

ResponsiveEd

Arkansas

Board of Directors Meeting

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May 14, 2021

**NOTICE OF MEETING
RESPONSIVE EDUCATION SOLUTIONS
ARKANSAS CHARTERS
BOARD OF DIRECTORS
REGULAR MEETING**

Date: May 14, 2021
Time: 10:30 a.m.
Place: Responsive Education Solutions (“ResponsiveEd”) Corporate Offices
1301 Waters Ridge Dr.
Lewisville, TX 75057
Charters: Northwest Arkansas Classical Academy (NWACA)
Premier High School of Little Rock (PHS LR)
Premier High School of North Little Rock (PHS NLR)
Premier High School of Springdale (PHS SD)

A. Call to Order (Announcement by the President as to the presence of a quorum that the meeting has been duly called, and the notice of the meeting has been posted for the time and in the manner required by law.)

B. Executive Report

C. Consent Items

1. Approve the minutes from the board meeting held on December 11, 2020.
2. Consider approving the 2020-2021 second and third quarter financial reports. (NWACA) (PHS LR) (PHS NLR)
3. Consider the appointment of Tony Brown to the local board of directors. (NWACA) (PHS LR) (PHS NLR) (PHS SD)

D. Separate Items

1. Consider approving the 2019-2020 annual financial audit reports. (NWACA)(PHS LR)(PHS NLR).

E. Adjourn

Executive Report

Consent Items

1. Minutes

MINUTES
Arkansas Charters
Northwest Arkansas Classical Academy (“NWACA”)
Premier High School of Little Rock (“PHS-LR”)
Premier High School of North Little Rock (PHS-NLR”)

Date: December 11, 2020

Time: 10:30 a.m.

Location: 1301 Waters Ridge Drive, Lewisville, Texas 75057

Meeting Type: Regular

Attendees: Ben Klingenstein, President; Marvin Reynolds, Vice President (via video conference); Kent Sparks, Secretary; Charles Cook, CEO/Board; Lance Losey, Board Member (via video conference); Joe DeProspero, Board Member.

Board President, Ben Klingenstein, called the meeting to order at 10:31 a.m.

1. Discussion Items

Arkansas Superintendent, Steve Gast, provide an update to the board on the Arkansas campuses. Lonnie Morgan gave an update to the board on the current COVID-19 cases at the Arkansas campuses.

2. Consent Items

Motion: Joe DeProspero moved to approve Consent Items 1-3 as presented.

Second: Marvin Reynolds

Vote: 6-0 in favor

1. Approve the minutes from the board meeting held on October 9, 2020.
2. Consider approving the 2020-2021 first quarter financial reports.
(NWACA) (PHS LR) (PHS NLR)
3. C Consider adoption of the Arkansas School Boards Association model policy for COVID-19 emergency leave.

Board President, Ben Klingenstein adjourned the meeting at 10:46 a.m.

Ben Klingenstein, President

Date

Kent Sparks, Board Secretary

Date

2. Financials

2020-2021 2nd Quarter

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Classical Academies of Arkansas - 0442**

Statement of Financial Position as of December 31, 2020

ASSETS**Current Assets**

Cash 1,948,459

Intergovernmental Receivables -

Total Current Assets 1,948,459**Long Term Assets**

Deposits Receivable 415

Total Long Term Assets 415**TOTAL ASSETS** \$ 1,948,874**LIABILITIES****Current Liabilities**

Accounts Payable 526,861

Total Current Liabilities 526,861**Total Long Term Liabilities** -**TOTAL LIABILITIES** \$ 526,861**Net Surplus (Deficit)** 1,422,013**TOTAL LIABILITIES AND EQUITY** \$ 1,948,874

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Classical Academies of Arkansas - 0442

Statement of Activities by Function for Period Ending December 31, 2020
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	1055		
Estimated Average		NA	1041		
REVENUE					
		<u>Budget</u>	<u>YTD Actual</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	337,128	138,783	198,345	41%
	Total Revenue	\$ 337,128	\$ 138,783	\$ 198,345	41%
FUNCTIONS					
1120	Elementary	27,911	27,911	-	100%
1140	High School	6,680	6,680	-	100%
1220	Resource Room	216,996	76,666	140,329	35%
1290	Pre-school Special Needs	7,106	-	7,106	0%
1555	CE Literacy	14,615	-	14,615	0%
2210	Curriculum-Instr Improve	14,621	3,254	11,367	22%
2213	Instructional Staff Training	14,439	-	14,439	0%
2324	Dir Fed Prog	14,273	4,911	9,362	34%
2610	Maintenance of Buildings- CARES	17,744	15,585	2,159	88%
3120	Food Prep and Dispensing Svs	2,243	2,243	-	100%
3355	Homeless Activity	500	-	500	0%
	Total Expenditures	\$ 337,128	\$ 137,250	\$ 199,878	41%
	Net Surplus (Deficit)	\$ -	\$ 1,533		

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Classical Academies of Arkansas - 0442

Statement of Activities by Function for Period Ending December 31, 2020 State and CNP Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	1055		
Estimated Average		NA	1041		
REVENUE		Budget	YTD Actual	Budget Balance	YTD%
10000	Local Revenue	476,760	153,617	323,143	32%
31000	Grants-in-Aid	8,367,736	3,840,476	4,527,260	46%
45000	CNP Revenue	29,465	13,575	15,890	46%
Total Revenue		\$ 8,873,961	\$ 4,007,669	\$ 4,866,292	45%
FUNCTIONS					
1110	Regular Programs- Kindergarten	269,275	81,268	188,007	30%
1120	Regular Programs - Elementary	1,710,578	645,632	1,064,945	38%
1140	Regular Programs - High School	1,788,333	656,585	1,131,748	37%
1141	HS Aide	28,646	-	28,646	0%
1220	Resource Room	84,254	38,222	46,033	45%
1290	Pre-School Special Needs	3,480	-	3,480	0%
1565	Reading Recovery	36,638	14,674	21,964	40%
1930	English as a Second Language	57,044	22,202	34,842	39%
2113	Social Work	1,000	-	1,000	0%
2130	Health Services	1,000	-	1,000	0%
2134	Nursing	58,988	18,752	40,236	32%
2142	Psychological Testing	17,000	1,650	15,350	10%
2152	Speech Pathology	27,300	13,375	13,925	49%
2160	Physical/Occupational Therapy	31,000	7,741	23,259	25%
2210	Curriculum-Instr Improve	95,298	44,432	50,866	47%
2213	Instructional Staff Training	56,823	1,780	55,043	3%
2230	Instruction-related Tech/Broadband	61,000	23,671	37,329	39%
2240	Student Assessment	23,000	3,650	19,350	16%
2292	Special Ed Program Admin	91,923	43,615	48,308	47%
2311	Supv of Board of Education Svs	400	-	400	0%
2315	Legal	900	225	675	25%
2317	Audit Services	35,000	600	34,400	2%
2321	Executive Administration	374,628	186,098	188,530	50%
2324	Dir Fed Program	2,800	7,790	(4,990)	278%
2325	Director of Student Services	56,600	26,419	30,181	47%
2410	Office of the Principal Services	619,801	298,880	320,921	48%
2491	Graduation	9,000	4,550	4,450	0%
2501	Supervision of Business Services	844,177	527,649	316,528	63%
2510	Fiscal Services	212,867	90,744	122,123	43%
2530	Warehouse/Distribution Services	14,000	2,983	11,017	21%
2540	Print/Publishing/Duplicating	17,000	732	16,268	4%
2560	Public Information Services	5,000	1,584	3,416	32%
2576	Criminal Background Checks	3,600	-	3,600	0%
2610	Operation of Buildings	1,947,477	855,507	1,091,970	44%
2611	Custodian	69,500	20,309	49,191	29%
2620	Maintenance of Buildings	50,000	-	50,000	0%
2720	Vehicle Operation-Student	1,500	141	1,359	9%
2740	Vehicle Service/Maintenance	2,000	-	2,000	0%
3120	Food Prep and Dispensing Svs	120,350	58,414	61,936	49%
Total Expenditures		\$ 8,829,181	\$ 3,699,873	\$ 5,129,308	42%
Net Surplus (Deficit)		\$ 44,780	\$ 307,796		

Function 2321 includes contractual management fees accrued in the amount of \$105,372

Function 2501 includes contractual management fees accrued in the amount of \$421,489

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Premier High School of Little Rock - 6053**

Statement of Financial Position as of December 31, 2020

ASSETS**Current Assets**

Cash 501,355

Intergovernmental Receivables

Total Current Assets 501,355**Long Term Assets**

Deposits Receivable 7,340

Total Long Term Assets 7,340**TOTAL ASSETS** \$ 508,695**LIABILITIES****Current Liabilities**

Accounts Payable 48,156

Total Current Liabilities 48,156**Total Long Term Liabilities** -**TOTAL LIABILITIES** \$ 48,156**Net Surplus (Deficit)** 460,539**TOTAL LIABILITIES AND EQUITY** \$ 508,695

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of Little Rock - 6053

Statement of Activities by Function for Period Ending December 31, 2020
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
	Original 07/01/20 Budget	NA	100		
	Estimated Average	NA	167		
REVENUE					
		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	229,502	46,988	182,514	20%
	Total Revenue	\$ 229,502	\$ 46,988	\$ 182,514	20%
FUNCTIONS					
1140	High School	29,471	29,012	459	98%
1220	Resource Room	19,972	7,120	12,853	36%
1555	CE Literacy	17,209	6,386	10,823	37%
1570	Mathematics/Science	11,604	-	11,604	0%
1591	CE Title I School Wide Services	13,078	4,674	8,404	36%
2120	Guidance Services	11,472	4,257	7,215	0%
2170	Parental Involvement	500	-	500	0%
2211	Supv Improvement Instructional Services	8,722	-	8,722	0%
2213	Instructional Staff Training	78,156	-	78,156	0%
2324	Director Federal Program	10,000	-	10,000	0%
2510	Fiscal Services	4,173	-	4,173	0%
2610	Operation of Buildings- CARES	17,220	8,117	9,102	47%
3120	Food Prep & Dispens Svs	7,426	4,036	3,390	54%
3355	Homeless Activity	500	-	500	0%
	Total Expenditures	\$ 229,502	\$ 63,602	\$ 165,900	28%
	Net Surplus (Deficit)	\$ (0)	\$ (16,613)		

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of Little Rock - 6053

Statement of Activities by Function for Period Ending December 31, 2020
State and CNP Funds

		ADA	ADM		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	167		
REVENUE		Budget	YTD	Budget Balance	YTD%
10000	Local Revenue	187,339	38,501	148,838	21%
31000	Grants-in-Aid	771,884	367,092	404,792	48%
45000	CNP Revenue	8,500	4,548	3,952	54%
Total Revenue		\$ 967,723	\$ 410,141	\$ 557,583	42%
FUNCTIONS					
1140	Regular Programs - High School	247,271	94,856	152,415	38%
1220	Resource Room	14,844	6,588	8,256	44%
2113	Social Work	500	-	500	0%
2120	Guidance Services	11,604	-	11,604	0%
2134	Nursing	1,100	-	1,100	0%
2142	Psychological Testing	1,800	-	1,800	0%
2152	Speech Pathology	6,000	2,213	3,787	37%
2160	Physical/Occupational Therapy	2,200	840	1,360	38%
2213	Instructional Staff Training	5,854	645	5,209	11%
2230	Instruction-related Technology	19,500	5,212	14,288	27%
2241	Testing Coordinator	2,500	1,813	688	73%
2292	Special Ed Program Admin	25,150	11,283	13,867	45%
2311	Supv of Board Svs	500	-	500	0%
2315	Legal Services	450	113	338	25%
2317	Audit Services	17,500	500	17,000	3%
2321	Executive Administration	19,322	9,681	9,641	50%
2325	Director of Student Services	105,650	51,790	53,860	49%
2410	Office of the Principal Services	138,545	66,403	72,142	48%
2491	Graduation	3,000	171	2,829	6%
2501	Supervision of Business Services	77,190	38,667	38,523	50%
2530	Warehouse/Distribution Services	1,500	-	1,500	0%
2540	Print/Publish/Bind	68,077	44,105	23,971	65%
2560	Public Information Services	21,500	12,378	9,122	58%
2576	Background Check	300	-	300	0%
2610	Operation of Buildings	111,409	56,678	54,731	51%
2611	Custodian	8,950	5,363	3,587	60%
2661	Resource Officer	19,440	-	19,440	0%
2720	Vehicle Operation-Student	2,880	490	2,390	17%
2740	Vehicle Service/Maintenance	2,000	-	2,000	0%
3120	Food Prep & Dispens Svs	12,500	33	12,467	0%
3131	Delivery of Meals	1,000	-	1,000	0%
Total Expenditures		\$ 950,036	\$ 409,821	\$ 540,215	43%
Net Surplus (Deficit)		\$ 17,687	\$ 320		

Function 2321 includes contractual management fees accrued in the amount of \$9,631.00

Function 2501 includes contractual management fees accrued in the amount of \$38,524.00

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Premier High School of North Little Rock - 6062**

Statement of Financial Position as of December 31, 2020

ASSETS**Current Assets**

Cash	13,139
Intergovernmental Receivables	<u>163,826</u>
Total Current Assets	176,966

Long Term Assets

Deposits Receivable	<u>-</u>
Total Long Term Assets	-

TOTAL ASSETS	<u>\$ 176,966</u>
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LIABILITIES**Current Liabilities**

Accounts Payable	<u>45,435</u>
Total Current Liabilities	45,435

Total Long Term Liabilities	<u>-</u>
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TOTAL LIABILITIES	<u>\$ 45,435</u>
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Net Surplus (Deficit)	<u>131,531</u>
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TOTAL LIABILITIES AND EQUITY	<u>\$ 176,966</u>
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RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of North Little Rock - 6062

Statement of Activities by Function for Period Ending December 31, 2020
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	168		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	137,077	37,569	99,508	27%
Total Revenue		\$ 137,077	\$ 37,569	\$ 99,508	27%
FUNCTIONS					
1140	High School	40,655	15,707	24,948	39%
1220	Resource Room	19,159	12,476	6,684	65%
1555	CE Literacy	5,084	1,840	3,244	36%
1570	Mathematics/Science	10,237	-	10,237	0%
2324	Director Federal Program	15,000	-	15,000	0%
2510	Fiscal Services	26,201	3,900	22,301	15%
2610	Operation of Buildings- CARES	15,819	8,844	6,975	56%
3120	Food Prep & Dispens Svs	2,586	5,224	(2,638)	202%
3131	Delivery of Meals	1,436	1,679	(244)	117%
3355	Homeless Activity	900	-	900	0%
Total Expenditures		\$ 137,077	\$ 49,670	\$ 87,407	36%
Net Surplus (Deficit)		\$ -	\$ (12,101)		

Premier High School of North Little Rock - 6062

Statement of Activities by Function for Period Ending December 31, 2020
State and CNP Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	168		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
10000	Local Revenue	40,000	8	39,993	0%
10000	CSP Grant Reimbursement	400,000	163,826	236,174	41%
31000	Grants-in-Aid	716,330	353,003	363,327	49%
45000	CNP Revenue	10,000	5,629	4,371	56%
Total Revenue		\$ 1,166,330	\$ 522,466	\$ 643,864	45%
FUNCTIONS					
1140	Regular Programs - High School	446,161	189,440	256,721	42%
1220	Resource Room	13,141	622	12,519	5%
2113	Social Work	500	-	500	0%
2134	Nursing	1,000	1,653	(653)	165%
2142	Psychological Testing	2,000	-	2,000	0%
2152	Speech Pathology	2,000	763	1,237	38%
2160	Physical/Occupational Therapy	3,000	-	3,000	0%
2213	Instructional Staff Training	54,911	3,650	51,262	7%
2230	Instruction-related Technology	10,500	4,515	5,985	43%
2240	Testing Coordinator	-	1,500	(1,500)	0%
2292	Special Ed Program Admin	25,150	11,589	13,561	46%
2315	Legal	450	113	338	0%
2317	Audit Services	17,500	475	17,025	3%
2321	Executive Administration	18,484	9,137	9,347	0%
2325	Director of Student Services	28,030	13,209	14,821	47%
2410	Office of the Principal Services	131,137	58,495	72,642	45%
2491	Graduation	3,000	-	3,000	0%
2501	Supervision of Business Services	72,735	36,440	36,295	50%
2510	Fiscal Services	30,000	-	30,000	0%
2530	Warehouse/Distribution Services	3,000	-	3,000	0%
2540	Print/Publish/Bind	8,000	95	7,905	1%
2560	Public Information Services	56,500	54,601	1,899	97%
2576	Background Check	300	-	300	0%
2610	Operation of Buildings	183,849	86,457	97,392	47%
2611	Custodian	7,600	1,650	5,950	22%
2661	Resource Officer	12,253	-	12,253	0%
2740	Vehicle Service/Maintenance	2,000	115	1,885	6%
3120	Food Prep & Dispens Svs	14,500	114	14,386	1%
3131	Delivery of Meals	2,000	-	2,000	0%
Total Expenditures		\$ 1,149,701	\$ 474,634	\$ 675,067	41%
Net Surplus (Deficit)		\$ 16,629	\$ 47,832		

Function 2321 includes contractual management fees accrued in the amount of \$9,087.00

Function 2501 includes contractual management fees accrued in the amount of \$36,348.00

2020-2021 3rd Quarter

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Classical Academies of Arkansas - 0442**

Statement of Financial Position as of March 31, 2021

ASSETS**Current Assets**

Cash 2,392,387

Intergovernmental Receivables -

Total Current Assets 2,392,387**Long Term Assets**

Deposits Receivable 415

Total Long Term Assets 415**TOTAL ASSETS** \$ 2,392,802**LIABILITIES****Current Liabilities**

Accounts Payable 87,810

Total Current Liabilities 87,810**Total Long Term Liabilities** -**TOTAL LIABILITIES** \$ 87,810**Net Surplus (Deficit)** 2,304,992**TOTAL LIABILITIES AND EQUITY** \$ 2,392,802

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Classical Academies of Arkansas - 0442

Statement of Activities by Function for Period Ending March 31, 2021
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	1055		
Estimated Average		NA	1032		
REVENUE					
		<u>Budget</u>	<u>YTD Actual</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	<u>341,506</u>	<u>212,935</u>	<u>128,572</u>	<u>62%</u>
	Total Revenue	<u>\$ 341,506</u>	<u>\$ 212,935</u>	<u>\$ 128,572</u>	<u>62%</u>
FUNCTIONS					
1120	Elementary	27,911	27,911	-	100%
1140	High School	6,680	6,680	-	100%
1220	Resource Room	216,681	131,291	85,390	61%
1290	Pre-school Special Needs	7,109	-	7,109	0%
1590	Other Compensatory Ed	1,446	-	1,446	0%
1592	Summer School	8,764	-	8,764	0%
2120	Guidance Services	14,621	-	14,621	0%
2210	Curriculum-Instr Improve	4,604	4,795	(190)	104%
2213	Instructional Staff Training	14,451	-	14,451	0%
2324	Dir Fed Prog	18,751	7,236	11,516	39%
2610	Maintenance of Buildings- CARES	17,744	16,276	1,468	92%
3120	Food Prep and Dispensing Svs	2,243	2,243	-	100%
3355	Homeless Activity	<u>500</u>	<u>-</u>	<u>500</u>	<u>0%</u>
	Total Expenditures	<u>\$ 341,506</u>	<u>\$ 196,432</u>	<u>\$ 145,075</u>	<u>58%</u>
	Net Surplus (Deficit)	<u>\$ -</u>	<u>\$ 16,503</u>		

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Classical Academies of Arkansas - 0442

Statement of Activities by Function for Period Ending March 31, 2021 State and CNP Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	1055		
Estimated Average		NA	1032		
REVENUE		Budget	YTD Actual	Budget Balance	YTD%
10000	Local Revenue	476,760	245,002	231,758	51%
31000	Grants-in-Aid	8,367,736	6,475,929	1,891,807	77%
45000	CNP Revenue	29,465	35,410	(5,945)	120%
Total Revenue		\$ 8,873,961	\$ 6,756,341	\$ 2,117,620	76%
FUNCTIONS					
1110	Regular Programs- Kindergarten	269,275	146,833	122,442	55%
1120	Regular Programs - Elementary	1,743,249	1,031,887	711,361	59%
1140	Regular Programs - High School	1,761,381	1,057,661	703,720	60%
1141	HS Aide	28,646	-	28,646	0%
1220	Resource Room	100,443	56,524	43,919	56%
1290	Pre-School Special Needs	3,476	3,142	334	0%
1565	Reading Recovery	36,638	23,402	13,236	64%
1930	English as a Second Language	60,501	36,568	23,933	60%
2113	Social Work	1,000	-	1,000	0%
2130	Health Services	1,000	-	1,000	0%
2134	Nursing	58,988	35,064	23,924	59%
2142	Psychological Testing	17,000	3,600	13,400	21%
2152	Speech Pathology	27,800	19,802	7,998	71%
2160	Physical/Occupational Therapy	31,000	16,903	14,097	55%
2210	Curriculum-Instnr Improve	95,298	65,469	29,828	69%
2213	Instructional Staff Training	56,933	4,581	52,352	8%
2230	Instruction-related Tech/Broadband	61,000	38,671	22,329	63%
2240	Student Assessment	23,000	3,650	19,350	16%
2292	Special Ed Program Admin	88,023	64,732	23,291	74%
2311	Supv of Board of Education Svs	400	1,950	(1,550)	488%
2315	Legal	900	1,125	(225)	125%
2317	Audit Services	35,000	12,380	22,620	35%
2321	Executive Administration	374,628	277,567	97,061	74%
2324	Dir Fed Program	2,800	10,899	(8,099)	389%
2325	Director of Student Services	56,600	39,439	17,161	70%
2410	Office of the Principal Services	619,801	415,391	204,411	67%
2411	Asst Principal	-	35,828	(35,828)	0%
2491	Graduation	9,000	4,651	4,349	0%
2501	Supervision of Business Services	844,177	633,194	210,983	75%
2510	Fiscal Services	212,867	143,685	69,183	67%
2530	Warehouse/Distribution Services	14,000	5,668	8,332	40%
2540	Print/Publishing/Duplicating	17,000	732	16,268	4%
2560	Public Information Services	5,000	4,145	855	83%
2576	Criminal Background Checks	3,600	33	3,567	1%
2580	Administrative Technology Services	-	157	(157)	0%
2610	Operation of Buildings	1,944,688	1,160,457	784,232	60%
2611	Custodian	69,500	43,749	25,751	63%
2620	Maintenance of Buildings	50,000	-	50,000	0%
2720	Vehicle Operation-Student	1,500	141	1,359	9%
2740	Vehicle Service/Maintenance	2,000	-	2,000	0%
3120	Food Prep and Dispensing Svs	120,350	96,331	24,019	80%
Total Expenditures		\$ 8,848,463	\$ 5,496,011	\$ 3,352,452	62%
Net Surplus (Deficit)		\$ 25,498	\$ 1,260,330		

Function 2321 includes contractual management fees accrued in the amount of \$17,562

Function 2501 includes contractual management fees accrued in the amount of \$70,248

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Premier High School of Little Rock - 6053**

Statement of Financial Position as of March 31, 2021

ASSETS**Current Assets**

Cash 674,473

Intergovernmental Receivables

Total Current Assets 674,473**Long Term Assets**

Deposits Receivable 7,340

Total Long Term Assets 7,340**TOTAL ASSETS** \$ 681,813**LIABILITIES****Current Liabilities**

Accounts Payable 24,078

Total Current Liabilities 24,078**Total Long Term Liabilities** -**TOTAL LIABILITIES** \$ 24,078**Net Surplus (Deficit)** 657,735**TOTAL LIABILITIES AND EQUITY** \$ 681,813

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of Little Rock - 6053

Statement of Activities by Function for Period Ending March 31, 2021
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	137		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	229,558	91,858	137,700	40%
	Total Revenue	\$ 229,558	\$ 91,858	\$ 137,700	40%
FUNCTIONS					
1140	High School	29,471	40,647	(11,177)	138%
1220	Resource Room	19,991	11,868	8,123	59%
1555	CE Literacy	17,246	10,696	6,550	62%
1570	Mathematics/Science	9,337	985	8,352	11%
1591	CE Title I School Wide Services	12,498	7,791	4,707	62%
2120	Guidance Services	11,472	7,131	4,341	0%
2170	Parental Involvement	200	-	200	0%
2213	Instructional Staff Training	86,878	4,200	82,678	5%
2324	Director Federal Program	15,000	-	15,000	0%
2510	Fiscal Services	2,520	-	2,520	0%
2610	Operation of Buildings- CARES	17,220	8,203	9,016	48%
3120	Food Prep & Dispens Svs	7,426	4,205	3,221	57%
3355	Homeless Activity	300	-	300	0%
	Total Expenditures	\$ 229,558	\$ 95,727	\$ 133,831	42%
	Net Surplus (Deficit)	\$ (0)	\$ (3,869)		

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of Little Rock - 6053

Statement of Activities by Function for Period Ending March 31, 2021 State and CNP Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	137		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
10000	Local Revenue	187,339	51,056	136,283	27%
31000	Grants-in-Aid	771,884	713,058	58,826	92%
45000	CNP Revenue	8,500	7,984	516	94%
Total Revenue		\$ 967,723	\$ 772,098	\$ 195,625	80%
FUNCTIONS					
1140	Regular Programs - High School	257,705	147,737	109,968	57%
1220	Resource Room	19,223	10,569	8,654	55%
2113	Social Work	500	-	500	0%
2134	Nursing	1,100	300	800	27%
2142	Psychological Testing	1,800	-	1,800	0%
2152	Speech Pathology	6,400	3,415	2,985	53%
2160	Physical/Occupational Therapy	2,200	1,260	940	57%
2213	Instructional Staff Training	5,454	2,789	2,665	51%
2230	Instruction-related Technology	18,646	5,403	13,243	29%
2241	Testing Coordinator	1,500	1,813	(313)	121%
2292	Special Ed Program Admin	25,150	16,631	8,519	66%
2311	Supv of Board Svs	500	975	(475)	195%
2315	Legal Services	450	563	(113)	125%
2317	Audit Services	17,500	8,175	9,325	47%
2321	Executive Administration	19,322	14,497	4,825	75%
2325	Director of Student Services	105,650	76,943	28,707	73%
2410	Office of the Principal Services	138,545	98,234	40,311	71%
2491	Graduation	3,000	171	2,829	6%
2501	Supervision of Business Services	77,190	57,952	19,238	75%
2530	Warehouse/Distribution Services	1,500	-	1,500	0%
2540	Print/Publish/Bind	85,734	60,222	25,513	70%
2560	Public Information Services	21,500	17,875	3,625	83%
2576	Background Check	300	11	289	4%
2610	Operation of Buildings	112,384	71,358	41,026	63%
2611	Custodian	8,950	7,594	1,356	85%
2720	Vehicle Operation-Student	2,332	234	2,098	10%
2740	Vehicle Service/Maintenance	2,000	375	1,625	19%
3120	Food Prep & Dispens Svs	12,500	3,920	8,580	31%
3131	Delivery of Meals	1,000	-	1,000	0%
Total Expenditures		\$ 950,036	\$ 609,013	\$ 341,024	64%
Net Surplus (Deficit)		\$ 17,687	\$ 163,086		

Function 2321 includes contractual management fees accrued in the amount of \$4,816.00

Function 2501 includes contractual management fees accrued in the amount of \$19,263.00

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS**Premier High School of North Little Rock - 6062**

Statement of Financial Position as of March 31, 2021

ASSETS**Current Assets**

Cash	385,612
Intergovernmental Receivables	<u>32,759</u>
Total Current Assets	418,372

Long Term Assets

Deposits Receivable	<u>-</u>
Total Long Term Assets	-

TOTAL ASSETS	<u>\$ 418,372</u>
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LIABILITIES**Current Liabilities**

Accounts Payable	<u>22,717</u>
Total Current Liabilities	22,717

Total Long Term Liabilities	<u>-</u>
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TOTAL LIABILITIES	<u>\$ 22,717</u>
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Net Surplus (Deficit)	<u>395,654</u>
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TOTAL LIABILITIES AND EQUITY	<u>\$ 418,372</u>
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		151449
Accured Management Fees		
4,543.47	2321	
18,173.88	2501	

RESPONSIVE EDUCATION SOLUTIONS - ARKANSAS

Premier High School of North Little Rock - 6062

Statement of Activities by Function for Period Ending March 31, 2021
Federal Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	109		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
45000	Federal Revenue (40000-49999)	537,125	244,834	292,291	46%
Total Revenue		\$ 537,125	\$ 244,834	\$ 292,291	46%
FUNCTIONS					
1140	High School	240,655	144,773	95,882	60%
1220	Resource Room	19,172	19,159	12	100%
1555	CE Literacy	5,119	2,991	2,129	58%
1570	Mathematics/Science	10,237	-	10,237	0%
2134	Nursing	2,000	1,653	347	83%
2211	Supv Improvement Instructional Services	80,000	4,500	75,500	6%
2213	Instructional Staff Training	10,000	5,108	4,892	51%
2317	Audit Services	17,500	-	17,500	0%
2324	Director Federal Program	15,000	-	15,000	0%
2410	Office of the Principal	15,500	3,655	5,108	24%
2510	Fiscal Services	26,201	3,900	22,301	15%
2560	Public Information Systems/ Marketing	75,000	49,742	25,258	66%
2610	Operation of Buildings- CARES	15,819	9,088	6,731	57%
3120	Food Prep & Dispens Svs	2,586	5,282	(2,695)	204%
3131	Delivery of Meals	1,436	1,679	(244)	117%
3355	Homeless Activity	900	-	900	0%
Total Expenditures		\$ 537,125	\$ 251,531	\$ 278,857	47%
Net Surplus (Deficit)		\$ -	\$ (6,697)		

Premier High School of North Little Rock - 6062

Statement of Activities by Function for Period Ending March 31, 2021
State and CNP Funds

		<u>ADA</u>	<u>ADM</u>		
Original 07/01/20 Budget		NA	100		
Estimated Average		NA	109		
REVENUE		<u>Budget</u>	<u>YTD</u>	<u>Budget Balance</u>	<u>YTD%</u>
10000	Local Revenue	40,000	8	39,993	0%
31000	Grants-in-Aid	716,330	745,162	(28,832)	104%
45000	CNP Revenue	10,000	8,910	1,091	89%
Total Revenue		\$ 766,330	\$ 754,079	\$ 12,251	98%
FUNCTIONS					
1140	Regular Programs - High School	188,616	127,536	61,080	68%
1220	Resource Room	13,141	1,853	11,288	14%
2113	Social Work	500	-	500	0%
2134	Nursing	1,000	300	700	30%
2142	Psychological Testing	2,000	-	2,000	0%
2152	Speech Pathology	2,000	1,234	766	62%
2160	Physical/Occupational Therapy	3,000	-	3,000	0%
2213	Instructional Staff Training	4,911	1,285	3,626	26%
2230	Instruction-related Technology	10,500	7,068	3,432	67%
2240	Testing Coordinator	-	1,500	(1,500)	0%
2292	Special Ed Program Admin	25,150	17,420	7,730	69%
2311	Supv of Board Svs	-	975	(975)	0%
2315	Legal	450	563	(113)	0%
2317	Audit Services	-	475	(475)	0%
2321	Executive Administration	18,484	13,680	4,804	0%
2325	Director of Student Services	28,030	19,531	8,499	70%
2410	Office of the Principal Services	131,137	89,682	41,456	68%
2491	Graduation	3,000	-	3,000	0%
2501	Supervision of Business Services	72,735	54,635	18,100	75%
2530	Warehouse/Distribution Services	3,000	-	3,000	0%
2540	Print/Publish/Bind	17,658	95	17,563	1%
2560	Public Information Services	21,500	12,695	8,805	59%
2576	Background Check	300	-	300	0%
2610	Operation of Buildings	183,849	89,179	94,669	49%
2611	Custodian	7,600	3,845	3,755	51%
2661	Resource Officer	3,882	-	3,882	0%
2740	Vehicle Service/Maintenance	2,000	115	1,885	6%
3120	Food Prep & Dispens Svs	14,500	3,136	11,364	22%
3131	Delivery of Meals	2,000	610	1,390	30%
Total Expenditures		\$ 760,943	\$ 447,413	\$ 313,530	59%
Net Surplus (Deficit)		\$ 5,387	\$ 306,665		

Function 2321 includes contractual management fees accrued in the amount of \$4,543.00

Function 2501 includes contractual management fees accrued in the amount of \$18,174.00

3. Appointment to Local Board of Directors

Tony Brown

Statewide Program Specialist, Arkansas Department of Transformation and Shared Services/Office of Personnel Management Training

Tony brings 25 years of expertise to the professional development landscape primarily in the areas of leadership development, project management, interpersonal communication, and diversity and inclusion. Prior to joining the Office of Personnel Management, Tony was the Staff Development Coordinator at the Arkansas Services for the Blind at the Department of Human Services. Tony also spent 10 years as a regional sales manager and trainer with Nordic Track and the Sleep Number Bed Company where he focused on talent management, high-potential development, and leadership development. He also served in the U.S. Air Force and Air National Guard with a focus in operations and training where he retired after 21 years of service.

Tony has been a certified FranklinCovey Facilitator for 26 years.

PROFESSIONAL PROFILE

Forward-thinking, innovative, and results-oriented professional offering the benefit of 25 years of experience in FranklinCovey leadership facilitation. Facilitation expertise in Project Management, Unconscious Bias, Diversity and Inclusion, and Understanding Generations. Experience in instructor-led and virtual training and training development. Keen understanding of training trends, managing and developing teams, and implementing best practices. Outstanding public speaking skills; ability to engage an audience for information retention.

WORK EXPERIENCE

Statewide Program Specialist, Department of Transformation and Shared Services, Office of Personnel Management, Little Rock, AR. 09/2015 – Present

- Consults and liaises with managers, subject matters experts, senior management, and pertinent stakeholders to create, develop, and confirm program objectives. Establishes and maintains collaborative working relationships with state agency leaders.
- Deliver content in a classroom setting, virtual training, and lead interactive activities to provide advanced programs for midlevel to senior level management.
- Responsible for the strategy, curriculum development and content delivery for structured leadership development programs with emphasis on new field leaders, bench for Agency Administrators and Division Managers.
- Develops understanding and knowledge of the organization and builds relationships within the unit served and recommends actions to promotion organizational improvement.
- Provides a variety of organizational effectiveness services including organizational design, strategic planning, leadership development, change management, team building, diversity and inclusion training, and survey design and analysis.
- Conducts and facilitates leadership development training using a variety of instructional techniques and formats to include role playing, simulations, team exercises, group discussions, videos and lectures.

Staff Development Coordinator, Division of Services for the Blind (DSB), Little Rock, AR. 02/2011- 09/2015

- Managed compliance with organizational processes, conducted needs assessments, evaluated training programs and personnel surveys and assisted in formulating training programs.
- Provided input and direction for special events. Scheduled, coordinated and made arrangements for state and divisional events.
- Planned and negotiated contracts with hotels and meeting facilities for conferences and workshops.
- Determined training program goals and guidelines, developed and implemented policies and procedures.
- Analyzed and interpreted proposed staff development policies and guidelines.
- Coordinated evacuation procedures and contact information for citizens who were blind or visually impaired with Arkansas Department of Emergency Management (ADEM) and local community emergency services.
- Developed agency disaster emergency procedures for regional offices.
- Developed an operating budget for by identifying program needs, prepared justification, monitored expenditures, and approved allocations of funds.
- Communicated effectively verbally and in writing, with a diverse range of audiences including staff members, committee chairs, board of directors' members, hotel/meeting facility staff, vendors, and others.
- Monitored and controlled in-service training plans and conference training plans, managed agency training budget of \$175,000.

Charles A. Brown

Sales Manager, Mattress Giant Inc. Atlanta, Georgia 08/2009 – 03/2010

- Responsible for sales, marketing, and planning responsibilities to increase market share in Atlanta district.
- Improved sales volume and produced bottom-line profits with a sales volume of \$1,000,000. Enhanced staff training and development, and appropriate product merchandising while maintaining store marketing presence.

Store Sales Manager, Sleep Number Bed by Select Comfort Inc. Snellville, Georgia 07/2006 – 03/2009

- Served as Project Manager for special promotional events, conducted due-diligence research of marketplace, and developed business relationships within the local community.
- Built, trained, and developed high performing sales team to demonstrate products and answer customer questions.
- Developed performance management standards, prepared performance reviews, met with subordinates to discuss and review performance.
- Responsible for opening two metro Atlanta stores and achieving sales goals through execution of marketing plans and achieving sales exceeding \$1.5 and \$1.7 million in annual sales revenue.
- Oversaw all event operations, planning, and execution, including venue searches, contracts, F&B, logistics, signage, shipping, budgeting for external, customer events, as well as internal events.

District Manager, Nordic Track, Atlanta, Georgia 12/2005 – 07/2006

- Provided oversight of four Metro Atlanta stores, responsible for marketing and sale strategies for district. Achieving 25% increase in sales projections and 15 % profit increases (exceeding East Coast regional goals).
- Formulated and implemented business plans to achieve targets and maximized profits.
- Evaluate total market conditions, competitive threats, and changing local dynamics which may impact volume, share, profit, as well as other business metrics.
- Developed and launched outside marketing strategies such as Home Shows participation, Fitness Expos and Health Seminars.
- Trained high-performance sales teams, attracting and retaining top talent to drive business goals and performance.

Store Manager, ICI Dulux Paints, Marietta, Georgia 08/2004 - 10/2005

- Maintained outside sales to commercial and industrial accounts, developed and trained sales staff, managed major accounts receivables and store P & L, controlled store expenses.
- Maximized profits with a store sales volume of \$1.5 million in annual sales.
- Developed new client base and increased sales growth by 25 %.

Aircraft Fuel Systems Supervisor, Georgia Air National Guard 116th Air Control Wing, Robins Air Force Base, Georgia 09/1984 - 07/2004

- Supervised staff of 25+ technical, professional, and military support personnel. Fully accountable for personnel scheduling, job assignments, performance reviews, merit promotions, and daily supervision. Planned use of workers, equipment, facilities, and materials on a daily or project basis. Coordinated manpower planning to meet operational requirements and realigned workflow to optimize productivity.
- Maintenance experience on F-105, F-4, F-15, B-1B Bomber and Joint-Stars Aircraft.
- Managed various programs and projects, coordinated maintenance schedules and deadlines, worked and communicated with other maintenance work centers and military bases.
- Developed training programs for Active Duty and Civilian Supervisors.
- Instructor for Air National Guard Supervisor Course.
- Covey Seven Habits Facilitator for the Wing 1995 – 2001.

Charles A. Brown

EDUCATION and PROFESSIONAL DEVELOPMENT

- **Human Resource Management**, Saint Leo University, Fort McPherson, Georgia
- Certificate in Business Law, National Center for Paralegal Training, Atlanta Georgia
- Certified **FranklinCovey Facilitator**, Certified in 16 FranklinCovey Leadership Programs
- Operation Jump Start Program Administrator, Southeast Missouri State University
- United States Air Force Non Commission Officer Academy
- Microsoft Office and Teams
- Zoom Virtual Training

Separate Items

1. 2019-2020 Annual Financial Audit Reports



Board of Trustees
Northwest Arkansas Classical Academy of Bentonville

We have audited the regulatory basis financial statements of the governmental activities and the fiduciary fund information of the Northwest Arkansas Classical Academy of Bentonville (the Charter) for the year ended June 30, 2020, and have issued our report thereon dated March 17, 2021. 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 engagement letter dated June 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northwest Arkansas Classical Academy of Bentonville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2019-2020 fiscal year. We noted no transactions entered into by the Charter 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 management and are based on management'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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Passed Adjustments

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes passed adjustments of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Audit Matters (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 March 17, 2021.

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 Charter'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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 regulatory basis of accounting as prescribed by Arkansas Code Annotated §10-4-413(c), the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The schedule of capital assets was not subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that information.

Page 3
Board of Trustees
Northwest Arkansas Classical Academy of Bentonville

This information is intended solely for the use of the Board of Trustees and management of Northwest Arkansas Classical Academy of Bentonville and is not intended to be and should not be used by anyone other than these specified parties.

Thomas & Thomas, PLLC
Certified Public Accountants

Texarkana, Texas
March 17, 2021

Northwest Arkansas Classical Academy of Bentonville
Audit 6/30/20
Passed Adjustments

Account	Account Description	Debit	Credit
PAJE #1			
To reclassify July rent paid in June			
33400-2610-7030-000-00-00-____-01810	PREPAID EXPENSES	\$ 13,998.55	
33400-2610-7030-000-00-00-____-64410	LAND & BLDGS		\$ 13,998.55
		<u>\$ 13,998.55</u>	<u>\$ 13,998.55</u>

PAJE #2
To defer excess funds from student meal accounts

38200-0000-0000-000-00-00-____-16110	SCHOOL LUNCH PROGRAM	\$ 7,183.98	
38200-0000-0000-000-00-00-____-04999	SCHOOL LUNCH PROGRAM - Deferred		\$ 7,183.98
		<u>\$ 7,183.98</u>	<u>\$ 7,183.98</u>

PAJE #3
To reverse Check 332831 as the check was held as of June 30, 2020

32200-0000-0000-000-00-00-____-01010	CASH IN BANK	\$ 22,734.44	
32200-1140-7060-000-00-00-____-66107	SUPPLIES 500-999.99		\$ 21,498.39
32200-1140-7060-000-00-00-____-67340	EQUIP TECHNOLOGY HARDWARE		1,236.05
		<u>\$ 22,734.44</u>	<u>\$ 22,734.44</u>

**NORTHWEST ARKANSAS CLASSICAL
ACADEMY OF BENTONVILLE**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020

(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)

**NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
ANNUAL FINANCIAL REPORT
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Northwest Arkansas Classical Academy of Bentonville
Bentonville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the fiduciary fund information of Northwest Arkansas Classical Academy of Bentonville (the Charter School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, as described in Note 1 to the financial statements, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Trustees
Northwest Arkansas Classical Academy of Bentonville

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Charter School on the basis of the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School, as of June 30, 2020, or the changes in its financial position or budgetary comparison for the major governmental funds for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The Schedule of Capital Assets (Unaudited), which is management's responsibility, is presented for the purpose of additional analysis and in compliance with state statutes. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees
Northwest Arkansas Classical Academy of Bentonville

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021, on our consideration of the Charter School'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 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 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 the Charter School's internal control over financial reporting and compliance.



Certified Public Accountants

Texarkana, Texas
March 17, 2021

REGULATORY BASIS FINANCIAL STATEMENTS

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
BALANCE SHEETS - REGULATORY BASIS
JUNE 30, 2020

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Funds
ASSETS			
Cash	\$ 1,317,629	\$ 118,348	\$ 130,903
Accounts receivable	-	45,946	-
Other assets	415	-	-
TOTAL ASSETS	<u>1,318,044</u>	<u>164,294</u>	<u>130,903</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to related parties	260,206	-	-
Due to student groups	-	-	130,903
Accrued payroll and related expenditures	258,580	22,805	-
Total Liabilities	<u>518,786</u>	<u>22,805</u>	<u>130,903</u>
Fund Balances			
Restricted	-	141,489	-
Unassigned	799,258	-	-
Total Fund Balances	<u>799,258</u>	<u>141,489</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,318,044</u>	<u>\$ 164,294</u>	<u>\$ 130,903</u>

See accompanying notes to financial statements.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds	
	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 6,911,787	\$ 712,895
Federal assistance	-	245,489
Meal sales	-	31,866
Other local revenue	433,335	11,649
Total Revenues	<u>7,345,122</u>	<u>1,001,899</u>
EXPENDITURES		
Instructional services	3,513,364	283,481
Instructional support services	346,163	32,220
General administration	469,318	8,790
School administration	576,829	-
Central services	1,048,663	-
Operation and maintenance of plant	1,095,459	518,111
Food services	-	124,507
Community services	-	331
Total Expenditures	<u>7,049,796</u>	<u>967,440</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	295,326	34,459
OTHER FINANCING SOURCES (USES)		
Operating transfers between funds	(35,698)	35,698
Annexation/Consolidation	199,847	300
Total Other Financing Sources (Uses)	<u>164,149</u>	<u>35,998</u>
NET CHANGE IN FUND BALANCES	459,475	70,457
FUND BALANCES - BEGINNING OF YEAR	<u>339,783</u>	<u>71,032</u>
FUND BALANCES - END OF YEAR	<u>\$ 799,258</u>	<u>\$ 141,489</u>

See accompanying notes to financial statements.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 6,905,692	\$ 6,911,787	\$ 6,095	\$ 712,359	\$ 712,895	\$ 536
Federal assistance	-	-	-	263,357	245,489	(17,868)
Meal sales	-	-	-	47,643	31,866	(15,777)
Other local revenue	704,508	433,335	(271,173)	-	11,649	11,649
Total Revenues	<u>7,610,200</u>	<u>7,345,122</u>	<u>(265,078)</u>	<u>1,023,359</u>	<u>1,001,899</u>	<u>(21,460)</u>
EXPENDITURES						
Instructional services	3,566,993	3,513,364	53,629	342,177	283,481	58,696
Instructional support services	408,918	346,163	62,755	59,198	32,220	26,978
General administration	464,645	469,318	(4,673)	9,238	8,790	448
School administration	572,973	576,829	(3,856)	-	-	-
Central services	909,046	1,048,663	(139,617)	-	-	-
Operation and maintenance of plant	1,518,502	1,095,459	423,043	518,111	518,111	-
Food services	-	-	-	143,955	124,507	19,448
Community services	-	-	-	331	331	-
Total Expenditures	<u>7,441,077</u>	<u>7,049,796</u>	<u>391,281</u>	<u>1,073,010</u>	<u>967,440</u>	<u>105,570</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	169,123	295,326	126,203	(49,651)	34,459	84,110
OTHER FINANCING SOURCES (USES)						
Operating transfers between funds	(9,862)	(35,698)	(25,836)	64,847	35,698	(29,149)
Annexation/Consolidation	-	199,847	199,847	-	300	300
Total Other Financing Sources (Uses)	<u>(9,862)</u>	<u>164,149</u>	<u>174,011</u>	<u>64,847</u>	<u>35,998</u>	<u>(28,849)</u>
NET CHANGE IN FUND BALANCES	159,261	459,475	300,214	15,196	70,457	55,261
FUND BALANCES - BEGINNING OF YEAR	<u>339,783</u>	<u>339,783</u>	<u>-</u>	<u>71,032</u>	<u>71,032</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 499,044</u>	<u>\$ 799,258</u>	<u>\$ 300,214</u>	<u>\$ 86,228</u>	<u>\$ 141,489</u>	<u>\$ 55,261</u>

See accompanying notes to financial statements.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Northwest Arkansas Classical Academy of Bentonville (the Charter School) is an open-enrollment public charter school established by Responsive Education Solutions, Inc., a nonprofit organization incorporated under the laws of the State of Texas. Responsive Education Solutions, Inc. (the sponsoring organization, hereinafter referred to as RES), a nonsectarian tax-exempt organization, was granted a charter by the Arkansas State Board of Education (the State Board) on November 1, 2012, to operate an open-enrollment charter school through June 30, 2018. In December 2017, the Arkansas Department of Education (ADE) approved the renewal of the charter for an additional ten years, with a new expiration date of June 30, 2028. The Charter School, which is operated by RES in accordance with the ADE Rules and Regulations Governing Charter Schools, offers educational opportunities to students in grade levels from kindergarten through the twelfth grade with an enrollment cap of 1,200. The ADE authorized the Charter School to increase the enrollment cap to 1,500 for the 2020-2021 school year.

As discussed in Note 9, the Charter School is a party to certain agreements and shares certain common board members with RES and Blue Learning (formerly known as Responsive Education School Services). Blue Learning provides management functions in addition to RES. Also, the Charter School shares common board members with Premier High School of Little Rock and Premier High School of North Little Rock, hereinafter referred to as the Related Charter Schools.

These financial statements include only balances and transactions directly attributable to the Charter School. They do not include any balances or transactions attributable to RES, Blue Learning, or the Related Charter Schools other than amounts due from or due to these organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated §10-4-413(c), as set forth in the Arkansas Department of Education Rules Governing the Regulatory Basis of Accounting (RBA), which requires that financial statements be presented on a fund basis with, at a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet - regulatory basis; a statement of revenues, expenditures, and changes in fund balances – regulatory basis; a comparison of the final adopted budget to the actual expenditures for the general fund of the entity and the special revenue fund of the entity; notes to the financial statements; and a supplemental schedule of capital assets that includes land, buildings and equipment. The law further stipulates that the State Board shall promulgate the rules necessary to administer the regulatory basis of accounting.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The RBA is not in accordance with U.S. generally accepted accounting principles (U.S. GAAP). U.S. GAAP require the following major concepts: management's discussion and analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

Fund Accounting

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses.

Major governmental funds (per the RBA) are defined as General and Special Revenue.

- a. The General Fund** – The General Fund is used to account for and report all financial resources and operating expenditures, except those that are required to be reported in the special revenue fund or fiduciary fund (described below).
- b. The Special Revenue Fund** – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Fund includes federal and state revenues and related expenditures restricted for educational programs or projects.
- c. The Fiduciary Fund** – The Fiduciary Fund is used to report balances held by the Charter School on behalf of various student clubs, groups, and organizations. These resources are held by the Charter School acting as a custodial agent for others; therefore, no fund balances are reflected.

The Charter School had no other funds during the year ended June 30, 2020.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accounting Policies

- a. Revenue Recognition** – Revenues are recognized when they become susceptible to accrual in accordance with the RBA.
- b. Interfund Receivables and Payables** – Receivables and payables resulting from short-term interfund advances are classified as due to or due from other funds. As of June 30, 2020, there were no due to or due from other funds.
- c. Capital Assets** – Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at estimated fair value when received.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance represents amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's governing body. Assigned fund balance represents amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance consists of the net resources in excess of amounts classified non-spendable, restricted, committed or assigned. As of June 30, 2020, there were no non-spendable, committed, or assigned fund balances.

The Charter School's highest level of decision-making authority is its Board of Directors. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal actions taken by the Charter School's Board of Trustees through a resolution or adoption of board policy.

The Charter School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balance of these sources of funds are combined to derive the Charter School's total fund balance by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted funds. The Charter School's policy is to use restricted fund balances first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The Charter School is required by state statute to prepare an annual budget. The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School's budget is prepared utilizing the RBA. Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

Estimates

The preparation of financial statements in conformity with the RBA requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH

The Charter School's cash consists of demand deposits maintained at a financial institution. State statutes require that the Charter School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess cash balances over FDIC insurance may not be recoverable. The Charter School received a waiver of the requirement for the situs of the bank from the ADE allowing it to maintain cash balances at a financial institution in Texas. The Charter School's bank has an agreement to hold collateral to insure bank deposit balances of all state and federal funds that exceed FDIC limits. The Charter School's cash is maintained in a demand deposit account that is shared with the Related Charter Schools. At June 30, 2020, the bank balance of the combined demand deposit account totaled \$2,421,098, which was fully collateralized.

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance of \$45,946 at June 30, 2020, was comprised of grant balances receivable in the Special Revenue fund.

NOTE 4 – DUE TO STUDENT GROUPS

The balance of amounts due to student groups represent collections from student projects and fundraising activities for which the Charter School acts purely as custodian.

NOTE 5 – ACCRUED PAYROLL AND RELATED EXPENDITURES

Charter School teachers are employed from August 2019 through June 2020, which is the academic school year. Teachers may elect to be paid over a 12-month period. As of June 30, 2020, the Charter School has recorded a liability for the unpaid salaries in the general and special revenue funds in the amounts of \$258,580 and \$22,805, respectively, for those employees paid on a 12-month period.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – LEASE COMMITMENTS

The Charter School conducts its administrative and school activities from two facilities owned by RES and one facility owned by a third party.

One of the facilities owned by RES was under a lease agreement between the Charter School and RES that began in December 2016 and expires in June 2023. The agreement required monthly payments of \$36,699 through June 2017, with payments increasing to \$56,028 from July 2017 through the end of the lease term. In addition, the lease required monthly payments of \$1,914 from July 2017 to June 2022 for reimbursement of improvement costs of \$114,840. The Charter School has the option to terminate the lease at any time, provided at least thirty days written notice is given to RES of such intent. Upon early termination, the Charter School will be required to reimburse RES for any unamortized amount of tenant improvement costs.

The second facility owned by RES was originally owned by a third party. The original lease agreement between the Charter School and the third party began in May 2014 and ended June 2019. The lease was subsequently renewed in August 2018 with a new termination date of August 2021. However, due to the transfer of ownership to RES, the lease was terminated effective February 2020. The lease required monthly payments of \$40,950. Upon the transfer of ownership, a new lease agreement was entered into between RES and the Charter School beginning in February 2020 with no termination date. The new lease requires monthly payments of \$27,000.

The facility owned by a third party was under a lease between the third party and RES, whereby the Charter School reimbursed RES for the costs of the lease. The lease began in July 2019 and expires in June 2023. Monthly payments of \$11,079 were required from September 2019 through February 2020, increasing to \$13,999 from March 2020 through June 2023. Future minimum rental payments under this lease consist of the following:

<u>Year</u>	<u>Amount</u>
2021	\$ 167,983
2022	167,983
2023	167,983
	<u>\$ 503,949</u>

Rental expense amounted to \$1,233,039 for the year ended June 30, 2020.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - RETIREMENT PLAN

Plan Description

The Charter School participates in the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public and charter school employees, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. The ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, or by calling 1-501-682-1517.

Funding Policy

ATRS has contributory and non-contributory plans. Contributory members are required by state law to contribute 6.25% of their salaries. Each participating employer is required by state law to contribute at a rate determined by the ATRS Board of Trustees, based on the annual actuarial valuation. The employer rate at June 30, 2020, is 14.25% of covered salaries. The Charter School's contributions to ATRS for the year ended June 30, 2020, were approximately \$565,800, which were equal to the required contributions.

Net Pension Liability

The ADE has stipulated that the requirements of Governmental Accounting Standards Board Statement No. 68 under RBA would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability as of June 30, 2019, (the most recent actuarial valuation date and measurement date) was \$4,774,565.

NOTE 8 – ON BEHALF PAYMENTS

During the year ended June 30, 2020, health insurance premiums of \$111,429 were paid by the ADE on behalf of Charter School employees. This amount is not included in revenues or expenditures in the Charter School's financial statements.

NOTE 9 – ACADEMIC AND BUSINESS SERVICES AGREEMENT

RES and Blue Learning provide the Charter School with personnel and certain services including implementing educational programs, personnel management, facility and property management, business administration, budgeting and financial reporting, financial management, maintenance of records, pupil recruitment and admissions, family services, student discipline, annual reports, teacher training and professional development, charter renewal, public and governmental relations and any other services which may be agreed to in writing.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – ACADEMIC AND BUSINESS SERVICES AGREEMENT (CONTINUED)

These services are provided pursuant to management agreements and related amendments (the Agreements) executed between RES and Blue Learning and the Charter School. The Agreements provide that RES and Blue Learning are entitled to receive management fees equal to a percentage of the Charter School's state foundation funding, to the extent that such fees do not cause the Charter School to incur a loss in the General fund. In addition, RES and Blue Learning will be reimbursed for all expenses incurred on behalf of the Charter School. During the year ended June 30, 2020, management fees to RES and Blue Learning from the Charter School were \$1,035,854. Of this amount, \$260,206 was recorded as a liability as of June 30, 2020.

NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES

The Related Charter Schools share employees and other expenses. These transactions create payables/receivables between the Related Charter Schools. There were no related party payable or receivables between the Related Charter Schools as of June 30, 2020. The Charter School leases its facilities from RES and participates in academic and business service agreements with RES and Blue Learning, as described in Note 6 and Note 9, respectively.

NOTE 11 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Charter School has purchased commercial insurance to address these risks.

NOTE 12 – CONCENTRATIONS

The Charter School is economically dependent on funding received through state awards. During the year ended June 30, 2020, approximately 90% of total revenues were from state awards.

NOTE 13 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. The pandemic has impacted the Charter School both directly and indirectly, resulting in the closing of campuses beginning in March 2020 through the remainder of the school year. Although the school buildings in the state closed, education continued to be provided to students through distance learning, and state and federal revenues continued to be received based on virtual attendance data. As such, management believes that any effects from COVID-19 on the financial performance of the Charter School are insignificant.

The Charter School has evaluated events through March 17, 2021, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary other than the item above.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – CONSOLIDATION/ANNEXATION

Quest Middle School of West Little Rock was previously a charter school in Arkansas sponsored by Responsive Education Solutions, Inc., the same sponsoring organization as Northwest Arkansas Classical Academy of Bentonville. Management of Quest Middle School of West Little Rock elected not to renew the school's charter when it expired on June 30, 2019. In October 2018, the Arkansas Department of Education approved merging the existing charter school (Quest Middle School of West Little Rock) into the charter for Northwest Arkansas Classical Academy, which has a kindergarten through twelfth grade school located in Bentonville, AR. The existing Quest Academy remained in West Little Rock and will be transformed to a classical academy similar to that in Bentonville beginning in the 2021-2022 school year. All restricted funds were expended prior to June 30, 2019. Unspent unrestricted funds in the amount of \$223,288 were transferred to Northwest Arkansas Classical Academy during the year ended June 30, 2020. The following is a summary by fund of the amounts transferred to the Charter School:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 199,847
Special Revenue Fund	300
Fiduciary Fund	23,141
	<u>\$ 223,288</u>

SUPPLEMENTARY INFORMATION

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2020

DEPRECIABLE CAPITAL ASSETS

Equipment and Leasehold Improvements	\$ 445,216
Accumulated Depreciation	<u>(236,007)</u>

TOTAL DEPRECIABLE CAPITAL ASSETS, NET	<u>\$ 209,209</u>
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INTERNAL CONTROL AND COMPLIANCE SECTION



**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***

The Board of Trustees
Northwest Arkansas Classical Academy of Bentonville
Bentonville, Arkansas

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 each major governmental fund and the fiduciary fund information of Northwest Arkansas Classical Academy of Bentonville (the “Charter School”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School’s regulatory basis financial statements, and have issued our report thereon dated March 17, 2021. We issued an adverse opinion because the Charter school prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The effects on the financial statements of the variances between the regulatory basis of accounting and U.S. GAAP, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Charter School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

Internal Control over Financial Reporting (continued)

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 Charter School's regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants

Texarkana, Texas
March 17, 2021

**NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s opinion issued:	U.S. GAAP Basis - Adverse Regulatory Basis - Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

**NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020**

**Prior year findings related to the financial statements which were required to be reported in accordance with
*Government Auditing Standards:***

There were no findings or questioned costs in the June 30, 2019, audit relating to *Government Auditing Standards*.

OTHER REQUIRED REPORTS



**INDEPENDENT ACCOUNTANT'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

The Board of Trustees
Northwest Arkansas Classical Academy of Bentonville
Bentonville, Arkansas

We have examined management of Northwest Arkansas Classical Academy of Bentonville's (the "Charter School") assertion that the Charter School complied with the requirements of Arkansas Code Annotated §6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2020. The Charter School's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Charter School's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In our opinion, management's assertion that the Charter School complied with the aforementioned requirements is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not suitable for any other purpose.

Thomas & Thomas PLLC
Certified Public Accountants

Texarkana, Texas
March 17, 2021

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE

SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE YEAR ENDED JUNE 30, 2020

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et. seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201-6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et. seq.
• District Treasurer	6-13-701
○ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et. seq.
Salary Laws – Classified	6-17-2201 et. seq.; 6-17-2301 et. seq.
Salary increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et. seq., 6-17-2301
• Employment and Assignment	6-17-301 et. seq.
• Teacher's License Requirement	6-17-401 et. seq.
• Contracts	6-17-801 et. seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et. seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et. seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. seq.
Fiscal Accountability	6-20-1901, et. seq.

NORTHWEST ARKANSAS CLASSICAL ACADEMY OF BENTONVILLE

**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020
(CONTINUED)**

DESCRIPTION

STATUTES

Enhanced Student Achievement Funding ESA

6-20-2305(B)(4)(F)(i)

Limitation of Fund Balances

6-20-2210 (Waived for 2019-2020 only)

CARES Act (COVID-19) Education Funding

Commissioner's Memo LS-20-089

The Annual Financial Report shall be presented in conformity with the format and guidelines as prescribed by the appropriate professional organizations. The financial statement presentation shall be in compliance with Arkansas Codes §§ 6-1-101 and 10-4-413(c).

The financial statement presentation must also be in accordance with GASB 68, 72, and 87.



Board of Trustees
Premier High School of North Little Rock

We have audited the regulatory basis financial statements of the governmental activities and the fiduciary fund information of the Premier High School of North Little Rock (the Charter) for the year ended June 30, 2020, and have issued our report thereon dated March 25, 2021. 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 engagement letter dated June 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Premier High School of North Little Rock are described in Note 1 to the financial statements. We noted no transactions entered into by the Charter 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 management and are based on management'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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Passed Adjustments

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes passed adjustments of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Audit Matters (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 March 25, 2021.

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 Charter'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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 regulatory basis of accounting as prescribed by Arkansas Code Annotated §10-4-413(c), the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The schedule of capital assets was not subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that information.

Page 3
Board of Trustees
Premier High School of North Little Rock

This information is intended solely for the use of the Board of Trustees and management of Premier High School of North Little Rock and is not intended to be and should not be used by anyone other than these specified parties.

Thomas & Thomas PLLC

Certified Public Accountants

Texarkana, Texas
March 25, 2021

Premier High School of North Little Rock
Audit 6/30/20
Passed Adjustments

Account	Account Description	Debit	Credit
PAJE #1			
To reclassify July rent paid in June			
52200-2610-7030-000-00-00-____-01810	Prepaid Expenses	\$ 12,600.00	
52200-2610-7030-000-00-00-____-64410	LAND & BLDGS		\$ 12,600.00
		<u>\$ 12,600.00</u>	<u>\$ 12,600.00</u>

PAJE #2
To record accounts payable at 6/30/2020 from credit cards

52010-1140-7030-000-00-00-____-66100	GEN SUPPLIES	\$ 635.62	
52010-1140-7030-000-00-00-____-66107	SUPPLIES 500-999.99	1,151.02	
52010-1140-7030-000-00-00-____-67340	EQUIP TECHNOLOGY HARDWARE	4,093.93	
52200-2410-7030-000-00-00-____-65320	POSTAGE	95.55	
52200-2501-7030-000-00-00-____-68100	DUES AND FEES	3.25	
52200-2560-7030-000-00-00-____-65400	ADVERTISING	247.62	
52010-0000-0000-000-00-00-____-04020	Accounts Payable		\$ 5,880.57
52200-0000-0000-000-00-00-____-04020	Accounts Payable		346.42
		<u>\$ 6,226.99</u>	<u>\$ 6,226.99</u>

**PREMIER HIGH SCHOOL OF
NORTH LITTLE ROCK**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020

(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
ANNUAL FINANCIAL REPORT
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Premier High School of North Little Rock
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the fiduciary fund information of Premier High School of North Little Rock (the Charter School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, as described in Note 1 to the financial statements, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Trustees
Premier High School of North Little Rock

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Charter School on the basis of the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School, as of June 30, 2020, or the changes in its financial position or budgetary comparison for the major governmental funds for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The Schedule of Capital Assets (Unaudited), which is management's responsibility, is presented for the purpose of additional analysis and in compliance with state statutes. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees
Premier High School of North Little Rock

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the Charter School'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 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 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 the Charter School's internal control over financial reporting and compliance.



Certified Public Accountants

Texarkana, Texas
March 25, 2021

REGULATORY BASIS FINANCIAL STATEMENTS

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
BALANCE SHEETS - REGULATORY BASIS
JUNE 30, 2020

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Funds
ASSETS			
Cash	\$ 70,842	\$ -	\$ 64
Accounts receivable	-	37,993	-
Due from other funds	22,368	-	-
TOTAL ASSETS	93,210	37,993	64
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to student groups	-	-	64
Accrued payroll and related expenditures	9,084	4,130	-
Due to other funds	-	22,368	-
Total Liabilities	9,084	26,498	64
Fund Balances			
Restricted	-	11,495	-
Unassigned	84,126	-	-
Total Fund Balances	84,126	11,495	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 93,210	\$ 37,993	\$ 64

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds	
	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 595,522	\$ 66,074
Federal assistance	-	435,471
Other local revenue	33,625	-
Total Revenues	<u>629,147</u>	<u>501,545</u>
EXPENDITURES		
Instructional services	144,986	262,075
Instructional support services	50,988	7,499
General administration	25,624	15,320
School administration	130,516	21,489
Central services	3,863	161,674
Operation and maintenance of plant	175,003	13,050
Food services	-	22,984
Total Expenditures	<u>530,980</u>	<u>504,091</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	98,167	(2,546)
OTHER FINANCING SOURCES (USES)		
Operating transfer between funds	<u>(14,041)</u>	<u>14,041</u>
NET CHANGE IN FUND BALANCES	84,126	11,495
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 84,126</u></u>	<u><u>\$ 11,495</u></u>

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 595,522	\$ 595,522	\$ -	\$ 100,183	\$ 66,074	\$ (34,109)
Federal assistance	-	-	-	460,588	435,471	(25,117)
Private assistance	50,000	-	(50,000)	-	-	-
Other local revenue	-	33,625	33,625	-	-	-
Total Revenues	<u>645,522</u>	<u>629,147</u>	<u>(16,375)</u>	<u>560,771</u>	<u>501,545</u>	<u>(59,226)</u>
EXPENDITURES						
Instructional services	295,492	144,986	150,506	268,582	262,075	6,507
Instructional support services	53,100	50,988	2,112	13,850	7,499	6,351
General administration	22,400	25,624	(3,224)	15,320	15,320	-
School administration	129,485	130,516	(1,031)	21,489	21,489	-
Central services	99,052	3,863	95,189	163,994	161,674	2,320
Operation and maintenance of plant	187,491	175,003	12,488	56,865	13,050	43,815
Food services	-	-	-	29,652	22,984	6,668
Community services	-	-	-	500	-	500
Total Expenditures	<u>787,020</u>	<u>530,980</u>	<u>256,040</u>	<u>570,252</u>	<u>504,091</u>	<u>66,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(141,498)	98,167	239,665	(9,481)	(2,546)	6,935
OTHER FINANCING SOURCES (USES)						
Operating transfer between funds	(182,520)	(14,041)	168,479	19,152	14,041	(5,111)
NET CHANGE IN FUND BALANCES	(324,018)	84,126	408,144	9,671	11,495	1,824
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ (324,018)</u>	<u>\$ 84,126</u>	<u>\$ 408,144</u>	<u>\$ 9,671</u>	<u>\$ 11,495</u>	<u>\$ 1,824</u>

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Premier High School of North Little Rock (the Charter School) is an open-enrollment public charter school established by Responsive Education Solutions, Inc., a nonprofit organization incorporated under the laws of the State of Texas. Responsive Education Solutions, Inc. (the sponsoring organization, hereinafter referred to as RES), a nonsectarian tax-exempt organization, was granted a charter by the Arkansas State Board of Education (the State Board) effective July 1, 2019, to operate an open-enrollment charter school through June 30, 2024. The Charter School, which is operated by RES in accordance with the ADE Rules and Regulations Governing Charter Schools, offers educational opportunities to students in grade levels from ninth through twelfth grade with an enrollment cap of 250.

As discussed in Note 9, the Charter School is a party to certain agreements and shares certain common board members with RES and Blue Learning (formerly known as Responsive Education School Services). Blue Learning provides management functions in addition to RES. Also, the Charter School shares common board members with Northwest Arkansas Classical Academy Bentonville and Premier High School of Little Rock, hereinafter referred to as the Related Charter Schools.

These financial statements include only balances and transactions directly attributable to the Charter School. They do not include any balances or transactions attributable to RES, Blue Learning, or the Related Charter Schools other than amounts due from or due to these organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated §10-4-413(c), as set forth in the Arkansas Department of Education Rules Governing the Regulatory Basis of Accounting (RBA), which requires that financial statements be presented on a fund basis with, at a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet - regulatory basis; a statement of revenues, expenditures, and changes in fund balances – regulatory basis; a comparison of the final adopted budget to the actual expenditures for the general fund of the entity and the special revenue fund of the entity; notes to the financial statements; and a supplemental schedule of capital assets that includes land, buildings and equipment. The law further stipulates that the State Board shall promulgate the rules necessary to administer the regulatory basis of accounting.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The RBA is not in accordance with U.S. generally accepted accounting principles (U.S. GAAP). U.S. GAAP require the following major concepts: management's discussion and analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

Fund Accounting

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses.

Major governmental funds (per the RBA) are defined as General and Special Revenue.

- a. **The General Fund** – The General Fund is used to account for and report all financial resources and operating expenditures, except those that are required to be reported in the special revenue fund or fiduciary fund (described below).
- b. **The Special Revenue Fund** – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Fund includes federal and state revenues and related expenditures restricted for educational programs or projects.
- c. **The Fiduciary Fund** – The Fiduciary Fund is used to report balances held by the Charter School on behalf of various student clubs, groups, and organizations. These resources are held by the Charter School acting as a custodial agent for others; therefore, no fund balances are reflected.

The Charter School had no other funds during the year ended June 30, 2020.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accounting Policies

- a. Revenue Recognition** – Revenues are recognized when they become susceptible to accrual in accordance with the RBA.
- b. Interfund Receivables and Payables** – Receivables and payables resulting from short-term interfund advances are classified as due to or due from other funds. As of June 30, 2020, the Special Revenue Fund recognized a liability of \$22,368 to the General Fund for operational costs.
- c. Capital Assets** – Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at estimated fair value when received.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance represents amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's governing body. Assigned fund balance represents amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance consists of the net resources in excess of amounts classified non-spendable, restricted, committed or assigned. As of June 30, 2020, there were no non-spendable, committed, or assigned fund balances.

The Charter School's highest level of decision-making authority is its Board of Directors. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal actions taken by the Charter School's Board of Trustees through a resolution or adoption of board policy.

The Charter School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balance of these sources of funds are combined to derive the Charter School's total fund balance by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted funds. The Charter School's policy is to use restricted fund balances first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The Charter School is required by state statute to prepare an annual budget. The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School's budget is prepared utilizing the RBA. Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

Estimates

The preparation of financial statements in conformity with the RBA requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH

The Charter School's cash consists of demand deposits maintained at a financial institution. State statutes require that the Charter School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess cash balances over FDIC insurance may not be recoverable. The Charter School received a waiver of the requirement for the situs of the bank from the ADE allowing it to maintain cash balances at a financial institution in Texas. The Charter School's bank has an agreement to hold collateral to insure bank deposit balances of all state and federal funds that exceed FDIC limits. The Charter School's cash is maintained in a demand deposit account that is shared with the Related Charter Schools. At June 30, 2020, the bank balance of the combined demand deposit account totaled \$2,421,098, which was fully collateralized.

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance of \$37,993 at June 30, 2020, was comprised of grant balances receivable in the Special Revenue fund.

NOTE 4 – DUE TO STUDENT GROUPS

The balance of amounts due to student groups represent collections from student projects and fundraising activities for which the Charter School acts purely as custodian.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – ACCRUED PAYROLL AND RELATED EXPENDITURES

Charter School teachers are employed from August 2019 through June 2020, which is the academic school year. Teachers may elect to be paid over a 12-month period. As of June 30, 2020, the Charter School has recorded a liability for the unpaid salaries in the general and special revenue funds in the amounts of \$9,084 and \$4,130, respectively, for those employees paid on a 12 month period.

NOTE 6 – LEASE COMMITMENTS

The Charter School conducts its administrative and school activities from a facility owned by Blue Learning under a lease agreement between the Charter School and Blue Learning that began in October 2019 and expires in September 2024. The agreement required monthly payments of \$5,500 through the end of the lease term. In addition, the lease required monthly payments of \$1,400 for operating expenses and \$5,100 for reimbursement of improvement costs of \$306,000. The Charter School has the option to terminate the lease at any time, provided at least thirty days written notice is given to Blue Learning of such intent. Upon early termination, the Charter School will be required to reimburse Blue Learning for any unamortized amount of tenant improvement costs.

Rental expense amounted to \$115,099 for the year ended June 30, 2020.

NOTE 7 - RETIREMENT PLAN

Plan Description

The Charter School participates in the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public and charter school employees, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. The ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, or by calling 1-501-682-1517.

Funding Policy

ATRS has contributory and non-contributory plans. Contributory members are required by state law to contribute 6.25% of their salaries. Each participating employer is required by state law to contribute at a rate determined by the ATRS Board of Trustees, based on the annual actuarial valuation. The employer rate at June 30, 2020, is 14.25% of covered salaries. The Charter School's contributions to ATRS for the year ended June 30, 2020, were approximately \$27,400, which were equal to the required contributions.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - RETIREMENT PLAN

Net Pension Liability

The ADE has stipulated that the requirements of Governmental Accounting Standards Board Statement No. 68 under RBA would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School did not have a proportionate share of the collective net pension liability as of June 30, 2019 (actuarial valuation date and measurement date) due to it not being in operation until July 1, 2019.

NOTE 8 – ON BEHALF PAYMENTS

During the year ended June 30, 2020, health insurance premiums of \$7,566 were paid by the ADE on behalf of Charter School employees. This amount is not included in revenues or expenditures in the Charter School's financial statements.

NOTE 9 – ACADEMIC AND BUSINESS SERVICES AGREEMENT

RES and Blue Learning provide the Charter School with personnel and certain services including implementing educational programs, personnel management, facility and property management, business administration, budgeting and financial reporting, financial management, maintenance of records, pupil recruitment and admissions, family services, student discipline, annual reports, teacher training and professional development, charter renewal, public and governmental relations and any other services which may be agreed to in writing.

These services are provided pursuant to management agreements and related amendments (the Agreements) executed between RES and Blue Learning and the Charter School. The Agreements provide that RES and Blue Learning are entitled to receive management fees equal to a percentage of the Charter School's state foundation funding, to the extent that such fees do not cause the Charter School to incur a loss in the General fund. In addition, RES and Blue Learning will be reimbursed for all expenses incurred on behalf of the Charter School. During the year ended June 30, 2020, there were no management fees paid to RES and Blue Learning from the Charter School.

NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES

The Related Charter Schools share employees and other expenses. These transactions create payables/receivables between the Related Charter Schools. There were no related party payable or receivables between the Related Charter Schools as of June 30, 2020. The Charter School participates in academic and business service agreements with RES and Blue Learning, as described in Note 9.

NOTE 11 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Charter School has purchased commercial insurance to address these risks.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 – CONCENTRATIONS

The Charter School is economically dependent on funding received through state awards. During the year ended June 30, 2020, approximately 59% of total revenues were from state awards.

NOTE 13 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. The pandemic has impacted the Charter School both directly and indirectly, resulting in the closing of campuses beginning in March 2020 through the remainder of the school year. Although the school buildings in the state closed, education continued to be provided to students through distance learning, and state and federal revenues continued to be received based on virtual attendance data. As such, management believes that any effects from COVID-19 on the financial performance of the Charter School are insignificant.

The Charter School has evaluated events through March 25, 2021, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary other than the item above.

SUPPLEMENTARY INFORMATION

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2020**

DEPRECIABLE CAPITAL ASSETS

Equipment	\$ 56,653
Leasehold improvements	6,735
Accumulated Depreciation	<u>(4,772)</u>

TOTAL DEPRECIABLE CAPITAL ASSETS, NET

\$ 58,616

INTERNAL CONTROL AND COMPLIANCE SECTION



**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***

The Board of Trustees
Premier High School of North Little Rock
Little Rock, Arkansas

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 each major governmental fund and the fiduciary fund information of Premier High School of North Little Rock (the "Charter School") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated March 25, 2021. We issued an adverse opinion because the Charter school prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The effects on the financial statements of the variances between the regulatory basis of accounting and U.S. GAAP, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

Internal Control over Financial Reporting (continued)

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 Charter School's regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants

Texarkana, Texas
March 25, 2021

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s opinion issued:	U.S. GAAP Basis - Adverse Regulatory Basis - Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020**

**Prior year findings related to the financial statements which were required to be reported in accordance with
Government Auditing Standards:**

Since the Charter School's charter was not effective until July 1, 2019, an audit was not performed as of June 30, 2019. Therefore, there were no findings or questioned costs relating to *Government Auditing Standards* prior to July 1, 2019.

OTHER REQUIRED REPORTS



**INDEPENDENT ACCOUNTANT'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

The Board of Trustees
Premier High School of North Little Rock
Little Rock, Arkansas

We have examined management of Premier High School of North Little Rock 's (the "Charter School") assertion that the Charter School complied with the requirements of Arkansas Code Annotated §6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2020. The Charter School's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Charter School's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In our opinion, management's assertion that the Charter School complied with the aforementioned requirements is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not suitable for any other purpose.

Thomas & Thomas, PLLC
Certified Public Accountants

Texarkana, Texas
March 25, 2021

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et. seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201-6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et. seq.
• District Treasurer	6-13-701
o Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et. seq.
Salary Laws – Classified	6-17-2201 et. seq.; 6-17-2301 et. seq.
Salary increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et. seq., 6-17-2301
• Employment and Assignment	6-17-301 et. seq.
• Teacher's License Requirement	6-17-401 et. seq.
• Contracts	6-17-801 et. seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et. seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et. seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District’s employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. seq.
Fiscal Accountability	6-20-1901, et. seq.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020
(CONTINUED)

DESCRIPTION

STATUTES

Enhanced Student Achievement Funding ESA

6-20-2305(B)(4)(F)(i)

Limitation of Fund Balances

6-20-2210 (Waived for 2019-2020 only)

CARES Act (COVID-19) Education Funding

Commissioner's Memo LS-20-089

The Annual Financial Report shall be presented in conformity with the format and guidelines as prescribed by the appropriate professional organizations. The financial statement presentation shall be in compliance with Arkansas Codes §§ 6-1-101 and 10-4-413(c).

The financial statement presentation must also be in accordance with GASB 68, 72, and 87.



Board of Trustees
Premier High School of Little Rock

We have audited the regulatory basis financial statements of the governmental activities and the fiduciary fund information of the Premier High School of Little Rock (the Charter) for the year ended June 30, 2020, and have issued our report thereon dated March 19, 2021. 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 engagement letter dated June 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Premier High School of Little Rock are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2019-2020 fiscal year. We noted no transactions entered into by the Charter 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 management and are based on management'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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Passed Adjustments

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes passed adjustments of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Audit Matters (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 March 19, 2021.

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 Charter'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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 regulatory basis of accounting as prescribed by Arkansas Code Annotated §10-4-413(c), the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The schedule of capital assets was not subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that information.

Page 3
Board of Trustees
Premier High School of Little Rock

This information is intended solely for the use of the Board of Trustees and management of Premier High School of Little Rock and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Thomas & Thomas, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Texarkana, Texas
March 19, 2021

Premier High School of Little Rock
Audit 6/30/20
Passed Adjustments

Account	Account Description	Debit	Credit
PAJE #1			
To reverse prior year accounts payable from credit cards			
22200-0000-0000-000-00-00-____-04020	ACCOUNTS PAYABLE	\$ 3,375.38	
22223-0000-0000-000-00-00-____-04020	Accounts Payable	40.86	
22276-0000-0000-000-00-00-____-04020	Accounts Payable	256.00	
26501-0000-0000-000-00-00-____-04020	Accounts Payable	626.75	
26506-0000-0000-000-00-00-____-04020	Accounts Payable	666.50	
28200-0000-0000-000-00-00-____-04020	Accounts Payable	325.00	
22200-1140-7030-000-00-00-____-66100	GEN SUPPLIES		\$ 56.18
22200-1140-7030-000-00-00-____-66120	CLASSROOM SUPPLIES		1,059.92
22200-2292-7030-000-00-00-____-63310	PUPIL SERVICES		128.70
22200-2292-7030-000-00-00-____-65810	TRVL-CERT-IN DISTRICT		132.13
22200-2292-7030-000-00-00-____-65880	PS TRAVEL MEALS		39.06
22200-2292-7030-000-00-00-____-65890	PS TRAVEL LODGING		261.35
22200-2325-7000-000-00-00-____-63320	PROF DEVELOPMENT CLASSIFI		16.66
22200-2410-7030-000-00-00-____-65320	POSTAGE		44.00
22200-2501-7030-000-00-00-____-68100	DUES AND FEES		8.50
22200-2560-7030-000-00-00-____-65400	ADVERTISING		1,445.04
22200-2590-7030-000-00-00-____-63490	PS PROF OTHER		100.00
22200-2610-7030-000-00-00-____-66100	GEN SUPPLIES		83.84
22223-2213-7030-000-00-00-____-66100	GEN SUPPLIES		40.86
22276-1930-7030-000-00-00-____-66100	GEN SUPPLIES		256.00
26501-3355-7030-000-00-00-____-66100	GEN SUPPLIES		626.75
26506-2213-7030-000-00-00-____-65810	TRVL-CERT-IN DISTRICT		666.50
28200-3110-7030-000-00-00-____-63320	PROF DEVELOPMENT CLASSIFI		325.00
		<u>\$ 5,290.49</u>	<u>\$ 5,290.49</u>

**PREMIER HIGH SCHOOL OF
LITTLE ROCK**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020

(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)

**PREMIER HIGH SCHOOL OF LITTLE ROCK
ANNUAL FINANCIAL REPORT
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Premier High School of Little Rock
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the fiduciary fund information of Premier High School of Little Rock (the Charter School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, as described in Note 1 to the financial statements, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Trustees
Premier High School of Little Rock

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Charter School on the basis of the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School, as of June 30, 2020, or the changes in its financial position or budgetary comparison for the major governmental funds for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 867 of 2019 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The Schedule of Capital Assets (Unaudited), which is management's responsibility, is presented for the purpose of additional analysis and in compliance with state statutes. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees
Premier High School of Little Rock

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of the Charter School'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 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 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 the Charter School's internal control over financial reporting and compliance.



Certified Public Accountants

Texarkana, Texas
March 19, 2021

REGULATORY BASIS FINANCIAL STATEMENTS

PREMIER HIGH SCHOOL OF LITTLE ROCK
BALANCE SHEETS - REGULATORY BASIS
JUNE 30, 2020

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Funds
ASSETS			
Cash	\$ 508,754	\$ 32,825	\$ 170
Accounts receivable	-	4,449	-
Deposit	7,340	-	-
TOTAL ASSETS	516,094	37,274	170
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to related parties	25,499	-	-
Due to student groups	-	-	170
Accrued payroll and related expenditures	21,334	8,045	-
Total Liabilities	46,833	8,045	170
Fund Balances			
Restricted	-	29,229	-
Unassigned	469,261	-	-
Total Fund Balances	469,261	29,229	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 516,094	\$ 37,274	\$ 170

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds	
	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 679,965	\$ 92,892
Federal assistance	-	149,778
Other local revenue	156,969	-
Total Revenues	836,934	242,670
EXPENDITURES		
Instructional services	231,060	82,404
Instructional support services	45,585	55,252
General administration	136,016	10,176
School administration	125,098	-
Central services	167,882	-
Operation and maintenance of plant	62,948	64,238
Food services	-	12,100
Community services	-	787
Total Expenditures	768,589	224,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	68,345	17,713
OTHER FINANCING SOURCES (USES)		
Operating transfer between funds	(266)	266
NET CHANGE IN FUND BALANCES	68,079	17,979
FUND BALANCES - BEGINNING OF YEAR	401,182	11,250
FUND BALANCES - END OF YEAR	\$ 469,261	\$ 29,229

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 688,365	\$ 679,965	\$ (8,400)	\$ 92,509	\$ 92,892	\$ 383
Federal assistance	-	-	-	164,022	149,778	(14,244)
Private assistance	9,935	-	(9,935)	-	-	-
Other local revenue	106,920	156,969	50,049	-	-	-
Total Revenues	<u>805,220</u>	<u>836,934</u>	<u>31,714</u>	<u>256,531</u>	<u>242,670</u>	<u>(13,861)</u>
EXPENDITURES						
Instructional services	221,360	231,060	(9,700)	99,031	82,404	16,627
Instructional support services	57,865	45,585	12,280	64,728	55,252	9,476
General administration	136,907	136,016	891	18,415	10,176	8,239
School administration	98,367	125,098	(26,731)	-	-	-
Central services	189,991	167,882	22,109	-	-	-
Operation and maintenance of plant	81,301	62,948	18,353	59,049	64,238	(5,189)
Food services	-	-	-	18,595	12,100	6,495
Community services	-	-	-	787	787	-
Total Expenditures	<u>785,791</u>	<u>768,589</u>	<u>17,202</u>	<u>260,605</u>	<u>224,957</u>	<u>35,648</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,429	68,345	48,916	(4,074)	17,713	21,787
OTHER FINANCING SOURCES (USES)						
Operating transfer between funds	(2,262)	(266)	1,996	1,502	266	(1,236)
NET CHANGE IN FUND BALANCES	17,167	68,079	50,912	(2,572)	17,979	20,551
FUND BALANCES - BEGINNING OF YEAR	401,182	401,182	-	11,250	11,250	-
FUND BALANCES - END OF YEAR	<u>\$ 418,349</u>	<u>\$ 469,261</u>	<u>\$ 50,912</u>	<u>\$ 8,678</u>	<u>\$ 29,229</u>	<u>\$ 20,551</u>

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Premier High School of Little Rock (the Charter School) is an open-enrollment public charter school established by Responsive Education Solutions, Inc., a nonprofit organization incorporated under the laws of the State of Texas. Responsive Education Solutions, Inc. (the sponsoring organization, hereinafter referred to as RES), a nonsectarian tax-exempt organization, was granted a charter by the Arkansas State Board of Education (the State Board) on November 1, 2012, to operate an open-enrollment charter school through June 30, 2018. In December 2017, the Arkansas Department of Education (ADE) approved the renewal of the charter for an additional five years, with a new expiration date of June 30, 2023. The Charter School, which is operated by RES in accordance with the ADE Rules and Regulations Governing Charter Schools, offers educational opportunities to students in grade levels from ninth through twelfth grade with an enrollment cap of 240.

As discussed in Note 9, the Charter School is a party to certain agreements and shares certain common board members with RES and Blue Learning (formerly known as Responsive Education School Services). Blue Learning provides management functions in addition to RES. Also, the Charter School shares common board members with Northwest Arkansas Classical Academy Bentonville and Premier High School of North Little Rock, hereinafter referred to as the Related Charter Schools.

These financial statements include only balances and transactions directly attributable to the Charter School. They do not include any balances or transactions attributable to RES, Blue Learning, or the Related Charter Schools other than amounts due from or due to these organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated §10-4-413(c), as set forth in the Arkansas Department of Education Rules Governing the Regulatory Basis of Accounting (RBA), which requires that financial statements be presented on a fund basis with, at a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet - regulatory basis; a statement of revenues, expenditures, and changes in fund balances – regulatory basis; a comparison of the final adopted budget to the actual expenditures for the general fund of the entity and the special revenue fund of the entity; notes to the financial statements; and a supplemental schedule of capital assets that includes land, buildings and equipment. The law further stipulates that the State Board shall promulgate the rules necessary to administer the regulatory basis of accounting.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The RBA is not in accordance with U.S. generally accepted accounting principles (U.S. GAAP). U.S. GAAP require the following major concepts: management's discussion and analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

Fund Accounting

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses.

Major governmental funds (per the RBA) are defined as General and Special Revenue.

- a. **The General Fund** – The General Fund is used to account for and report all financial resources and operating expenditures, except those that are required to be reported in the special revenue fund or fiduciary fund (described below).
- b. **The Special Revenue Fund** – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Fund includes federal and state revenues and related expenditures restricted for educational programs or projects.
- c. **The Fiduciary Fund** – The Fiduciary Fund is used to report balances held by the Charter School on behalf of various student clubs, groups, and organizations. These resources are held by the Charter School acting as a custodial agent for others; therefore, no fund balances are reflected.

The Charter School had no other funds during the year ended June 30, 2020.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accounting Policies

- a. Revenue Recognition** – Revenues are recognized when they become susceptible to accrual in accordance with the RBA.
- b. Interfund Receivables and Payables** – Receivables and payables resulting from short-term interfund advances are classified as due to or due from other funds. As of June 30, 2020, there were no due to or due from other funds.
- c. Capital Assets** – Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at estimated fair value when received.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance represents amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's governing body. Assigned fund balance represents amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance consists of the net resources in excess of amounts classified non-spendable, restricted, committed or assigned. As of June 30, 2020, there were no non-spendable, committed, or assigned fund balances.

The Charter School's highest level of decision-making authority is its Board of Directors. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal actions taken by the Charter School's Board of Trustees through a resolution or adoption of board policy.

The Charter School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balance of these sources of funds are combined to derive the Charter School's total fund balance by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted funds. The Charter School's policy is to use restricted fund balances first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The Charter School is required by state statute to prepare an annual budget. The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School's budget is prepared utilizing the RBA. Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

Estimates

The preparation of financial statements in conformity with the RBA requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH

The Charter School's cash consists of demand deposits maintained at a financial institution. State statutes require that the Charter School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess cash balances over FDIC insurance may not be recoverable. The Charter School received a waiver of the requirement for the situs of the bank from the ADE allowing it to maintain cash balances at a financial institution in Texas. The Charter School's bank has an agreement to hold collateral to insure bank deposit balances of all state and federal funds that exceed FDIC limits. The Charter School's cash is maintained in a demand deposit account that is shared with the Related Charter Schools. At June 30, 2020, the bank balance of the combined demand deposit account totaled \$2,421,098, which was fully collateralized.

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance of \$4,449 at June 30, 2020, was comprised of grant balances receivable in the Special Revenue fund.

NOTE 4 – DUE TO STUDENT GROUPS

The balance of amounts due to student groups represent collections from student projects and fundraising activities for which the Charter School acts purely as custodian.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – ACCRUED PAYROLL AND RELATED EXPENDITURES

Charter School teachers are employed from August 2019 through June 2020, which is the academic school year. Teachers may elect to be paid over a 12-month period. As of June 30, 2020, the Charter School has recorded a liability for the unpaid salaries in the general and special revenue funds in the amounts of \$21,334 and \$8,045, respectively, for those employees paid on a 12 month period.

NOTE 6 – LEASE COMMITMENTS

The Charter School conducts its administrative and school activities from a facility that is leased under a seven-year non-cancelable operating lease that originally expired on June 30, 2019. In December 2018, the lease was extended for an additional five years with an expiration date of June 30, 2024. The revised lease agreement requires monthly rent payments of \$7,340, or \$88,080 annually through the year ended June 30, 2024.

Rental expense amounted to \$88,527 for the year ended June 30, 2020.

NOTE 7 - RETIREMENT PLAN

Plan Description

The Charter School participates in the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public and charter school employees, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. The ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, or by calling 1-501-682-1517.

Funding Policy

ATRS has contributory and non-contributory plans. Contributory members are required by state law to contribute 6.25% of their salaries. Each participating employer is required by state law to contribute at a rate determined by the ATRS Board of Trustees, based on the annual actuarial valuation. The employer rate at June 30, 2020, is 14.25% of covered salaries. The Charter School's contributions to ATRS for the year ended June 30, 2020, were approximately \$67,700, which were equal to the required contributions.

Net Pension Liability

The ADE has stipulated that the requirements of Governmental Accounting Standards Board Statement No. 68 under RBA would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability as of June 30, 2019, (the most recent actuarial valuation date and measurement date) was \$677,403.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – ON BEHALF PAYMENTS

During the year ended June 30, 2020, health insurance premiums of \$12,194 were paid by the ADE on behalf of Charter School employees. This amount is not included in revenues or expenditures in the Charter School's financial statements.

NOTE 9 – ACADEMIC AND BUSINESS SERVICES AGREEMENT

RES and Blue Learning provide the Charter School with personnel and certain services including implementing educational programs, personnel management, facility and property management, business administration, budgeting and financial reporting, financial management, maintenance of records, pupil recruitment and admissions, family services, student discipline, annual reports, teacher training and professional development, charter renewal, public and governmental relations and any other services which may be agreed to in writing.

These services are provided pursuant to management agreements and related amendments (the Agreements) executed between RES and Blue Learning and the Charter School. The Agreements provide that RES and Blue Learning are entitled to receive management fees equal to a percentage of the Charter School's state foundation funding, to the extent that such fees do not cause the Charter School to incur a loss in the General fund. In addition, RES and Blue Learning will be reimbursed for all expenses incurred on behalf of the Charter School. During the year ended June 30, 2020, management fees to RES and Blue Learning from the Charter School were \$101,995. Of this amount, \$25,499 was recorded as a liability as of June 30, 2020.

NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES

The Related Charter Schools share employees and other expenses. These transactions create payables/receivables between the Related Charter Schools. There were no related party payable or receivables between the Related Charter Schools as of June 30, 2020. The Charter School participates in academic and business service agreements with RES and Blue Learning, as described in Note 9.

NOTE 11 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Charter School has purchased commercial insurance to address these risks.

NOTE 12 – CONCENTRATIONS

The Charter School is economically dependent on funding received through state awards. During the year ended June 30, 2020, approximately 72% of total revenues were from state awards.

PREMIER HIGH SCHOOL OF LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. The pandemic has impacted the Charter School both directly and indirectly, resulting in the closing of campuses beginning in March 2020 through the remainder of the school year. Although the school buildings in the state closed, education continued to be provided to students through distance learning, and state and federal revenues continued to be received based on virtual attendance data. As such, management believes that any effects from COVID-19 on the financial performance of the Charter School are insignificant.

The Charter School has evaluated events through March 19, 2021, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary other than the item above.

SUPPLEMENTARY INFORMATION

**PREMIER HIGH SCHOOL OF LITTLE ROCK
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2020**

DEPRECIABLE CAPITAL ASSETS

Equipment	\$ 57,296
Accumulated Depreciation	<u>(49,915)</u>

TOTAL DEPRECIABLE CAPITAL ASSETS, NET	<u><u>\$ 7,381</u></u>
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INTERNAL CONTROL AND COMPLIANCE SECTION



**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***

The Board of Trustees
Premier High School of Little Rock
Little Rock, Arkansas

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 each major governmental fund and the fiduciary fund information of Premier High School of Little Rock (the "Charter School") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated March 19, 2021. We issued an adverse opinion because the Charter school prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The effects on the financial statements of the variances between the regulatory basis of accounting and U.S. GAAP, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the fiduciary fund information of the Charter School as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

Internal Control over Financial Reporting (continued)

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 Charter School's regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants

Texarkana, Texas
March 19, 2021

**PREMIER HIGH SCHOOL OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s opinion issued:	U.S. GAAP Basis - Adverse Regulatory Basis - Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

**PREMIER HIGH SCHOOL OF LITTLE ROCK
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020**

**Prior year findings related to the financial statements which were required to be reported in accordance with
*Government Auditing Standards:***

There were no findings or questioned costs in the June 30, 2019, audit relating to *Government Auditing Standards*.

OTHER REQUIRED REPORTS

**INDEPENDENT ACCOUNTANT'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

The Board of Trustees
Premier High School of Little Rock
Little Rock, Arkansas

We have examined management of Premier High School of Little Rock's (the "Charter School") assertion that the Charter School complied with the requirements of Arkansas Code Annotated §6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2020. The Charter School's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Charter School's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In our opinion, management's assertion that the Charter School complied with the aforementioned requirements is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not suitable for any other purpose.

Thomas & Thomas PLLC
Certified Public Accountants

Texarkana, Texas
March 19, 2021

PREMIER HIGH SCHOOL OF LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et. seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201-6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et. seq.
• District Treasurer	6-13-701
o Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et. seq.
Salary Laws – Classified	6-17-2201 et. seq.; 6-17-2301 et. seq.
Salary increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et. seq., 6-17-2301
• Employment and Assignment	6-17-301 et. seq.
• Teacher's License Requirement	6-17-401 et. seq.
• Contracts	6-17-801 et. seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et. seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et. seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District’s employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. seq.
Fiscal Accountability	6-20-1901, et. seq.

PREMIER HIGH SCHOOL OF LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020
(CONTINUED)

DESCRIPTION

STATUTES

Enhanced Student Achievement Funding ESA

6-20-2305(B)(4)(F)(i)

Limitation of Fund Balances

6-20-2210 (Waived for 2019-2020 only)

CARES Act (COVID-19) Education Funding

Commissioner's Memo LS-20-089

The Annual Financial Report shall be presented in conformity with the format and guidelines as prescribed by the appropriate professional organizations. The financial statement presentation shall be in compliance with Arkansas Codes §§ 6-1-101 and 10-4-413(c).

The financial statement presentation must also be in accordance with GASB 68, 72, and 87.