

***HAAS HALL ACADEMY CHARTER SCHOOL***  
***FAYETTEVILLE, ARKANSAS***

***FINANCIAL STATEMENTS***  
***FOR THE YEARS ENDED***  
***JUNE 30, 2021 AND 2020***

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**HAAS HALL ACADEMY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

The Academy, Inc. (HHA) is a 501(c)(3) non-profit corporation holding a contract (or charter) from the Arkansas State Board of Education to operate a public school. This report is for Haas Hall Academy Charter School (The School). Effective, July 1, 2020 all locations began operating under the same LEA number. Previously, the Bentonville location operated under a separate number. The prior year amounts have been adjusted to include the Bentonville amounts so that the statements are comparable.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the School's financial performance presents a review of the School's financial activities for the fiscal years ended June 30, 2021 and 2020. The intent of this discussion and analysis is to provide an easy to read overview of these activities and explain the School's financial position. Readers should also review the notes to the basic financial statements and financial statements, which immediately follow this section.

**Fiscal Year 2021 Financial Highlights:**

Total revenues were \$11,745,768 which was \$362,353 less than total expenses.

Enrollment went from 1298 to 1,278 and funding from the state increased by \$151,523.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school.

The first two statements are school-wide financial statements that provide both short-term and long-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the school-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by the section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

**School-Wide Statements**

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The school-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial position. Over time, increases or decreases in the school's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

In the school-wide financial statements all of the School's activities are reported as government activities. State aid and private charitable funding finance most of the activities.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law; other funds are established to control and manage money for particular purposes or to show revenues are being properly used (such as federal grants).

All of the Schools services are included in governmental funds, which generally focus on:

- a. how cash and other financial assets that can readily be converted to cash flow in and out
- b. the balance left at year-end that is available for spending

Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, additional information is provided that explains the relationship (or difference) between them.

#### ***FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE***

The School's combined assets were \$10,084,024 on June 30, 2021, which is an increase of 8.19% the previous year. During the year ended June 30, 2021, expenses were approximately \$806,065 higher than the previous year while revenues were approximately \$1,038,084 higher than the previous year. The increase in revenues includes the forgiveness of \$908,800 of PPP loans,

#### ***THE IMPACT OF GASB 68***

The Governmental Accounting Standard Board (GASB) is responsible for setting standards that establish generally accepted accounting principles (GAAP) for governmental financial statements. GASB 68 is a set of new standards intended to improve transparency and accountability and to standardize actuarial practices in reporting pension obligations. Since Haas Hall Academy participates in a defined benefit pension plan with Arkansas Teachers Retirement System (ATRS), GASB 68 standards apply to Haas Hall Academy's audited financial statements.

The effects this standard has on Haas Hall Academy's financial position as of June 30, 2021 is to reflect a non-current liability called "Net pension liability" of \$9,825,378. This represents Haas Hall Academy's pro-rata share of the net pension liability of ATRS as a whole and has been calculated based upon the proportionate share of employer contributions to ATRS. Two line items on the statement of net position called "Deferred outflows of resources related to pension" and "Deferred inflows of resources related to pension" total \$4,305,619 and \$96,092, respectively. The first is treated as a component of the overall total assets of Haas Hall Academy and the second is treated as a component of the overall total liabilities of Haas Hall Academy. These amounts are the result of the difference between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan and investments, and contributions made subsequent to the measurement date.

# **CONDENSED STATEMENTS OF NET POSITION**

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>Assets</b>		
Current assets	\$ 2,625,151	\$ 2,211,299
Due from affiliated entities	0	499,661
Net capital assets	3,153,254	3,353,671
Deferred outflows of resources related to pension	4,305,619	3,256,399
Total assets	<u>10,084,024</u>	<u>9,321,030</u>
<b>Current liabilities</b>		
Accrued expenses	99,659	359,764
Notes payable	3,022,569	4,544,171
Total current liabilities	<u>3,122,228</u>	<u>4,903,935</u>
<b>Non-current liabilities</b>		
Net pension liabilities	<u>9,825,378</u>	<u>6,619,265</u>
<b>Deferred inflows of resources related to pension</b>	<u>96,092</u>	<u>395,151</u>
<b>Net position</b>		
Undesignated	(4,223,554)	(4,614,363)
Invested in capital	1,263,882	2,017,042
Total net position	\$ <u>(2,959,672)</u>	\$ <u>(2,597,321)</u>

**CONDENSED STATEMENTS OF  
REVENUES, EXPENSES AND CHANGES IN EQUITY  
FOR THE YEARS ENDED**

	June 30, <u>2021</u>	June 30, <u>2020</u>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 10,600,635	\$ 10,449,112
PPP Loan forgiveness	908,800	0
General Revenues		
Student activity revenue	37,702	141,383
Other	198,631	58,187
Total revenue	<u>11,745,768</u>	<u>10,648,682</u>
<b>Expenses</b>		
Instructional services	9,038,463	8,195,040
Operational and maintenance	2,920,669	2,955,024
Food program	114,909	26,429
Student activity costs	34,080	66,561
Total expenses	<u>12,108,121</u>	<u>11,243,054</u>
Change in net position	(362,353)	(594,372)
<b>Net position - beginning of year</b>	<u>(2,597,321)</u>	<u>(2,002,949)</u>
<b>Net position - end of year</b>	<u>\$ (2,959,674)</u>	<u>\$ (2,597,321)</u>

## ***FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS***

### **Capital Assets**

During fiscal year 2021, the School did not spend any funds on additional fixed assets and land.

## ***FACTORS BEARING ON THE SCHOOL'S FUTURE***

At June 30, 2021, 1,278 students were enrolled and at June 30, 2020, 1,298 students were enrolled. Of the 1278 students at June 30, 2021, 421 were at the Fayetteville location, 210 were at the Springdale location, and 281 were at the Rogers location and 366 were at the Bentonville location.

During the year ended June 30, 2019, a Springdale and Rogers location began operating for grades 7-11. Each of these locations participate in a federal food program. \$79,604 and \$15,104 of revenue for the food program is included in state receipts for the years ended June 30, 2021 and 2020. Grade 12 will be added for the year ended June 30, 2020. Maximum capacity at each location is 500.

For the year beginning July 1, 2020, the Bentonville location of Haas Hall Academy will be included in this audit report.

## ***CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT***

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Administrator's Office, Haas Hall Academy, 3880 North Front Street, Fayetteville, Arkansas 72703. The phone number is (479) 966-4930.

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

The board  
Haas Hall Academy  
Fayetteville, Arkansas

I have audited the accompanying financial statements of **Haas Hall Academy Charter School** (the "School"), (Lea #72-40-700) as of and for the years ending June 30, 2021 and 2020, and the related notes to the financial statements as listed in the table of contents.

***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting procedures 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Haas Hall Academy Charter School** as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters****Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required supplementary information for cost-sharing employer plans on pages 1 through 5, and 22 through 24, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of Federal Awards fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 29, 2022, on my consideration of the entity's internal control over financial reporting and my tests of its compliance with certain provisions of law, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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 Haas Hall Academy internal control over financial reporting and compliance.



Timothy A. Bunch, CPA PA  
Springdale, Arkansas  
March 29, 2022

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
STATEMENTS OF NET POSITION  
JUNE 30,**

<b>Current assets</b>		
Cash	\$ 2,532,383	\$ 2,033,765
Accounts receivable	51,925	153,693
Miscellaneous receivables	6,564	0
Prepaid expenses	34,279	23,841
Due from affiliated entities	0	499,661
Total current assets	<u>2,625,151</u>	<u>2,710,960</u>
<b>Capital assets (net of accumulated depreciation)</b>	<u>3,153,254</u>	<u>3,353,671</u>
Total assets	<u>5,778,405</u>	<u>6,064,631</u>
 <b>Deferred outflows</b>		
Deferred outflows of resources related to pension	4,305,619	3,256,399
Total deferred outflows	<u>4,305,619</u>	<u>3,256,399</u>
Total assets	<u>10,084,024</u>	<u>9,321,030</u>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	99,659	359,764
Notes payable	1,252,212	1,257,683
Total current liabilities	<u>1,351,871</u>	<u>1,617,447</u>
<b>Notes payable, net of current portion</b>	<u>1,770,357</u>	<u>2,377,688</u>
<b>PPP Loan</b>	<u>0</u>	<u>908,800</u>
<b>Non-current liabilities</b>		
Net pension liabilities	<u>9,825,378</u>	<u>6,467,469</u>
<b>Deferred inflows</b>		
Deferred inflows of resources related to pension	<u>96,092</u>	<u>546,947</u>
 <b>NET POSITION</b>		
<b>Unrestricted</b>	(4,223,554)	(3,663,056)
<b>Investment in capital assets, net of related debt</b>	<u>1,263,880</u>	<u>1,065,735</u>
Total net position	<u>(2,959,674)</u>	<u>(2,597,321)</u>
Total liabilities and net position	<u>\$ 10,084,024</u>	<u>\$ 9,321,030</u>

The accompanying notes are an integral part of these financial statements.

**JUNE 30.**

Functions	2021			2020		
	2021 Expense	2021 Operating Grants and Contributions	2021 Total Governmental Activities	2020 Revenues	2020 Operating Grants and Contributions	2020 Total Governmental Activities
<b>Governmental Activities</b>						
Instructional services	\$ 9,038,463	\$ 0	\$ (9,038,463)	\$ 8,195,040	\$ 0	\$ (8,195,040)
Operation and maintenance	2,920,669	0	(2,920,669)	2,955,024	0	(2,955,024)
Food program	114,909	139,144	24,235	85,431	59,002	(26,429)
Student activity cost	34,080	37,702	3,622	66,561	141,383	74,822
	<u>12,108,121</u>	<u>176,846</u>	<u>(11,931,275)</u>	<u>11,302,056</u>	<u>200,385</u>	<u>(11,101,671)</u>
<b>General Revenues:</b>						
Federal and state aid not restricted to specific purposes		10,600,635	10,600,635		76,177,984	10,449,112
Other revenue		59,487	59,487		2,831,314	58,187
PPP Loan forgiveness		908,800	908,800		0	0
Total general revenues			<u>11,568,922</u>			<u>10,507,299</u>
Change in net assets			(362,353)			(594,372)
<b>Net assets - beginning, as previously stated</b>			<u>(2,597,321)</u>			<u>(2,002,949)</u>
<b>Net assets - beginning, as restated</b>			<u>\$ (2,959,674)</u>			<u>\$ (2,597,321)</u>

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**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Assets		
Cash	\$ 2,532,383	\$ 2,033,765
Accounts receivable	51,925	153,693
Miscellaneous receivables	6,564	0
Prepaid expenses	34,279	23,841
Due from affiliated entities	0	499,661
Total assets	<u>\$ 2,625,151</u>	<u>\$ 2,710,960</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities		
Accrued expenses	\$ 99,659	\$ 359,764
Notes payable	1,133,195	1,380,881
PPP Loan	0	908,800
Total liabilities	<u>1,232,854</u>	<u>2,649,445</u>
Fund Balances		
Undesignated	1,392,297	61,515
Total fund balances	<u>1,392,297</u>	<u>61,515</u>
 Total liabilities and fund balances	 <u>\$ 2,625,151</u>	 <u>\$ 2,710,960</u>

The accompanying notes are an integral part of these financial statements.

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEETS TO THE STATEMENTS OF NET POSITION  
JUNE 30,**

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
Total fund balance for government funds	\$ 0	\$ 1,392,297	\$ 0	\$ 61,515
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds.	4,676,905 (1,523,651)		4,676,905 (1,323,234)	
The cost of the assets and accumulated depreciation is		3,153,254		3,353,671
Real estate notes payable		(1,889,374)		(2,254,490)
Net pension liability, which is not due and payable in the current periods, and therefore is not reported as liabilities in the funds.		(9,825,378)		(6,467,469)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		(96,092)		(546,947)
Deferred outflows of resources related to pensions are applicable to future reporting periods, therefore, are not reported in the funds.		4,305,619		3,256,399
Total net assets - governmental activities	\$	(2,959,674)	\$	(2,597,321)

The accompanying notes are an integral part of these financial statements.

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
STATEMENTS OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
JUNE 30,**

	<b>2021 <u>General</u></b>	<b>2020 <u>General</u></b>
<b>Revenues</b>		
State funding	\$ 10,600,635	\$ 10,449,112
Contributions and grants		0
Food program	139,144	59,002
Student activity funds	37,702	141,383
Other revenue	59,487	58,187
PPP Loan forgiveness	908,800	0
	<u>11,745,768</u>	<u>10,707,684</u>
<b>Expenditures</b>		
Operating expenditures		
Instructional and school leadership	9,038,463	7,805,510
Facility	1,646,369	1,531,550
Operation	1,107,964	1,235,369
Food Program	114,909	85,431
Total operating expenditures	<u>11,907,705</u>	<u>10,657,860</u>
Capital expenditures, net of loan proceeds	365,115	(83,553)
GASB 68 current year adjustments	(1,857,834)	(912,045)
Total expenditures	<u>10,414,986</u>	<u>9,662,262</u>
<b>Excess of Revenues Over Expenditures</b>	1,330,782	1,045,422
<b>Fund Balance - Beginning of Year</b>	<u>61,515</u>	<u>(983,907)</u>
<b>Fund Balance - End of Year</b>	\$ <u><u>1,392,297</u></u>	\$ <u><u>61,515</u></u>

The accompanying notes are an integral part of these financial statements.

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
RECONCILIATION OF THE STATEMENTS OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2021</u>
Net change in fund balance		\$ 1,330,782

The changes in net assets reported for governmental activities in the statement of activities is different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceed depreciation in the current period

Purchase of fixed assets	\$ 0	
Depreciation	<u>(200,416)</u>	
Net adjustments for capital expenditures		(200,416)

Loan proceeds are reported as financing sources in governmental funds and thus contributed to the change in fund balance. In the statement of net assets there is an increase in liabilities. This increase does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds by reducing the liability in the statement of net assets.

Note advances	\$ 0	
Repayments	<u>365,115</u>	
Net adjustments for debt related transactions		365,115

GASB 68 adjustments		<u>(1,857,834)</u>
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Changes in net assets of governmental activities		<u>\$ (362,353)</u>
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	<u>2020</u>	<u>2020</u>
Net change in fund balance		\$ 1,045,422

The changes in net assets reported for governmental activities in the statement of activities is different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceed depreciation in the current period

Purchase of fixed assets	\$ 0	
Depreciation	<u>(254,666)</u>	
Net adjustments for capital expenditures		(254,666)

Loan proceeds are reported as financing sources in governmental funds and thus contributed to the change in fund balance. In the statement of net assets there is an increase in liabilities. This increase does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds by reducing the liability in the statement of net assets.

Note advances	\$ (83,553)	
Repayments	<u>0</u>	
Net adjustments for debt related transactions		(83,553)

GASB 68 adjustments	<u>(1,301,575)</u>
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Changes in net assets of governmental activities	<u>\$ (594,372)</u>
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**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Haas Hall Academy Charter School (Lea #72-40-700) (the "School") is an open-enrollment Charter School Located in Washington County and is governed by a seven member board. The School was chartered on January 12, 2004. The statements reflect all funds and accounts directly under the control of the School. Using the criteria of financial accountability, there are no component units that are or should be included in the School's reporting entity.

The accounting policies of the Haas Hall Academy Charter School conform to generally accepted accounting principles applicable to public schools. The following is a summary of the more significant policies.

**Fund Accounting**

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain school functions and activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise it assets, liabilities, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories.

Government Fund Types:

**General Fund** - The General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** - Special Reserve Funds account for revenue sources that are legally restricted to expenditures for specific purposes, or designated by the School to be accounted for separately.

**Debt Service Fund** - Debt Service Funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

**Measurement Focus/Basis of Accounting**

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the School.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange like transactions are recognized when the exchange occurs. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

Program revenue included in the Statement of Activities derive directly from parties outside the School's taxpayers or citizenry. As a whole, the program revenues reduce the costs of the functions to be financed from the School's general revenue. Such revenues include operating state and federal grants restricted for services.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statement (FFS)**

Governmental funds are accounted for using a current resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and fund balances reports on the sources and uses of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Fund financial statements report detailed information about the School. The focus of governmental fund financial statements is on major funds rather than reporting fund by type. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except to interest and principal payments on general long-term debt, which is recognized when due.

**Assets, Liabilities and Equity**

**Deposits and Investments**

The School's cash and temporary investments consist of cash on hand and demand deposits.

The Arkansas State Statutes authorize the school to invest in general obligation bonds of the United States; bonds, notes, debentures, or other obligations issued by an agency of the United States government; general obligation bonds of the State of Arkansas or in bank certificates of deposit, as and to the extent directed by the School board.

The Statutes also require that School funds in banks shall be secured by general obligation bonds of the United States, bonds, notes, debentures, or other obligations issued by an agency of the United States Government; bonds of the State of Arkansas or by bonds of political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

**Compensated Absences**

The School provides substantially all teachers and other salaried employees one day sick leave for each month contracted or employed. Unused sick leave is carried over to the next school year and is cumulative. The School's administrator earns eighteen days of vacation and sick leave per year. Due to the immateriality of the balance, no liability is reported for unpaid accumulated sick leave.

**Capital Assets**

Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available, if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. The School maintains a threshold level of \$500 for capitalizing assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All fixed assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Site Improvements/Infrastructure	20
Buildings	25-50
Furniture and Equipment	5-20

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****Budgetary Information**

In accordance with Arkansas law, the School adopts an annual budget by September 15 of each fiscal year for the General Special Revenue, Capital Projects and Debt Service Funds prepared on the basis of generally accepted accounting principles. Expenditures of each fund may not legally exceed available resources of that fund.

**NOTE 3: CASH**

As of the years ended June 30, 2021 and 2020, the School has cash on hand of \$0 and \$0 and \$2,532,383 and \$2,033,765 in checking accounts at two regional banks. The checking accounts are categorized to give an indication of the level of risk assumed by the School at period end. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the school or by its agent in the school's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the school's name.

Category 3: Uncollateralized.

Deposits, categorized by level of risk, are:

	<b>2021 Bank Balance</b>	<b>2021 Category 1</b>	<b>2021 Category 2</b>	<b>2021 Category 3</b>	<b>2021 Carrying Amount</b>
General accounting Checking	\$ 2,530,739	2,530,739	\$ 0	\$ 0	\$ 2,530,739
Interest bearing account	1,644	1,644	0	0	1,644
	<u>\$ 2,532,383</u>	<u>\$ 2,532,383</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,532,383</u>
	<b>2020 Bank Balance</b>	<b>2020 Category 1</b>	<b>2020 Category 2</b>	<b>2020 Category 3</b>	<b>2020 Carrying Amount</b>
General accounting Checking	\$ 2,031,833	1,795,771	\$ 0	\$ 236,062	\$ 2,031,833
Interest bearing account	1,932	1,932	0	0	1,932
	<u>\$ 2,033,765</u>	<u>\$ 1,797,703</u>	<u>\$ 0</u>	<u>\$ 236,062</u>	<u>\$ 2,033,765</u>

At June 30, 2021 and 2020, the School had \$2,268,542 and \$1,517,993 in funds that were not FDIC insured or collateralized.

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT**

The school maintains itemized listings of all property, plant and equipment. Fixed assets acquired through purchase or capital lease are valued at historical cost, and those assets donated are valued at their appraised values. Depreciation is recorded using the straight-line method of calculation taking into account the estimated useful life of the asset.

Net changes in property, plant and equipment for the year ended June 30, 2021 and 2020 are summarized as follows:

	<b>Balance 2020</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Balance 2021</b>
Furniture and equipment	\$ 4,676,905	\$ 0	\$ 0	\$ 4,676,905
	4,676,905	0	0	4,676,905
Accumulated depreciation	1,323,235	200,416		1,523,651
	<u>\$ 3,353,670</u>	<u>\$ (200,416)</u>	<u>\$ 0</u>	<u>\$ 3,153,254</u>

  

	<b>Balance 2019</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Balance 2020</b>
Furniture and equipment	\$ 4,676,905	\$ 0	\$ 0	\$ 4,676,905
	4,676,905	0	0	4,676,905
Accumulated depreciation	1,068,568	254,667	0	1,323,235
	<u>\$ 3,608,337</u>	<u>\$ (254,667)</u>	<u>\$ 0</u>	<u>\$ 3,353,670</u>

**NOTE 5: NOTES PAYABLE**

Notes payable at June 30, 2021 and 2020, consisted of the following:

<b>Lender</b>	<b>Collateral</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Payment</b>	<b>2021</b>	<b>2020</b>
Regions Bank	Unsecured	12-30-2024	4.75%	\$16,677 Monthly	\$ 645,295	\$ 823,281
Walton Family Foundation	Real estate Located on Front Street Fayetteville, AR	7-31-2027	0%	105,536 Annually	738,888	950,000
Walton Family Foundation	Unsecured	7-31-2027	0%	69,700 Annually	487,900	557,600
Regions Bank	Real estate Located on Front Street Fayetteville, AR	6-21-2022	4.75%	Interest Only	917,861	917,861
Academy Foundation	Unsecured	Open	0%	None	232,625	386,629
					<u>3,022,569</u>	<u>3,635,371</u>
					<u>1,252,216</u>	<u>1,257,683</u>
					<u>\$ 1,770,353</u>	<u>\$ 2,377,688</u>
				Less current maturities		

**NOTE 5: NOTES PAYABLE (CONTINUED)**

Maturities of debt at June 30, 2021 consisted of the following:

<u>June 30</u>	
2022	\$ 1,252,212
2023	356,190
2024	364,791
2025	290,987
2026	175,256
Thereafter	583,133
	<u>\$ 3,022,569</u>

**NOTE 6: RELATED PARTY TRANSACTIONS**

From July 1, 2008 to December 31, 2008, the school facility was owned by an LLC with members associated with the School. After the facility move, the School continued to pay rent to the LLC. The rent will end upon the sale of the old facility. Total rental expense for the years ending June 30, 2019 and 2018 was \$27,283 and \$35,536, respectively. On December 18, 2012, the Academy Foundation, Inc. was formed as a non-profit corporation in the state of Arkansas. Finally, in the year ended June 30, 2016 all fundraising by the school has been shifted to the Foundation. Additionally, the Foundation has begun paying certain of the School's expenses. On August 1, 2019, the old facility being rented was sold. Rent will discontinue after the sale date.

**NOTE 7: OTHER INFORMATION**

The School is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Coverage includes property and casualty, general liability and officer liability. There has been no claims under this coverage.

**NOTE 8: LEASES**

At June 30, 2021, the School was committed to operating in three locations. The Fayetteville location is for a term of seven years and calls for escalating rents starting at \$22,695 and ending at \$35,820. The School is also paying for its original location in Farmington, Arkansas. This property sold during the year ended June 30, 2020 and the monthly lease payment has discontinued.

A second building was leased at the Fayetteville locations on March 1, 2018 with a lease term of 3 years. Rent is \$3,500 per month. This lease expired February 28, 2021.

The Springdale location is for five years beginning August 1, 2017 and calls for escalating rents starting at \$23,485 and ending at \$24,922. The Rogers location is for five years beginning August 1, 2017 and calls for escalating rents starting at \$25,833 and ending at \$35,500.

Future lease commitments at June 30, 2021 are as follows:

<u>Year ended</u>	
<u>June 30,</u>	
2022	\$ 1,315,657
2023	384,927
	<u>\$ 1,700,584</u>

For the years ending June 30, 2021 and 2020, rental expenses were \$1,469,171 and \$1,282,183 respectively.

#### **NOTE 9: LITIGATION**

During the years ended June 30, 2021 and 2020, the School was involved in various freedom of information requests and litigation with parents of students regarding school related matters as well as interactions with the Department of Education. The lawsuit regarding violations of a previous lease agreement was settled during the year.

#### **NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

##### **Arkansas Teacher Retirement System**

**Plan Description.** The School contributes to the Arkansas Teacher Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. Section 24-7-301 of Arkansas Code of 1987 Annotated assigns the authority to establish and amend benefit provisions to the System's Board of Trustees. The System provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to ATRS, 1400 West Third Street, Little Rock, AR 72201 or by calling (501) 682-1517.

For the years ended June 30, 2021 and 2020, total retirement plan expense was \$2,671,771 and \$2,076,346, respectively.

##### **Benefit Provisions**

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined on (1) the member's final average salary (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

##### **Contributions**

ARTS's funding policy provides for periodic employer contributions at statutorily-established rates based on annual actuarial valuations. The employer contribution rate was 14.25% and 14% for the fiscal years ending June 30, 2021 and 2020. Contributory members are required to contribute 6.25% and 6% of gross wages to ATRS. Employer contributions are refundable if ATRS - covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ARTS for a period of one or more years earns interest credits, which are included in the refunds.

##### **ATRS Fiduciary Net Positions**

Detailed information for about ATRS's fiduciary net position is available in the separately issued ATRS Financial report available at <http://www.atrs.gov/publications>.

##### **Measurement Date**

The collective Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

##### **Actuarial Assumptions**

##### **Actuarial Assumptions**

Actuarial cost method	Entry age normal
Payroll growth	2.75%
Projected salary increases	2.75 - 7.75%
Investment rate of return	7.5% compounded annually

**NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)**

**Mortality**

RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006.

<u>Table</u>	<u>Scaling Factor</u>	
	<u>Males</u>	<u>Females</u>
Healthy Annuitant	101%	91%
Disabled Annuitant	99%	107%
Employee Mortality	94%	84%

The actual assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2010 through July 30, 2015.

**Investment Rate of Return**

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustee after considering input from the plan's investment consultant and actuary.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Total equity	53%	5.2%
Fixed Income	15%	-0.1%
Alternatives	5%	3.5%
Real Assets	15%	5.1%
Private Equity	12%	7.2%
Cash Equivalents	0%	-1.0%
	<u>100%</u>	

**Discount Rate**

A single discount rate of 7.5% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contributions rates are 6.25% and 14.25% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in Fiscal Year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

**NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)**Sensitivity of the Net Pension Liability to the Single Discounted Rate

	<b>1% Decrease 6.50%</b>	<b>Current Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Net Pension Liability	\$ 14,619,684	\$ 9,825,378	\$ 3,372,589

DEFERRED OUTFLOW/INFLOWS OF RESOURCE

At June 30, 202019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions for the following resources:

	<b>Deferred Outflows of Resources Fayetteville</b>	<b>Deferred Outflows of Resources Bentonville</b>	<b>Deferred Inflows of Resources Fayetteville</b>	<b>Deferred Inflows of Resources Bentonville</b>
Differences between expected and actual experience	\$ 97,727	\$ 32,525	\$ 59,457	\$ 19,788
Net difference between projected and actual earnings on plan investments	1,211,813	403,307	0	0
Changes in assumptions	479,676	159,643	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,589,856	331,071	992	15,855
	<u>\$ 3,379,072</u>	<u>\$ 926,546</u>	<u>\$ 60,449</u>	<u>\$ 35,643</u>

**NOTE 11 ON BE-HALF PAYMENTS**

The School also provides benefits to its employees, particularly health insurance. During the years ended June 30, 2021 and 2020, the School incurred costs of \$364,873 and \$297,445, respectively.



**HAAS HALL ACADEMY CHARTER SCHOOL**  
**FAYETTEVILLE, ARKANSAS**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GOVERNMENT FUNDS**  
**FOR THE YEARS ENDED JUNE 30,**

	2021			2020			2020
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	
Revenues							
State funding	\$ 10,751,799	\$ 10,600,635	\$ (151,164)	\$ 10,642,636	\$ 10,449,112	\$ (193,524)	
PPP Loan forgiveness	0	908,800	908,800	0	0	0	
Other revenue	0	236,333	236,333	0	258,572	258,572	
Total revenue	10,751,799	11,745,768	993,969	10,642,636	10,707,684	65,048	
Expenditures							
Operating expenditures							
Instructional and school leadership	7,625,625	7,180,629	444,996	7,394,375	6,893,465	500,910	
Facility	1,421,304	1,646,369	(225,065)	1,604,907	1,531,550	73,357	
Operation	749,324	1,107,964	(358,640)	1,369,003	1,235,369	133,634	
Food Program	0	114,909	(114,909)	0	85,431	(85,431)	
Total operating expenditures	9,796,253	10,049,871	(253,618)	10,368,285	9,745,815	622,470	
Capital expenses		365,115	(365,115)		(83,553)	83,553	
	9,796,253	10,414,986	(618,733)	10,368,285	9,662,262	706,023	
Excess of Revenue Over (Under) Expenditures	955,546	1,330,782	375,236	274,351	1,045,422	771,071	
Sources Over (Under) Expenditures and Other Uses	\$ 955,546	1,330,782	\$ 375,236	\$ 274,351	1,045,422	\$ 771,071	
Fund balances - beginning of year		61,515			(983,907)		
Fund balances - end of year		\$ 1,392,297			\$ 61,515		

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
REQUIRED SUPPLEMENTARY INFORMATION FOR COST-SHARING EMPLOYER PLANS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Schedule of Proportionate share of the net Pension Liability and Related Ratios last Fiscal Year**

	ATRS at June 30, 2020	ATRS at June 30, 2019	ATRS at June 30, 2018	ATRS at June 30, 2017	ATRS at June 30, 2016	ATRS at June 30, 2015	ATRS at June 30, 2014
District's proportion of the net pension liability (asset)	0.1302%	0.1162%	0.1103%	0.0454%	0.0455%	0.0357%	
District's proportionate share of the net pension liability	\$ 9,825,378	\$ 4,845,255	\$ 4,014,882	\$ 1,907,056	\$ 2,005,618	\$ 1,163,858	\$ 0
District's covered-employee payroll	\$ 5,601,300	\$ 4,058,149	\$ 3,549,836	\$ 3,163,284	\$ 1,403,575	\$ 1,297,102	\$ 0
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.41%	119.40%	113.10%	60.29%	142.89%	89.73%	0%
Plan fiduciary net position as a percentage of the total pension liability	57.16%	51.87%	66.58%	36.39%	31.07%	12.55%	0%

**Schedule of Required Contributions Last Fiscal Year**

	ATRS at June 30, 2020	ATRS at June 30, 2019	ATRS at June 30, 2018	ATRS at June 30, 2017	ATRS at June 30, 2016	ATRS at June 30, 2015	ATRS at June 30, 2014
Contractually required contributions	\$ 812,193	\$ 578,286	\$ 496,977	\$ 442,160	\$ 187,459	\$ 189,888	\$ 154,499
Contributions in relation to the contractually required contributions	\$ 812,193	\$ 578,286	\$ 496,977	\$ 442,160	\$ 187,459	\$ 189,888	\$ 154,499
Contribution deficiency/excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 5,601,300	\$ 4,058,149	\$ 3,549,836	\$ 3,163,284	\$ 1,344,583	\$ 1,297,102	\$ 1,039,083
Contributions as a percentage of covered-employee payroll	14.50%	14.25%	14.00%	13.96%	13.94%	14.64%	14.87%

**Note to Schedules:**

Only seven fiscal years are presented because 10-year data is not yet available

**HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
REQUIRED SUPPLEMENTARY INFORMATION FOR COST-SHARING EMPLOYER PLANS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Schedule of Proportionate share of the net Pension Liability and Related Ratios last Fiscal Year**

**Bentonville Campus Only**

	ATRS at June 30, 2019	ATRS at June 30, 2018	ATRS at June 30, 2017	ATRS at June 30, 2016
District's proportion of the net pension liability (asset)	0.0390%	0.0396%	0.0375%	
District's proportionate share of the net pension liability	\$ 1,622,214	\$ 1,441,953	\$ 1,575,927	\$
District's covered-employee payroll	\$ 1,357,183	\$ 1,196,861	\$ 1,201,467	\$
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.53%	120.48%	131.17%	
Plan fiduciary net position as a percentage of the total pension liability	24.01%	44.84%	24.49%	

**Schedule of Required Contributions Last Fiscal Year**

	ATRS at June 30, 2019	ATRS at June 30, 2018	ATRS at June 30, 2017	ATRS at June 30, 2016
Contractually required contributions	\$ 193,399	\$ 167,560	\$ 168,205	\$
Contributions in relation to the contractually required contributions	\$ 193,399	\$ 167,560	\$ 168,205	\$
Contribution deficiency/excess	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 1,357,183	\$ 1,196,861	\$ 1,201,467	\$
Contributions as a percentage of covered-employee payroll	14.25%	14.00%	14.00%	

**Note to Schedule:**

Only four fiscal years are presented because 10-year data is not yet available

***HAAS HALL ACADEMY CHARTER SCHOOL  
FAYETTEVILLE, ARKANSAS  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021 AND 2020***

During the years ended June 30, 2021 and 2020, there were no material federal awards granted to the School. Therefore, no additional disclosures are required.

**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 Directors  
Haas Hall Academy  
Fayetteville, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of Haas Hall Academy as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Haas Hall Academy basic financial statements and have issued my report thereon dated March 29, 2022.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether Haas Hall Academy Charter School's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Arkansas Code Ann. 6-1-101 and certain other laws and regulations designated by the Arkansas Department of Education, 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 my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing my audits, I considered Haas Hall Academy's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Haas Hall Academy internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

***PURPOSE OF THIS REPORT***

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



Timothy A. Bunch, CPA, PA  
Springdale, Arkansas  
March 29, 2022

**HAAS HALL ACADEMY CHARTER SCHOOL**

**SCHEDULE OF FINDINGS  
JUNE 30, 2021**

**Noncompliance:**

Noncompliance with state law

No material noncompliance with state law noted.

**HAAS HALL ACADEMY CHARTER SCHOOL**

**SCHEDULE OF FINDINGS  
JUNE 30, 2020**

**Noncompliance:**

Noncompliance with state law

No material noncompliance with state law noted.