

**Audited Financial Statements**

# **American International Academy**

Westland, Michigan

**June 30, 2022**

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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, 2022, 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, 2022, 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.

#### **Adoption of New Accounting Standard**

As described in Note 11 to the financial statements, in 2022, the American International Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### **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 American International Academy's basic financial statements. The accompanying schedules of revenues and expenditures, and 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 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 October 28, 2022, 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 28, 2022

## 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, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

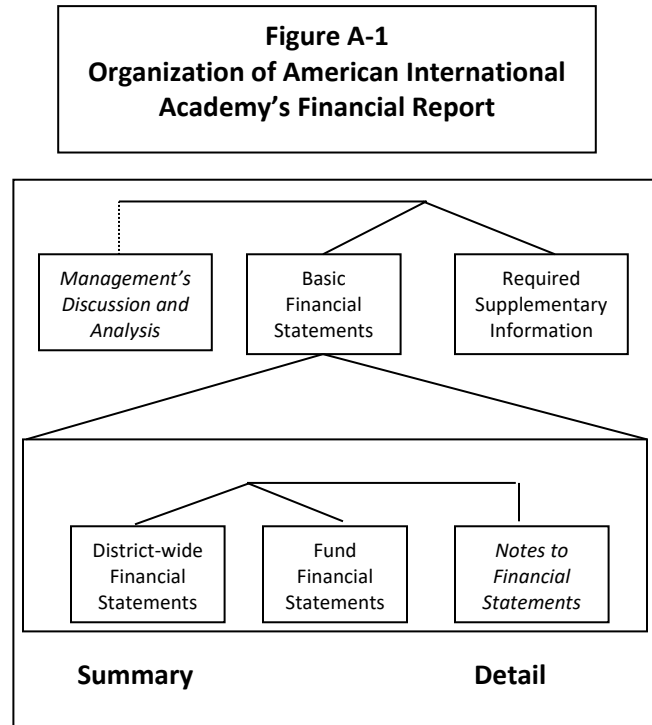
### Financial Highlights

- The Academy had a decrease in the general fund balance of (\$1,075,297). This gives the Academy a general fund balance of \$634,980.

## 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 \$3,442,545 decreased by (\$943,305) during the year. The decrease is related to the 2021-22 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 5.6% to \$8,452,363. State aid foundation allowance included in revenue from state sources accounts for approximately 57% of the Academy's revenue. The blended enrollment decreased approximately 160 students in the current year to 542.54 students; when combined with a 7.3% increase in budgeted state foundation allowance payments of \$8,700, resulted in a decrease in budgeted state foundation allowance payments of \$1,078,964.

The total cost of instruction increased approximately 62% to \$3,803,157. Support services (including community services and food services) increased approximately 34% to \$5,169,917. The increase in cost of instruction and support services is directly related to the Academy returning to in-person instruction from virtual instruction during 2020-21 including significant facility upgrades for in-person instruction.

**Figure A-3**  
**American International Academy's Net Position**

	<u>2022</u>	<u>2021*</u>
Current and other assets	\$ 2,121,773	\$ 3,123,897
Capital assets	<u>3,383,228</u>	<u>2,822,864</u>
Total assets and deferred outflows	<u>5,505,001</u>	<u>5,946,761</u>
Long-term debt outstanding	327,133	162,372
Other liabilities	<u>1,735,323</u>	<u>1,398,539</u>
Total liabilities and deferred inflows	2,062,456	1,560,911
Net position:		
Net investment in capital assets	2,782,393	2,660,492
Restricted	-	13,055
Unrestricted	<u>660,152</u>	<u>1,712,303</u>
Total net position	<u>\$ 3,442,545</u>	<u>\$ 4,385,850</u>

\* Presentation has not been updated for the adoption of GASB 87

## Academy Governmental Activities

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

	<u>2022</u>	<u>2021*</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ 1,595
Federal and state operating grants	3,545,435	2,171,313
General revenues:		
State aid - unrestricted	4,764,094	5,737,506
Miscellaneous	165,980	88,975
Total revenues	<u>8,475,509</u>	<u>7,999,389</u>
Expenses:		
Instruction	3,803,157	2,350,098
Support and community services	5,169,912	3,858,387
Interest on long-term debt	33,042	22,835
Unallocated depreciation / amortization	412,703	220,216
Total expenses	<u>9,418,814</u>	<u>6,451,536</u>
Change in net position	<u>\$ (943,305)</u>	<u>\$ 1,547,853</u>

\* Presentation has not been updated for the adoption of GASB 87

### Financial Analysis of The Academy's Funds

The general fund balance at June 30, 2022 is \$634,980 or 6.5% of expenditures. General fund revenue increased almost 5.7% primarily due to an increase in operating grants related to the COVID-19 pandemic. Expenditures increased 46% primarily due to costs associated with returning to in-person instruction during 2021-22, including staff compensation adjustments for retention and recruitment and 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 \$89,401 for the year ended June 30, 2022. The special revenue fund received transfers from the General Fund during the year totaling \$76,346.

### 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 1% and 0.5% of the final budgeted amounts, respectively.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2022, the Academy had invested \$3,383,228 in capital assets net of accumulated depreciation as summarized in Figure A-5, a 14% increase from 2020-21. Total depreciation expense for the year was \$412,703. 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>2022</u>	<u>2021*</u>
Land	\$ 400,000	\$ 400,000
Building and improvements	3,236,821	2,557,819
Furniture and equipment	<u>775,026</u>	<u>616,104</u>
Subtotal	4,411,847	3,573,923
Accumulated depreciation / amortization	<u>1,028,619</u>	<u>751,059</u>
Net book value of capital assets	<u><u>\$ 3,383,228</u></u>	<u><u>\$ 2,822,864</u></u>

\* Presentation has not been updated for the adoption of GASB 87

### 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 is planning for major energy systems upgrades from federal pandemic funds that will improve operating efficiency in future years.

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, 2022

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$	523,753
Accounts receivable		18,417
Deposits		23,081
Due from other governmental units		1,516,166
Prepaid expenses		40,356
		<hr/>
Total current assets		2,121,773

#### Capital Assets - Net of Accumulated Depreciation / Amortization

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3,383,228

Total assets and deferred outflows \$ 5,505,001

### LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

#### Current Liabilities

Accounts payable	\$	124,887
Notes payable		377,257
Due to other governmental units		130,233
Unearned revenue		305,507
Other accrued expenses		523,737
Long-term debt - current portion		273,702
		<hr/>
Total current liabilities		1,735,323

#### Long-Term Debt - Long-Term Portion

327,133

#### Net Position

Net investment in capital assets		2,782,393
Unrestricted		660,152
		<hr/>
Total net position		3,442,545
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u><u>5,505,001</u></u>

See accompanying notes to financial statements

## AMERICAN INTERNATIONAL ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Government Type Activities
Instruction				
Basic programs	\$ 2,904,568	\$ -	\$ 2,192,559	\$ (712,009)
Added needs	898,589	-	275,350	(623,239)
Support services				
Pupil support services	613,599	-	641,923	28,324
Instructional staff support services	593,832	-	25,810	(568,022)
General administration	576,850	-	-	(576,850)
School administration	554,551	-	-	(554,551)
Business support services	155,487	-	-	(155,487)
Operations and maintenance	1,300,427	-	-	(1,300,427)
Pupil transportation services	317,510	-	-	(317,510)
Central support services	420,832	-	-	(420,832)
Athletic activities	59,631	-	-	(59,631)
Food services	485,348	-	409,793	(75,555)
Community services	91,845	-	-	(91,845)
Unallocated depreciation / amortization	412,703	-	-	(412,703)
Unallocated interest	33,042	-	-	(33,042)
Total primary government	\$ 9,418,814	\$ -	\$ 3,545,435	(5,873,379)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				4,764,094
Miscellaneous revenues				165,980
Total general purpose revenues				4,930,074
Change in net position				(943,305)
Net position - July 1, 2021				4,385,850
Net position - June 30, 2022				\$ 3,442,545

See accompanying notes to financial statements

## AMERICAN INTERNATIONAL ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

	<b>ASSETS</b>		
	<u>General</u>	<u>Non-Major Special Revenue - Food Services</u>	<u>Total</u>
Cash and cash equivalents	\$ 523,753	\$ -	\$ 523,753
Accounts receivable	18,055	362	18,417
Deposits	23,081	-	23,081
Due from other governmental units	1,464,796	51,370	1,516,166
Due from other funds	40,209	-	40,209
Prepaid expenses	39,981	375	40,356
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,109,875</u>	<u>\$ 52,107</u>	<u>\$ 2,161,982</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 117,869	\$ 7,018	\$ 124,887
Notes payable	377,257	-	377,257
Due to other governmental units	130,233	-	130,233
Due to other funds	-	40,209	40,209
Unearned revenue	305,507	-	305,507
Other accrued expenses	518,857	4,880	523,737
	<hr/>	<hr/>	<hr/>
Total liabilities	1,449,723	52,107	1,501,830
<b>Deferred Inflows of Resources -</b>			
<b>Unavailable Revenue</b>	25,172	-	25,172
<b>Fund Balance</b>			
Nonspendable	63,062	-	63,062
Restricted	-	-	-
Unassigned	571,918	-	571,918
	<hr/>	<hr/>	<hr/>
Total fund balance	634,980	-	634,980
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 2,109,875</u>	<u>\$ 52,107</u>	<u>\$ 2,161,982</u>

See accompanying notes to financial statements

## AMERICAN INTERNATIONAL ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

<b>Total Governmental Fund Balances</b>	\$ 634,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,411,847 and the accumulated depreciation / amortization is \$1,028,619.	3,383,228
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	25,172
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(600,835)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 3,442,545</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, 2022

	Non-Major Special Revenue -		Total
	General	Food Service	
<b>Revenues</b>			
Local sources	\$ 162,980	\$ -	\$ 162,980
State sources	6,128,540	12,569	6,141,109
Federal sources	1,751,050	397,224	2,148,274
Total governmental fund revenues	8,042,570	409,793	8,452,363
<b>Expenditures</b>			
Instruction			
Basic programs	2,904,568	-	2,904,568
Added needs	898,589	-	898,589
Support services			
Pupil support services	613,599	-	613,599
Instructional staff support services	593,832	-	593,832
General administration	576,850	-	576,850
School administration	554,551	-	554,551
Business support services	155,487	-	155,487
Operations and maintenance	1,300,427	-	1,300,427
Pupil transportation services	317,510	-	317,510
Central support services	420,832	-	420,832
Athletic activities	59,631	-	59,631
Food services	-	485,348	485,348
Community services	91,845	-	91,845
Capital outlay	824,078	13,846	837,924
Debt principal and interest	443,126	-	443,126
Total governmental fund expenditures	9,754,925	499,194	10,254,119
Excess (deficiency) of revenues over expenditures	(1,712,355)	(89,401)	(1,801,756)
<b>Other Financing Sources (Uses)</b>			
Proceeds from leases and long-term debt	713,404	-	713,404
Operating transfers in	-	76,346	76,346
Operating transfers out	(76,346)	-	(76,346)
Total other financing sources (uses)	637,058	76,346	713,404
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,075,297)	(13,055)	(1,088,352)
Fund balance - July 1, 2021	1,710,277	13,055	1,723,332
Fund balance - June 30, 2022	\$ 634,980	\$ -	\$ 634,980

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, 2022

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,088,352)

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	\$ 837,924	
Depreciation and amortization expense	<u>(412,703)</u>	425,221

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.	23,146
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$ (713,404)	
Repayment of loan principal	<u>410,084</u>	<u>(303,320)</u>

**Change in Net Position of Governmental Activities** \$ (943,305)

# AMERICAN INTERNATIONAL ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **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 through June 30, 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, 2022 were approximately \$160,000.

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, 2022 was approximately \$186,540.

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, 2022

### 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, 2022

### **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, 2022 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 2022 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, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, 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 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, 2022

### 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

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease 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, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease 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.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease 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 and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease 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 May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

### 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.



## **AMERICAN INTERNATIONAL ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

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, 2022 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 20 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, 2022, 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, 2022, \$365,307 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2022.

#### **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.

## AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### 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.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,015,735
Federal sources	<u>500,431</u>
Total	<u>\$ 1,516,166</u>

## AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 5 - CAPITAL ASSETS

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

	<b>As Restated Balance July 1, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2022</b>
Capital assets not subject to depreciation				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets subject to depreciation / amortization				
Right to use - assets	135,143	-	135,143	-
Building	1,387,876	-	-	1,387,876
Equipment	616,104	158,922	-	775,026
Leasehold improvements	1,169,943	679,002	-	1,848,945
Total asset cost basis	3,709,066	837,924	135,143	4,411,847
Accumulated depreciation / amortization				
Right to use - assets	-	135,143	135,143	-
Building	183,335	34,697	-	218,032
Equipment	281,315	96,853	-	378,168
Leasehold improvements	286,409	146,010	-	432,419
Sub-total	751,059	412,703	135,143	1,028,619
Total net capital assets	<u>\$ 2,958,007</u>	<u>\$ 425,221</u>	<u>\$ -</u>	<u>\$ 3,383,228</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, 2022

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2022 can be summarized as follows:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 20/21	3.45%	August, 2021	Paid in full
SAAN 21/22	2.89%	August, 2022	To provide Academy with funds to finance school operations, secured by future state aid payments.

#### Loan Activity

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>
SAAN 20/21	\$ 201,982	\$ -	\$ 201,982	\$ -
SAAN 21/22	-	1,500,000	1,122,743	377,257
Total	<u>\$ 201,982</u>	<u>\$ 1,500,000</u>	<u>\$ 1,324,725</u>	<u>\$ 377,257</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 495,037
University oversight fee	<u>28,700</u>
Total other accrued expenses	<u>\$ 523,737</u>

## AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2022:

#### 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
Note Payable 4	6.37%	November, 2024	Note payable for equipment payable at \$16,299 including interest monthly
Note Payable 5	5.82%	September, 2023	Note payable for parking lot payable at \$3,232 including interest quarterly
Direct borrowing - buses	3%	June, 2022	Student transportation lease payable monthly at \$11,449

#### Loan Activity

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Note Payable 1	\$ 8,091	\$ -	\$ 8,091	\$ -	\$ -
Note Payable 2	90,005	-	76,677	13,328	13,328
Note Payable 3	64,276	-	35,900	28,376	28,376
Note Payable 4	-	532,820	112,019	420,801	172,733
Note Payable 5	-	180,584	42,254	138,330	59,265
Direct borrowing - buses	135,143	-	135,143	-	-
	<u>\$ 297,515</u>	<u>\$ 713,404</u>	<u>\$ 410,084</u>	<u>\$ 600,835</u>	<u>\$ 273,702</u>

Total

## AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

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

	<u>Principal</u>	<u>Interest</u>
2023	\$ 273,702	\$ 30,351
2024	246,858	25,875
2025	80,275	24,254

### 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	\$ -	\$ 76,346
Transfer Out	76,346	-

### 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.

## AMERICAN INTERNATIONAL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

#### Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring 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 on 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of the year balances had no impact on net position. The changes to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 2,822,864	\$ 162,372
Adoption of GASB Statement 87	<u>135,143</u>	<u>135,143</u>
Balances as of July 1, 2021, as restated	<u>\$ 2,958,007</u>	<u>\$ 297,515</u>

## SUPPLEMENTARY INFORMATION



## AMERICAN INTERNATIONAL ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 101,885	\$ 90,955	\$ 162,980	\$ 72,025
State sources	6,513,051	6,111,295	6,128,540	17,245
Federal sources	2,197,986	1,688,575	1,751,050	62,475
 Total general fund revenues	 8,812,922	 7,890,825	 8,042,570	 151,745
<b>Expenditures</b>				
Instruction				
Basic programs	2,785,558	2,892,273	2,904,568	12,295
Added needs	1,032,685	885,794	898,589	12,795
Support services				
Pupil support services	407,650	650,206	613,599	(36,607)
Instructional staff support services	537,221	576,434	593,832	17,398
General administration	507,381	580,115	576,850	(3,265)
School administration	547,956	564,250	554,551	(9,699)
Business support services	108,303	153,789	155,487	1,698
Operations and maintenance	2,504,912	2,048,070	1,300,427	(747,643)
Pupil transportation services	426,797	452,440	317,510	(134,930)
Central support services	454,896	446,032	420,832	(25,200)
Athletic activities	41,612	60,354	59,631	(723)
Community services	19,095	85,020	91,845	6,825
Capital outlay	-	-	824,078	824,078
Debt principal and interest	-	307,607	443,126	135,519
 Total general fund expenditures	 9,374,066	 9,702,384	 9,754,925	 52,541
 Excess (deficiency) of revenues over expenditures	 (561,144)	 (1,811,559)	 (1,712,355)	 99,204
<b>Other Financing Sources Uses</b>				
Proceeds from long-term debt	-	788,244	713,404	(74,840)
Operating transfers out	(86,675)	(75,000)	(76,346)	(1,346)
 Total other financing sources (uses)	 (86,675)	 713,244	 637,058	 (76,186)
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 (647,819)	 (1,098,315)	 (1,075,297)	 23,018
 Fund balance - July 1, 2021	 1,710,277	 1,710,277	 1,710,277	 -
 Fund balance - June 30, 2022	 <u>\$ 1,062,458</u>	 <u>\$ 611,962</u>	 <u>\$ 634,980</u>	 <u>\$ 23,018</u>

# AMERICAN INTERNATIONAL ACADEMY

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

### Local Sources

Other local revenues	\$ 162,980
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### State Sources

At risk	641,923
Great start readiness program	651,869
Special education	70,654
State aid	<u>4,764,094</u>

Total state sources	6,128,540
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### Federal Sources

IDEA	204,696
Title I	534,470
Title II A	30,836
Other program revenue	<u>981,048</u>

Total federal sources	<u>1,751,050</u>
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Total general fund revenues	<u><u>\$ 8,042,570</u></u>
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## AMERICAN INTERNATIONAL ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Basic Programs

Purchased services	\$ 2,441,325
Repairs and maintenance	10,636
Rentals	23,417
Other purchased services	13,995
Supplies and materials	348,003
Other expenditures	67,192
	<hr/>
Total basic programs	2,904,568

#### Added Needs

Purchased services	757,417
Other purchased services	7,568
Supplies and materials	133,604
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Total added needs	898,589

#### Pupil Support Services

Guidance services	363,659
Health services	54,444
Psychological services	17,836
Speech pathology and audiology	88,838
Social work services	88,822
	<hr/>
Total pupil support services	613,599

#### Instructional Staff Support Services

Purchased services	482,848
Other purchased services	6,545
Supplies and materials	104,364
Other expenditures	75
	<hr/>
Total instructional staff support services	593,832

#### General Administration

Purchased services	202,795
Supplies and materials	182
Other expenditures	373,873
	<hr/>
Total general administration	576,850

## AMERICAN INTERNATIONAL ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2022

#### **School Administration**

Purchased services	488,170
Repairs and maintenance	190
Rentals	5,725
Supplies and materials	60,466

Total school administration 554,551

#### **Business Support Services**

Purchased services	91,176
Rentals	34,379
Other purchased services	1,955
Supplies and materials	1,148
Other expenditures	26,829

Total business support services 155,487

#### **Operations and Maintenance**

Purchased services	447,709
Repairs and maintenance	256,211
Rentals	18,091
Other purchased services	1,134
Supplies and materials	570,174
Other expenditures	7,108

Total operations and maintenance 1,300,427

#### **Pupil Transportation Services**

Purchased services	260,901
Repairs and maintenance	8,348
Rentals	3,876
Supplies and materials	44,385

Total pupil transportation services 317,510

## AMERICAN INTERNATIONAL ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2022

#### Central Support Services

Purchased services	383,518
Repairs and maintenance	500
Rentals	3,550
Supplies and materials	17,591
Other expenditures	15,673

Total central support services 420,832

#### Athletic Activities

Purchased services	40,343
Rentals	170
Supplies and materials	18,618
Other expenditures	500

Total athletic activities 59,631

#### Community Services

Purchased services	10,222
Repairs and maintenance	185
Other purchased services	80,650
Supplies and materials	788

Total community services 91,845

#### Capital Outlay

824,078

#### Debt Principal and Interest

443,126

Total general fund expenditures \$ 9,754,925

# 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, 2022, 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 28, 2022.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

**American International Academy's Response to Findings**

Government Auditing Standards required the auditor to perform limited procedures on American International Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. American International Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 28, 2022





**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, 2022. 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, 2022.

***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.



Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022

# AMERICAN INTERNATIONAL ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

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, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through the Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities) -</b>										
National Lunch Program Commodities 2021-2022	N/A	10.555	\$ 39,506	\$ -	\$ -	\$ -	\$ 8,338	\$ 8,338	\$ -	\$ -
<b>Cash Assistance:</b>										
COVID-19 - Seamless Summer Option (SSO) - Lunch 2021-2022	211961/221961	10.555	216,317	-	-	-	181,801	216,317	34,516	-
COVID-19 - Emergency Operations - SNP Meals 2021	211965	10.555	28,695	-	-	-	28,695	28,695	-	-
COVID-19 - Supply Chain Assistance 2022	220910	10.555	14,183	-	-	-	14,183	14,183	-	-
<b>Total Cash and Noncash Assistance</b>		10.555	298,701	-	-	-	233,017	267,533	34,516	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast 2021-2022	211971/221971	10.553	75,584	-	-	-	75,584	90,911	15,327	-
Fresh Fruit and Vegetable Program 2021-2022	220950	10.582	9,163	-	-	-	2,749	9,163	6,414	-
Extended Food Service Program 2021-2022	210904	10.559	337,922	308,919	21,603	-	50,606	29,003	-	-
<b>Total Child Nutrition Cluster</b>			721,370	308,919	21,603	-	361,956	396,610	56,257	-
<b>Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:</b>										
<b>IDEA Special Education – Formula Grants to ISDs:</b>										
IDEA Flowthrough 2021	210450	84.027A	166,060	166,060	87,741	-	87,741	-	-	-
IDEA Flowthrough 2122	220450	84.027A	204,696	-	-	-	204,696	204,696	-	-
<b>Total Special Education Cluster</b>			370,756	166,060	87,741	-	292,437	204,696	-	-

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, 2022

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, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards:</b>										
<b>U.S. Department of Agriculture -</b>										
<b>Passed through the Michigan Department of Education:</b>										
<b>Pandemic EBT Local Level Costs:</b>										
COVID-19 - Pandemic EBT Local Level Costs 2021	210980	10.649	614	-	-	-	614	614	-	-
<b>U.S. Department of Education -</b>										
<b>Passed through the Michigan Department of Education:</b>										
<b>Title I Part A:</b>										
Title I Part A 2021	210530	84.010A	458,972	122,399	48,681	-	143,258	94,577	-	-
Title I Part A 2122	220530	84.010A	640,670	-	-	-	208,835	439,893	231,058	-
<b>Total Title I Part A</b>		84.010A	1,099,642	122,399	48,681	-	352,093	534,470	231,058	-
<b>Title II, Part A, Supporting Effective Instruction:</b>										
Title II Part A 2021	210520	84.367	59,344	35,825	12,801	-	14,125	1,324	-	-
Title II Part A 2122	220520	84.367	69,232	-	-	-	20,705	27,486	6,781	-
<b>Total Title II Part A</b>		84.367	128,576	35,825	12,801	-	34,830	28,810	6,781	-
<b>Title IV, Part A, Student Support and Academic Enrichment:</b>										
Title IV Part A 2021	210750	84.424A	43,105	21,254	10,867	-	16,982	6,115	-	-
Title IV Part A 2122	220750	84.424A	48,218	-	-	-	16,119	17,132	1,013	-
<b>Total Title IV Part A</b>		84.424A	91,323	21,254	10,867	-	33,101	23,247	1,013	-
<b>Education Stabilization Fund:</b>										
COVID-19 - Governor's Emergency Education Relief (GEER) 2021	201200	84.425C	67,128	39,635	39,635	-	67,128	27,493	-	-
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I) 1920	203710	84.425D	335,013	130,721	41,548	-	245,838	204,290	-	-
COVID-19 - Education Equity – Elementary and Secondary School Emergency Relief (ESSER) 1920	203720	84.425D	33,481	26,042	1,431	-	8,870	7,439	-	-
COVID-19 - Supplemental Elementary and Secondary School Emergency Relief (ESSER II) 2021	213712	84.425D	1,381,789	-	-	-	535,553	718,579	183,026	-
COVID-19 - ESSER II Discretionary – Section 23b(2a) Summer School 2122	213722	84.425D	84,000	-	-	-	-	15,805	15,805	-
COVID-19 - ESSER II Discretionary – Section 23b(2b) Credit Recovery 2122	213742	84.425D	20,000	-	-	-	-	6,491	6,491	-
<b>Total Education Stabilization Fund</b>		84.425	1,921,411	196,398	82,614	-	857,389	980,097	205,322	-
<b>Total Federal Awards</b>			<u>\$ 4,333,692</u>	<u>\$ 850,855</u>	<u>\$ 264,307</u>	<u>\$ -</u>	<u>\$ 1,932,420</u>	<u>\$ 2,168,544</u>	<u>\$ 500,431</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, 2022

### Revenues to Expenditures

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

General Fund	\$ 1,751,050
Special Revenue Fund - Food Service	<u>397,224</u>
Subtotal	2,148,274
Prior year unavailable revenue collected	(2,026)
Current year unavailable revenue not collected within 60 days	<u>22,296</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,168,544</u></u>

# AMERICAN INTERNATIONAL ACADEMY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

### 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, 2022. 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, 2022

**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 \_X\_no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? \_\_\_yes \_X\_no
- Noncompliance material to financial statements noted? \_X\_yes \_\_\_no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes \_X\_no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? \_\_\_yes \_X\_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 \_X\_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?

\_X\_yes \_\_\_no



# AMERICAN INTERNATIONAL ACADEMY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2022

### SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number	Findings
2022-001	<p data-bbox="472 527 846 562"><b>Finding Type</b> – Noncompliance</p> <p data-bbox="472 600 1443 737"><b>Criteria</b> – 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.</p> <p data-bbox="472 779 1443 846"><b>Condition</b> –Actual expenditures exceeded board adopted appropriations by \$52,541.</p> <p data-bbox="472 884 1443 989"><b>Cause / Effect</b> – The budget while amended during the year, did not accurately reflect actual final expenditures. The effect was expenditures in excess of board adopted appropriations.</p> <p data-bbox="472 1026 1443 1131"><b>Recommendation</b> – The Academy should fully review actual and anticipated expenditures and in response amend the budget accordingly in order to comply with state law.</p> <p data-bbox="472 1169 1443 1341"><b>Auditee Response</b> – Actual expenditures differed from the budget as a result of accruals posted as of year end. The accruals were not fully known at the time of the budget amendment. The Academy has reviewed and revised its accounting procedures to ensure actual results are properly and timely reviewed resulting in budget amendments throughout the year.</p>

**AMERICAN INTERNATIONAL ACADEMY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**American International Academy  
Corrective Action Plan**

<b><i>Findings and Recommendations</i></b>	<b><i>Corrective Action Plan</i></b>	<b><i>Responsible Department</i></b>	<b><i>Responsible Person</i></b>	<b><i>Planned Completion Date (TBD or Date)</i></b>
<p><b>2022 – 002: Budgeting</b></p> <p><b>Finding Type: Noncompliance</b></p> <p><b><u>Condition:</u></b></p> <p>Actual expenditures exceeded board approved appropriations by \$52,541.</p> <p><b><u>Recommendation:</u></b></p> <p>The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law.</p>	<p>The business office will implement additional policies and procedures for budgeting. This will include a time schedule to:</p> <ol style="list-style-type: none"> <li>1. Review actual expenditures and compare against board appropriations.</li> <li>2. Communicate new guidelines to all applicable departments.</li> <li>3. Ensure that final adopted budgets are compares against actual and expected expenditures to fully comply with the Uniform Budgeting and Accounting Act.</li> </ol>	<p>Business department which includes the bookkeeping, payroll, grants management, and purchasing functions.</p>	<p>All applicable American International Academy team and subcontractors that fill these rolls. Business office responsible party to take the lead in initiating and implementing.</p>	<p>December 15, 2022</p>