$ 2,212,185</u>	<u>\$ 148,662</u>	<u>\$ 2,360,847</u>
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See accompanying notes to financial statements

AMERICAN INTERNATIONAL ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

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

Total Governmental Fund Balances	\$ 663,583
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,549,040 and the accumulated depreciation / amortization is \$1,371,438.	3,177,602
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	1,033
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(327,135)</u>
Net Position of Governmental Activities	<u><u>\$ 3,515,083</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, 2023

	General	Non-Major Special Revenue - Food Service	Total
Revenues			
Local sources	\$ 164,255	\$ -	\$ 164,255
State sources	6,609,160	11,757	6,620,917
Federal sources	1,662,381	502,632	2,165,013
Interdistrict sources	213,014	-	213,014
Total governmental fund revenues	8,648,810	514,389	9,163,199
Expenditures			
Instruction			
Basic programs	3,016,855	-	3,016,855
Added needs	919,088	-	919,088
Support services			
Pupil support services	649,397	-	649,397
Instructional staff support services	425,522	-	425,522
General administration	533,683	-	533,683
School administration	466,679	-	466,679
Business support services	172,798	-	172,798
Operations and maintenance	885,534	-	885,534
Pupil transportation services	489,771	-	489,771
Central support services	440,666	-	440,666
Athletic activities	90,110	-	90,110
Food services	-	545,162	545,162
Community services	57,966	-	57,966
Capital outlay	97,075	40,118	137,193
Debt principal and interest	304,172	-	304,172
Total governmental fund expenditures	8,549,316	585,280	9,134,596
Excess (deficiency) of revenues over expenditures	99,494	(70,891)	28,603
Other Financing Sources (Uses)			
Operating transfers in	-	70,891	70,891
Operating transfers out	(70,891)	-	(70,891)
Total other financing sources (uses)	(70,891)	70,891	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	28,603	-	28,603
Fund balance - July 1, 2022	634,980	-	634,980
Fund balance - June 30, 2023	\$ 663,583	\$ -	\$ 663,583

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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 28,603

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	\$ 137,193	
Depreciation and amortization expense	<u>(342,819)</u>	(205,626)

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. (24,139)

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	<u>273,700</u>
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Change in Net Position of Governmental Activities \$ 72,538

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 2021, the Academy extended a contract with Lake Superior State University’s Board of Trustees through June 30, 2023 to charter a public school academy. The contract was extended through June 30, 2028 in February 2023. 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, 2023 were approximately \$178,400.

In July 2021 the Academy entered into an agreement with Midwest School Services, Inc. to provide a variety of services including human resources, employee benefits, and payroll services. Additionally, the Academy leases all of its employees from Midwest School Services, Inc. The Academy is obligated to pay Midwest School Services, Inc. fees 4% of gross wages, depending on the class of employee. The total paid for the year ended June 30, 2023 was approximately \$181,570.

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, 2023

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 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, which the Academy does not currently maintain, 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, 2023

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, 2023 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 2023 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. 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.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
- 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.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

At the commencement of a lease/subscription, the Academy initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Key estimates and judgements related to leases included how the Academy determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

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 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 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, 2023, 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, 2023, none of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2023.

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 11,084
State sources	1,252,405
Federal sources	<u>854,862</u>
Total	<u>\$ 2,118,351</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets not subject to depreciation				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets subject to depreciation / amortization				
Building	1,387,876	-	-	1,387,876
Equipment	775,026	48,568	-	823,594
Leasehold improvements	1,848,945	83,035	-	1,931,980
Other	<u>-</u>	<u>5,590</u>	-	<u>5,590</u>
Total asset cost basis	4,411,847	137,193	-	4,549,040
Accumulated depreciation / amortization				
Building	218,032	34,697	-	252,729
Equipment	378,168	97,876	-	476,044
Leasehold improvements	432,419	209,873	-	642,292
Other	<u>-</u>	<u>373</u>	-	<u>373</u>
Sub-total	<u>1,028,619</u>	<u>342,819</u>	-	<u>1,371,438</u>
Total net capital assets	<u>\$ 3,383,228</u>	<u>\$ (205,626)</u>	<u>\$ -</u>	<u>\$ 3,177,602</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, 2023

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2023 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 21/22	2.89%	August, 2022	Paid in full
SAAN 22/23	5.40%	August, 2023	To provide Academy with funds to finance school operations, secured by future state aid payments.

Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>
SAAN 21/22	\$ 377,257	\$ -	\$ 377,257	\$ -
SAAN 22/23	-	1,354,000	1,112,599	241,401
Total	<u>\$ 377,257</u>	<u>\$ 1,354,000</u>	<u>\$ 1,489,856</u>	<u>\$ 241,401</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 504,691
University oversight fee	<u>32,268</u>
Total other accrued expenses	<u>\$ 536,959</u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2023:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Note Payable 1	6.84%	August, 2022	Note payable for equipment payable at \$6,724 including interest monthly
Note Payable 2	6.02%	March, 2023	Note payable for equipment payable at \$3,232 including interest monthly
Note Payable 3	6.37%	November, 2024	Note payable for equipment payable at \$16,299 including interest monthly
Note Payable 4	5.82%	September, 2023	Note payable for parking lot payable at \$16,510 including interest quarterly

Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Note Payable 1	\$ 13,328	\$ -	\$ 13,328	\$ -	\$ -
Note Payable 2	28,376	-	28,376	-	-
Note Payable 3	420,801	-	172,732	248,069	184,067
Note Payable 4	138,330	-	59,264	79,066	62,791
Total	<u>\$ 600,835</u>	<u>\$ -</u>	<u>\$ 273,700</u>	<u>\$ 327,135</u>	<u>\$ 246,858</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>
2024	\$ 246,858	\$ 14,775
2025	80,277	1,519

AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 – 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>
Transfer In	\$ -	\$ 70,891
Transfer Out	70,891	-

The transfers from the general fund were to subsidize expenditures in the food service fund for the year ended June 30, 2023.

NOTE 10 - 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 11 – CONTINGENCY

During the fiscal year ended June 30, 2023, Michigan Department of Education Office of Education Supports-Financial Review Unit performed a fiscal monitoring review of the Consolidated Application Grant Program funds for the 2020-2021 fiscal year. Upon conclusion of the review, the Academy was notified verbally by the senior auditor that the Academy will be required to repay a total of \$112,338 of federal funds due to issues in reporting and documentation. As of the date of these statements, the Academy has not received a formal written request for the repayment of these funds. As a result, the Academy has recorded a contingent liability included in the Due to Other Governments line item of the \$112,338 as of June 30, 2023.

SUPPLEMENTARY INFORMATION

AMERICAN INTERNATIONAL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 46,046	\$ 61,455	\$ 164,255	\$ 102,800
State sources	7,321,533	6,868,590	6,609,160	(259,430)
Federal sources	1,361,889	1,855,379	1,662,381	(192,998)
Interdistrict sources	250,000	204,877	213,014	8,137
	<u>8,979,468</u>	<u>8,990,301</u>	<u>8,648,810</u>	<u>(341,491)</u>
Total general fund revenues				
Expenditures				
Instruction				
Basic programs	2,954,369	3,189,065	3,016,855	(172,210)
Added needs	896,247	1,000,755	919,088	(81,667)
Support services				
Pupil support services	566,592	657,138	649,397	(7,741)
Instructional staff support services	492,111	472,125	425,522	(46,603)
General administration	528,382	534,191	533,683	(508)
School administration	560,584	495,456	466,679	(28,777)
Business support services	150,619	176,986	172,798	(4,188)
Operations and maintenance	1,521,939	1,008,381	885,534	(122,847)
Pupil transportation services	418,052	404,781	489,771	84,990
Central support services	397,773	412,834	440,666	27,832
Athletic activities	55,445	89,061	90,110	1,049
Community services	57,925	58,676	57,966	(710)
Capital outlay	-	-	97,075	97,075
Debt principal and interest	366,845	407,475	304,172	(103,303)
	<u>8,966,883</u>	<u>8,906,924</u>	<u>8,549,316</u>	<u>(357,608)</u>
Total general fund expenditures				
Excess (deficiency) of revenues over expenditures	12,585	83,377	99,494	16,117
Other Financing Sources Uses				
Operating transfers out	-	(75,840)	(70,891)	4,949
Excess (deficiency) of revenues and other financing sources over expenditures and other uses				
	12,585	7,537	28,603	21,066
Fund balance - July 1, 2022	634,980	634,980	634,980	-
Fund balance - June 30, 2023	<u>\$ 647,565</u>	<u>\$ 642,517</u>	<u>\$ 663,583</u>	<u>\$ 21,066</u>

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

Local Sources

Student activities	\$ 5,757
Other local revenues	<u>158,498</u>
Total local sources	164,255

State Sources

At risk	665,739
Great start readiness program	682,707
Special education	73,610
State aid	<u>5,187,104</u>
Total state sources	6,609,160

Federal Sources

IDEA	145,599
Title I	411,865
Title II A	35,644
Other program revenue	<u>1,069,273</u>
Total federal sources	1,662,381

Interdistrict Sources

	<u>213,014</u>
Total general fund revenues	<u>\$ 8,648,810</u>

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

Basic Programs

Purchased services	\$ 2,592,182
Repairs and maintenance	19,717
Rentals	24,106
Other purchased services	5,150
Supplies and materials	303,316
Other expenditures	72,384
	<hr/>
Total basic programs	3,016,855

Added Needs

Purchased services	836,394
Supplies and materials	82,694
	<hr/>
Total added needs	919,088

Pupil Support Services

Guidance services	279,498
Health services	61,509
Psychological services	12,345
Speech pathology and audiology	95,238
Social work services	199,657
Other pupil services	1,150
	<hr/>
Total pupil support services	649,397

Instructional Staff Support Services

Purchased services	397,894
Other purchased services	9,321
Supplies and materials	17,712
Other expenditures	595
	<hr/>
Total instructional staff support services	425,522

General Administration

Purchased services	227,225
Supplies and materials	350
Other expenditures	306,108
	<hr/>
Total general administration	533,683

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2023

School Administration

Purchased services	433,147
Rentals	7,113
Supplies and materials	26,419
	<hr/>
Total school administration	466,679

Business Support Services

Purchased services	89,395
Rentals	39,927
Other purchased services	3,010
Supplies and materials	513
Other expenditures	39,953
	<hr/>
Total business support services	172,798

Operations and Maintenance

Purchased services	368,163
Repairs and maintenance	165,841
Rentals	3,523
Other purchased services	1,275
Supplies and materials	315,678
Non-depreciable capital assets	11,098
Other expenditures	19,956
	<hr/>
Total operations and maintenance	885,534

Pupil Transportation Services

Purchased services	301,896
Repairs and maintenance	16,684
Rentals	106,772
Supplies and materials	63,379
Other expenditures	1,040
	<hr/>
Total pupil transportation services	489,771

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2023

Central Support Services

Purchased services	387,903
Rentals	2,628
Supplies and materials	18,559
Other expenditures	<u>31,576</u>

Total central support services 440,666

Athletic Activities

Purchased services	65,919
Rentals	2,592
Supplies and materials	17,739
Other expenditures	<u>3,860</u>

Total athletic activities 90,110

Community Services

Purchased services	54,491
Other purchased services	355
Supplies and materials	<u>3,120</u>

Total community services 57,966

Capital Outlay

97,075

Debt Principal and Interest

304,172

Total general fund expenditures \$ 8,549,316

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, 2023, 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 October 30, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.

Report on 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 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.



Croskey Lanni, PC

Rochester, Michigan
October 30, 2023



**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**

**Report on Compliance for Each Major Federal Program
*Opinion on Each Major Federal Program***

We have audited American International Academy's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

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

Croskey Lanni, PC

Rochester, Michigan
October 30, 2023

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through the Michigan Department of Education:										
National School Lunch Program:										
Noncash Assistance -										
National Lunch Program Commodities 2022-2023	N/A	10.555	\$ 26,225	\$ -	\$ -	\$ -	\$ 26,225	\$ 26,225	\$ -	\$ -
National Lunch Program Bonus Commodities 2022-2023	N/A	10.555	2,117	-	-	-	2,117	2,117	-	-
Total National School Lunch Program Commodities Noncash Assistance		10.555	28,342	-	-	-	28,342	28,342	-	-
Cash Assistance -										
COVID-19 - Supply Chain Assistance 2022-2023	220910/230910	10.555	24,233	-	-	-	24,233	24,233	-	-
National School Lunch Program 2022-2023	221960/231960	10.555	280,424	6,420	6,420	-	266,329	274,004	14,095	-
COVID-19 - Seamless Summer Option (SSO) - Lunch 2021-2022	221961	10.555	154,351	154,351	28,096	-	28,096	-	-	-
National School Lunch Program - After School Snack 2022-2023	221980/231980	10.555	2,678	-	-	-	2,678	2,678	-	-
Total National School Lunch Program Cash and Noncash Assistance		10.555	490,028	160,771	34,516	-	349,678	329,257	14,095	-
National School Breakfast Program:										
National School Breakfast Program 2022-2023	221970/231970	10.553	115,636	3,357	3,357	-	108,762	112,279	6,874	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast 2021-2022	221971	10.553	62,392	62,392	11,970	-	11,970	-	-	-
National School Breakfast Program Expansion 2023	221995	10.553	10,000	-	-	-	-	10,000	10,000	-
Total National School Breakfast Program		10.553	188,028	65,749	15,327	-	120,732	122,279	16,874	-
Summer Food Service Program:										
Summer Food Service Program Operating 2022-2023	230900	10.559	2,070	-	-	-	-	2,070	2,070	-
Fresh Fruit and Vegetable Program:										
Fresh Fruit and Vegetable Program 2021-2022	220950	10.582	27,075	9,163	6,414	-	6,414	-	-	-
Fresh Fruit and Vegetable Program 2022-2023	230950	10.582	20,735	-	-	-	7,294	20,735	13,441	-
Total Fresh Fruit and Vegetable Program		10.582	47,810	9,163	6,414	-	13,708	20,735	13,441	-
Total Child Nutrition Cluster			727,936	235,683	56,257	-	484,118	474,341	46,480	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:										
IDEA Flowthrough:										
IDEA Flowthrough 2223	230450	84.027A	145,599	-	-	-	145,599	145,599	-	-
Total Special Education Cluster			145,599	-	-	-	145,599	145,599	-	-

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, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
Child and Adult Food Care Program:										
Child and Adult Food Care Program 2022-2023	231920	10.558	26,456	-	-	-	25,494	26,456	962	-
Child and Adult Food Care Program - Cash in Lieu 2022-2023	232010	10.558	1,207	-	-	-	1,172	1,207	35	-
Total Child and Adult Care Food Program		10.558	27,663	-	-	-	26,666	27,663	997	-
Pandemic EBT Local Level Costs:										
COVID-19 - Pandemic EBT Local Level Costs 2022	220980	10.649	628	-	-	-	628	628	-	-
U.S. Department of Education -										
Passed through the Michigan Department of Education:										
Title I Part A: Improving Basic Programs Operated by LEAS:										
Title I Part A 2122	221530	84.010A	640,670	439,893	231,058	-	257,218	26,160	-	-
Title I Part A 2223	231530	84.010A	557,554	-	-	-	174,447	316,989	142,542	-
Title I Part A Subtotal		84.010A	1,198,224	439,893	231,058	-	431,665	343,149	142,542	-
Passed through the Wayne County RESA:										
Title I Part A: Regional Assistance Grant (RAG):										
Title I Part A RAG 2223	231570	84.010A	250,000	-	-	-	118,666	161,250	42,584	-
Passed through the Calhoun ISD:										
Title I Part A: Technical Assistance Grant (TAG):										
Title I Part A TAG 2223	231580	84.010A	20,000	-	-	-	-	1,033	1,033	-
Total Title I Part A		84.010A	1,468,224	439,893	231,058	-	550,331	505,432	186,159	-
Title II, Part A, Supporting Effective Instruction:										
Title II Part A 2122	220520	84.367	69,232	27,486	6,781	-	18,342	11,561	-	-
Title II Part A 2223	230520	84.367	66,370	-	-	-	-	24,083	24,083	-
Total Title II Part A		84.367	135,602	27,486	6,781	-	18,342	35,644	24,083	-
Title IV, Part A, Student Support and Academic Enrichment:										
Title IV Part A 2122	220750	84.424A	48,218	17,132	1,013	-	17,331	16,318	-	-
Title IV Part A 2223	230750	84.424A	44,672	-	-	-	-	12,169	12,169	-
Total Title IV Part A		84.424A	92,890	17,132	1,013	-	17,331	28,487	12,169	-
Education Stabilization Fund:										
COVID-19 - Supplemental Elementary and Secondary School										
Emergency Relief (ESSER II) 2021	213712	84.425D	1,381,789	718,579	183,026	-	672,739	651,046	161,333	-
COVID-19 - ESSER III Formula - American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	3,105,511	-	-	-	-	324,427	324,427	-
COVID-19 - ESSER II Discretionary - Section 23b(2a) Summer School 2122	213722	84.425D	84,000	15,805	15,805	-	59,880	44,075	-	-
COVID-19 - ESSER II Discretionary - Section 23b(2b) Credit Recovery 2122	213742	84.425D	20,000	6,491	6,491	-	17,528	11,037	-	-
Total Education Stabilization Fund		84.425	4,591,300	740,875	205,322	-	750,147	1,030,585	485,760	-
Total Federal Awards			\$ 7,189,842	\$ 1,461,069	\$ 500,431	\$ -	\$ 1,993,162	\$ 2,248,379	\$ 755,648	\$ -

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, 2023

Revenues to Expenditures

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

General Fund	\$ 1,662,381
Special Revenue Fund - Food Service	<u>502,632</u>
Subtotal	2,165,013
Prior year unavailable revenue collected	(22,296)
Current year unavailable revenue not collected within 60 days	1,033
Child Care Stabilization Grant not included on the schedule of expenditures of federal awards	(7,709)
Title I Part A and Title IV Part A repayment to the Michigan Department of Education contingent liability included in due to other governmental units per financial statements	<u>112,338</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,248,379</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 854,862
Timing difference between Michigan Department of Education payment and Academy receipt per Grant Auditor Report	<u>(99,214)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 755,648</u></u>

AMERICAN INTERNATIONAL ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

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 none reported
- 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 none reported

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:

Assistance Listing Number(s)
84.425

Name of Federal Program or Cluster
Education Stabilization Fund

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**

AMERICAN INTERNATIONAL ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2023

1) *Audit findings that have been fully corrected:*

Fiscal Year: 2022

Finding Number: 2022-001

Finding: The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy's funds. Actual expenditures exceeded board adopted appropriations by \$52,541.

Comments: The Academy reviewed and revised its accounting procedures to ensure actual results were properly and timely reviewed resulting in budget amendments throughout the year as deemed necessary.

2) *Audit findings not corrected or partially corrected:*

NONE