

REQUIRED COMMUNICATIONS

September 20, 2019

To the Board of Directors
Academy for Integrated Arts

We have audited the financial statements of Academy for Integrated Arts (the School) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 18, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note B to the financial statements. Effective July 1, 2018, the School adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by administration and are based on administration's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements included on the attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Although not considered material weakness or significant deficiencies in internal control over financial reporting, during our audit, we noted the following matters involving internal control and other operational matters that are presented for your consideration:

TRANSPORTATION EFFICIENCY - During our audit of transportation records, we noted that the School's transportation efficiency factor as projected for next year was calculated at 228.04%. This factor represents the efficiency relating to the costs incurred and the number of students transported as well as number of miles traveled for student transportation. The state reimbursement calculation is maximized at 104%, however, the maximum efficiency adjustment in which a school would be penalized is 134%. Since the School's efficiency factor is much more than the maximum allowable percentage, the School could benefit from allocating administrative costs to the transportation function without incurring further penalties. As a result of our audit, the School has reclassified certain administrative salaries and benefits to transportation costs which will generate approximately \$2,478 in additional state aid.

Auditee's Response: As a charter school, transportation efficiency is an ongoing challenge. We followed the recommendations to reclass certain salaries and benefits to transportation costs.

PETTY CASH - During our audit, we noted that the annual activity for the petty cash account had not been recorded in the accounting software. The unrecorded activity included \$4,471 of after-care revenues, \$640 of t-shirt sale revenues and \$5,111 of supplies expenses. Lack of adequate controls and reporting for this activity could allow misappropriations to occur and go undetected. We recommend that the petty cash account be reviewed and the activity on the account be recorded on a monthly basis.

Auditee's Response: Moving forward, we will ensure that all activity is recorded and ensure petty cash activity is reviewed monthly.

EMPLOYEE REIMBURSEMENTS - The School's Employee Handbook requires that employee reimbursement requests are submitted within 30 days of the purchase. During our audit, we analyzed a selection of employee reimbursements and noted that some employee reimbursements were submitted more than 30 days after the purchase date. We noted that an October 2018 reimbursement included receipts with dates ranging from April to August 2018. We recommend the School follow its policy for employee reimbursements as written.

Auditee's Response: Moving forward, we will more carefully monitor and follow our policy for employee reimbursements as written.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the administration and the Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

Westbrook & Co., P.C.

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Client: **2522 - Academy for Integrated Arts**
 Engagement: **2522 - ACADEMY FOR INTEGRATED ARTS**
 Period Ending: **6/30/2019**
 Trial Balance: **350.00 - TB**
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 3		410.03		
To record petty cash activity				
10 1111 6411 451	GENERAL SUPPLIES		5,458.52	
10 1132	PETTY CASH			280.82
10 1135	FRONT DESK CASH BOX			66.60
10 5181	BAC			4,471.10
10 5198	MISC Revenue			640.00
Total			<u>5,458.52</u>	<u>5,458.52</u>
Adjusting Journal Entries JE # 6				
Adjusting Journal Entries JE # 6		140.1.1		
To allocate additional costs to transportation				
10 2551 6151 6995 3 00000	Salaries		10,677.10	
10 2551 6221 6995 3 00000	Retirement		960.95	
10 2551 6231 6995 3 00000	FICA		648.05	
10 2551 6232 6995 3 00000	Medicare		151.55	
10 2551 6241 6995 3 00000	Insurance		812.50	
10 2329 6151 6995 3 00000	CLASSIFIED SALARIES-REGULAR			10,677.10
10 2329 6221 6995 3 00000	NON-TEACHER RETIREMENT			960.95
10 2329 6231 6995 3 00000	FICA AND MEDICARE INSURANCE			648.05
10 2329 6232 6995 3 00000	MEDICARE			151.55
10 2329 6241 6995 3 00000	EMPLOYEE INSURANCE			812.50
Total			<u>13,250.15</u>	<u>13,250.15</u>
Total Adjusting Journal Entries			<u>18,708.67</u>	<u>18,708.67</u>
Total All Journal Entries			<u>18,708.67</u>	<u>18,708.67</u>