

HAAS HALL ACADEMY CHARTER SCHOOL
FAYETTEVILLE, ARKANSAS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021

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**HAAS HALL ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

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, 2022 and 2021. 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 2022 Financial Highlights:

Total revenues were \$10,895,046 which was \$342,036 more than total expenses.

Enrollment went from 1,278 to 1,191 and funding from the state increased by \$144,851.

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 \$9,979,176 on June 30, 2022, which is an decrease of 1.04% from the previous year. During the year ended June 30, 2022, expenses were approximately \$1,063,510 lower than the previous year while revenues were approximately \$850,772 lower than the previous year.

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, 2022 is to reflect a non-current liability called "Net pension liability" of \$4,758,738. 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. The asset "deferred outflows of resources related to pension" had a balance of \$4,274,639 at June 30, 2022, while the liability "deferred inflows of resources related to pension" had a balance of \$5,513,546 at June 30, 2022. 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

	June 30, 2022	June 30, 2021
Assets		
Current assets	\$ 2,721,658	\$ 2,625,151
Net capital assets	2,982,879	3,153,254
Deferred outflows of resources related to pension	<u>4,274,639</u>	<u>4,305,619</u>
Total assets	<u>9,979,176</u>	<u>10,084,024</u>
Current liabilities		
Accrued expenses	96,461	99,659
Notes payable	<u>2,719,670</u>	<u>3,022,569</u>
Total current liabilities	<u>2,816,131</u>	<u>3,122,228</u>
Non-current liabilities		
Net pension liabilities	<u>4,752,738</u>	<u>9,825,378</u>
Deferred inflows of resources related to pension	<u>5,513,546</u>	<u>96,092</u>
Net position		
Undesignated	(4,263,312)	(4,223,554)
Invested in capital	<u>1,154,073</u>	<u>1,263,880</u>
Total net position	<u>\$ (3,109,239)</u>	<u>\$ (2,959,674)</u>

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

	June 30, <u>2022</u>	June 30, <u>2021</u>
Revenues		
Program Revenues		
Charges for services	\$ 10,745,486	\$ 10,600,635
PPP Loan forgiveness	0	908,800
General Revenues		
Student activity revenue	67,260	37,702
Other	82,300	198,631
Total revenue	<u>10,895,046</u>	<u>11,745,768</u>
Expenses		
Instructional services	7,884,966	9,038,463
Operational and maintenance	2,880,214	2,920,669
Food program	179,663	114,909
Student activity costs	99,768	34,080
Total expenses	<u>11,044,611</u>	<u>12,108,121</u>
Change in net position	(149,565)	(362,353)
Net position - beginning of year	<u>(2,959,674)</u>	<u>(2,597,321)</u>
Net position - end of year	<u>\$ (3,109,239)</u>	<u>\$ (2,959,674)</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Capital Assets

During fiscal year 2022, the School spent \$11,107 on additional fixed assets.

FACTORS BEARING ON THE SCHOOL'S FUTURE

At June 30, 2022, 1,191 students were enrolled and at June 30, 2021, 1,278 students were enrolled. Of the 1,191 students at June 30, 2022, 402 were at the Fayetteville location, 169 were at the Springdale location, and 263 were at the Rogers location and 357 were at the Bentonville location.

For the year beginning July 1, 2020, the Bentonville location of Haas Hall Academy will be included in this audit report. Certain disclosures in the footnotes related to the deferred outflows and inflows of the pension plan include amounts for both Fayetteville and Bentonville.

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.



Harris CPAs LLC

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, 2022 and 2021, and the related notes to the financial statements as listed in the table of contents.

The financial statements of Haas Hall Academy Charter School as of June 30, 2021, and for the year then ended were audited by another auditor who has ceased operations. That auditor expressed an unqualified opinion on those financial statements in their report dated February 28, 2022.

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, 2022 and 2021, 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 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 24, 2023, 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.



Harris CPAs LLC
Springdale, Arkansas
March 24, 2023

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

	2022	2021
	Governmental Activities	Governmental Activities
ASSETS		
Current assets		
Cash	\$ 2,640,287	\$ 2,532,383
Accounts receivable	56,158	51,925
Miscellaneous receivables	0	6,564
Prepaid expenses	25,213	34,279
Total current assets	<u>2,721,658</u>	<u>2,625,151</u>
Capital assets (net of accumulated depreciation)	2,982,879	3,153,254
Total assets	<u>5,704,537</u>	<u>5,778,405</u>
 Deferred outflows		
Deferred outflows of resources related to pension	4,274,639	4,305,619
Total deferred outflows	<u>4,274,639</u>	<u>4,305,619</u>
Total assets	<u>9,979,176</u>	<u>10,084,024</u>
LIABILITIES		
Current liabilities		
Accounts payable	96,461	99,659
Notes payable	1,274,049	1,252,212
Total current liabilities	<u>1,370,510</u>	<u>1,351,871</u>
Notes payable, net of current portion	<u>1,445,621</u>	<u>1,770,357</u>
Non-current liabilities		
Net pension liabilities	<u>4,758,738</u>	<u>9,825,378</u>
Deferred inflows		
Deferred inflows of resources related to pension	<u>5,513,546</u>	<u>96,092</u>
NET POSITION		
Unrestricted	(4,263,312)	(4,223,554)
Investment in capital assets, net of related debt	<u>1,154,073</u>	<u>1,263,880</u>
Total net position	<u>(3,109,239)</u>	<u>(2,959,674)</u>
Total liabilities and net position	<u>\$ 9,979,176</u>	<u>\$ 10,084,024</u>

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

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

<u>Functions</u>	2022			2021		
	2022	2022	2022	2021	2021	2021
	Expense	Revenues	Operating	Revenues	Operating	Revenues
	2022	2021	Grants and	2020	Grants and	2020
	Expenses	Contributions	Contributions	Expenses	Contributions	Expenses
	2022	2021	2021	2021	2021	2021
	Net (Expense)	Revenue and	Changes in	Net Assets	Net Assets	Net Assets
	2022	2021	2021	2020	2020	2020
	Total	Total	Governmental	Governmental	Governmental	Governmental
	Activities	Activities	Activities	Activities	Activities	Activities
Governmental Activities						
Instructional services	\$ 7,884,966	\$ 0	\$ (7,884,966)	\$ 9,038,463	\$ 0	\$ (9,038,463)
Operation and maintenance	2,880,214	0	(2,880,214)	2,920,669	0	(2,920,669)
Food program	179,663	188,080	8,417	114,909	139,144	24,235
Student activity cost	99,768	67,260	(32,508)	34,080	37,702	3,622
	<u>11,044,611</u>	<u>255,340</u>	<u>(10,789,271)</u>	<u>12,108,121</u>	<u>176,846</u>	<u>(11,931,275)</u>
General Revenues:						
Federal and state aid not restricted to specific purposes	10,557,406		10,557,406	10,600,635		10,600,635
Other revenue	82,300		82,300	59,487		59,487
PPP Loan forgiveness			0	908,800		908,800
Total general revenues			<u>10,639,706</u>			<u>11,568,922</u>
Change in net assets			(149,565)			(362,353)
Net assets - beginning, as previously stated			<u>(2,959,674)</u>			<u>(2,597,321)</u>
Net assets - beginning, as restated	\$	\$	<u>(3,109,239)</u>	\$	\$	<u>(2,959,674)</u>

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

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

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 2,640,287	\$ 2,532,383
Accounts receivable	56,158	51,925
Miscellaneous receivables	0	6,564
Prepaid expenses	25,213	34,279
Total assets	<u>\$ 2,721,658</u>	<u>\$ 2,625,151</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accrued expenses	\$ 96,461	\$ 99,659
Notes payable	890,864	1,133,195
Total liabilities	<u>987,325</u>	<u>1,232,854</u>
 Fund Balances		
Undesignated	<u>1,734,333</u>	<u>1,392,297</u>
Total fund balances	<u>1,734,333</u>	<u>1,392,297</u>
Total liabilities and fund balances	<u>\$ 2,721,658</u>	<u>\$ 2,625,151</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>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
Total fund balance for government funds	\$ 0	\$ 1,734,333	\$ 0	\$ 1,392,297
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.	4,688,012 <u>(1,705,133)</u>		4,676,905 <u>(1,523,651)</u>	
The cost of the assets and accumulated depreciation is		2,982,879		3,153,254
Real estate notes payable		(1,828,806)		(1,889,374)
Net pension liability, which is not due and payable in the current periods, and therefore is not reported as liabilities in the funds.		(4,758,738)		(9,825,378)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		(5,513,546)		(96,092)
Deferred outflows of resources related to pensions are applicable to future reporting periods, therefore, are not reported in the funds.		<u>4,274,639</u>		<u>4,305,619</u>
Total net assets - governmental activities	\$ (3,109,239)		\$ (2,959,674)	

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,**

	<u>2022</u> <u>General</u>	<u>2021</u> <u>General</u>
Revenues		
State funding	\$ 10,557,406	\$ 10,600,635
Contributions and grants	16,630	0
Food program	188,080	139,144
Student activity funds	67,260	37,702
Other revenue	65,670	59,487
PPP Loan forgiveness	0	908,800
	<u>10,895,046</u>	<u>11,745,768</u>
Expenditures		
Operating expenditures		
Instructional and school leadership	7,884,966	9,038,463
Facility	1,607,054	1,646,369
Operation	1,191,446	1,107,964
Food Program	179,663	114,909
Total operating expenditures	<u>10,863,129</u>	<u>11,907,705</u>
Capital expenditures, net of loan proceeds	71,675	365,115
GASB 68 current year adjustments	(381,794)	(1,857,834)
Total expenditures	<u>10,553,010</u>	<u>10,414,986</u>
Excess of Revenues Over Expenditures	342,036	1,330,782
Fund Balance - Beginning of Year	<u>1,392,297</u>	<u>61,515</u>
Fund Balance - End of Year	\$ <u><u>1,734,333</u></u>	\$ <u><u>1,392,297</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>2022</u>	<u>2022</u>
Net change in fund balance		\$ 342,036
<p>The changes in net assets reported for governmental activities in the statement of activities is different because:</p> <p>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</p>		
Purchase of fixed assets	\$ 11,107	
Depreciation	(181,482)	
Net adjustments for capital expenditures		(170,375)
<p>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.</p>		
Note advances	\$ (44,988)	
Repayments	105,556	
Net adjustments for debt related transactions		60,568
GASB 68 adjustments		(381,794)
Changes in net assets of governmental activities		\$ <u>(149,565)</u>

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

	<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>
 Changes in net assets of governmental activities		 \$ <u><u>(362,353)</u></u>

**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, 2022 and 2021, the School has cash on hand of \$0 and \$0 and \$2,640,287 and \$2,532,383 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:

	2022 Bank Balance	2022 Category 1	2022 Category 2	2022 Category 3	2022 Carrying Amount
General accounting Checking	\$ 2,638,931	2,638,931	\$ 0	\$ 0	\$ 2,638,931
Interest bearing account	1,356	1,356	0	0	1,356
	<u>\$ 2,640,287</u>	<u>\$ 2,640,287</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,640,287</u>
	2021 Bank Balance	2021 Category 1	2021 Category 2	2021 Category 3	2021 Carrying Amount
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>

At June 30, 2022 and 2021, the School had \$2,376,446 and \$2,268,542 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, 2022 and 2021 are summarized as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>2022</u>
Furniture and equipment	\$ 4,676,905	\$ 11,107	\$ 0	\$ 4,688,012
	4,676,905	11,107	0	4,688,012
Accumulated depreciation	1,523,651	181,482		1,705,133
	<u>\$ 3,153,254</u>	<u>\$ (170,375)</u>	<u>\$ 0</u>	<u>\$ 2,982,879</u>
	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>2021</u>
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>

NOTE 5: NOTES PAYABLE

Notes payable at June 30, 2022 and 2021, consisted of the following:

<u>Lender</u>	<u>Collateral</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Payment</u>	<u>2022</u>	<u>2021</u>
Regions Bank	Unsecured	12-30-2024	8.75%	\$16,677		
				Monthly	\$ 472,664	\$ 645,295
Walton Family Foundation	Real estate Located on Front Street Fayetteville, AR	7-31-2027	0%	105,536		
				Annually	633,332	738,888
Walton Family Foundation	Unsecured	7-31-2027	0%	69,700		
				Annually	418,200	487,900
Regions Bank	Real estate Located on Front Street Fayetteville, AR	2-24-2023	8.00%	Interest Only		
					917,861	917,861
Academy Foundation	Unsecured	Open	0%	None		
					277,613	232,625
					2,719,670	3,022,569
					1,274,049	1,252,212
					<u>\$ 1,445,621</u>	<u>\$ 1,770,357</u>
				Less current maturities		

NOTE 5: NOTES PAYABLE (CONTINUED)

Maturities of debt at June 30, 2022 consisted of the following:

<u>June 30</u>	
2023	\$ 1,274,049
2024	364,790
2025	277,451
2026	175,256
2027	175,256
Thereafter	452,868
	<u>\$ 2,719,670</u>

NOTE 6: RELATED PARTY TRANSACTIONS

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. At June 30 2022 and 2021, the School owed the foundation \$277,613 and \$232,625, respectively.

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, 2022, 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. This lease expired July 31, 2022 and became a month to month lease. The School is currently in negotiations to purchase the building.

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, 2022 are as follows:

<u>June 30,</u>	
2023	\$ 979,151
2024	728,784
2025	732,983
2026	737,296
2027	741,723
	<u>\$ 3,919,937</u>

For the years ending June 30, 2022 and 2021, rental expenses were \$1,429,756 and \$1,469,171 respectively.

NOTE 9: LITIGATION

During the years ended June 30, 2022 and 2021, 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, 2022 and 2021, total retirement plan expense was \$1,237,683 and \$2,671,771, 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 cost method	Entry age normal
Payroll growth	2.75%
Projected salary increases	2.75 - 7.75%
Investment rate of return	7.25% compounded annually

NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

Mortality

Pub 2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality.

Table	Scaling Factor	
	Males	Females
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

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, 2021, 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%	4.8%
Fixed Income	15%	0.4%
Alternatives	5%	3.8%
Real Assets	15%	4.7%
Private Equity	12%	6.5%
Cash Equivalents	0%	-0.2%
	<u>100%</u>	

Discount Rate

A single discount rate is of 7.25% was used to measure the total pension liability bases on the expected rate of return on pension plan investments. The current member and employer contributions rates are 6.50% and 14.50% 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. Bases 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.

NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

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 7.25%, 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:

Sensitivity of the Net Pension Liability to the Single Discounted Rate

	<u>1% Decrease 6.25%</u>	<u>Current Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability	\$ 9,956,216	\$ 4,758,738	\$ 446,200

DEFERRED OUTFLOW/INFLOWS OF RESOURCES

For fiscal years ended June 30, 2021, 2020, 2019, 2018, 2017, the components of collective deferred outflows of resources and deferred inflows of resources related to pensions, by type, are as follows:

Deferred Outflows of Resources

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Differences between expected and actual experience	\$ 242,118	\$ 130,252	\$ 173,633	\$ 54,743	\$ 48,269
Changes in assumptions	1,433,820	639,314	961,268	1,307,085	930,687
Net difference between projected and actual earnings on plan investments	0	1,615,120	0	849,278	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,598,701</u>	<u>1,920,927</u>	<u>2,121,498</u>	<u>2,689,765</u>	<u>1,124,143</u>
Total deferred outflows of resources	<u>\$ 4,274,639</u>	<u>\$ 4,305,613</u>	<u>\$ 3,256,399</u>	<u>\$ 4,900,871</u>	<u>\$ 2,103,099</u>

Deferred Inflows of Resources

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Differences between expected and actual experience	\$ (41,137)	\$ (79,245)	\$ (67,673)	\$ (111,135)	\$ (85,110)
Changes in assumptions	0	0	0	0	0
Net difference between projected and actual earnings on plan investments	(3,942,600)	0	(455,606)	(1,783,396)	(246,018)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(1,529,809)</u>	<u>(16,847)</u>	<u>(23,668)</u>	<u>(5,947)</u>	<u>(8,768)</u>
Total deferred inflows of resources	<u>\$ (5,513,546)</u>	<u>\$ (96,092)</u>	<u>\$ (546,947)</u>	<u>\$ (1,900,478)</u>	<u>\$ (339,896)</u>

NOTE 10: EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)

In accordance with GASB Statement No 68, the recognition period for outflows (inflows) of resources from the net difference between projected and actual earnings on pension plans investments was five years. All other deferred (inflows) of resources related to pensions were amortized over an average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The average of the expected remaining service lives for all employees for fiscal years 2021, 2020, 2019, 2018, and 2017 were 5.2240, 5.2920, 5.3817, 5.4359 and 5.4637 years, respectively.

NOTE 11 ON BE-HALF PAYMENTS

The School also provides benefits to its employees, particularly health insurance. During the years ended June 30, 2022 and 2021, the School incurred costs of \$593,728 and \$364,873, 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,**

	2022		2021		2020	
	Budget	Actual	Budget	Actual	Budget	Actual
					Variance Positive (Negative)	Variance Positive (Negative)
Revenues						
State funding	\$ 10,751,799	\$ 10,557,406	\$ 10,751,799	\$ 10,600,635	\$ (194,393)	\$ (151,164)
PPP Loan forgiveness	0	0	0	908,800	0	908,800
Other revenue	0	337,640	0	236,333	337,640	236,333
Total revenue	<u>10,751,799</u>	<u>10,895,046</u>	<u>10,751,799</u>	<u>11,745,768</u>	<u>143,247</u>	<u>993,969</u>
Expenditures						
Operating expenditures						
Instructional and school leadership	7,625,625	7,503,172	7,625,625	7,180,629	122,453	444,996
Facility	1,421,304	1,607,054	1,421,304	1,646,369	(185,750)	(225,065)
Operation	749,324	1,191,446	749,324	1,107,964	(442,122)	(358,640)
Food Program	0	179,663	0	114,909	(179,663)	(114,909)
Total operating expenditures	<u>9,796,253</u>	<u>10,481,335</u>	<u>9,796,253</u>	<u>10,049,871</u>	<u>(685,082)</u>	<u>(253,618)</u>
Capital expenses	9,796,253	71,675	9,796,253	365,115	(71,675)	(365,115)
	<u>9,796,253</u>	<u>10,553,010</u>	<u>9,796,253</u>	<u>10,414,986</u>	<u>(756,757)</u>	<u>(618,733)</u>
Excess of Revenue Over (Under) Expenditures	<u>955,546</u>	<u>342,036</u>	<u>955,546</u>	<u>1,330,782</u>	<u>(613,510)</u>	<u>375,236</u>
Sources Over (Under) Expenditures and Other Uses	<u>\$ 955,546</u>	<u>\$ 342,036</u>	<u>\$ 955,546</u>	<u>\$ 1,330,782</u>	<u>\$ (613,510)</u>	<u>\$ 375,236</u>
Fund balances - beginning of year		<u>1,392,297</u>		<u>61,515</u>		
Fund balances - end of year		<u>\$ 1,734,333</u>		<u>\$ 1,392,297</u>		

**HAAS HALL ACADEMY CHARTER SCHOOL
FAYETTEVILLE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION FOR COST-SHARING EMPLOYER PLANS
FOR THE YEAR ENDED JUNE 30, 2022**

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

	ATRS at June 30, 2021	ATRS at June 30, 2020	ATRS at June 30, 2019	ATRS at June 30, 2018
District's proportion of the net pension liability (asset)	0.1719%	0.1302%	0.1162%	0.1103%
District's proportionate share of the net pension liability	\$ 4,758,738	\$ 9,825,378	\$ 4,845,255	\$ 4,014,882
District's covered-employee payroll	\$ 5,753,284	\$ 5,601,300	\$ 4,058,149	\$ 3,549,836
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.71%	175.41%	119.40%	113.10%
Plan fiduciary net position as a percentage of the total pension liability	126.03%	57.16%	51.87%	66.58%
	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)	0.0454%	0.0455%	0.0357%	
District's proportionate share of the net pension liability	\$ 1,907,056	\$ 2,005,618	\$ 1,163,858	\$ 0
District's covered-employee payroll	\$ 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	60.29%	142.89%	89.73%	0%
Plan fiduciary net position as a percentage of the total pension liability	36.39%	31.07%	12.55%	0%

Schedule of Required Contributions Last Fiscal Year

Note to Schedules:

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

	ATRS at June 30, 2021	ATRS at June 30, 2020	ATRS at June 30, 2019	ATRS at June 30, 2018
Contractually required contributions	\$ 848,611	\$ 812,193	\$ 578,286	\$ 496,977
Contributions in relation to the contractually required contributions	\$ 848,611	\$ 812,193	\$ 578,286	\$ 496,977
Contribution deficiency/excess	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 5,753,284	\$ 5,601,300	\$ 4,058,149	\$ 3,549,836
Contributions as a percentage of covered-employee payroll	14.75%	14.50%	14.25%	14.00%

	ATRS at June 30, 2017	ATRS at June 30, 2016	ATRS at June 30, 2015	ATRS at June 30, 2014
Contractually required contributions	\$ 442,160	\$ 187,459	\$ 189,888	\$ 154,499
Contributions in relation to the contractually required contributions	\$ 442,160	\$ 187,459	\$ 189,888	\$ 154,499
Contribution deficiency/excess	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 3,163,284	\$ 1,344,583	\$ 1,297,102	\$ 1,039,083
Contributions as a percentage of covered-employee payroll	13.98%	13.94%	14.64%	14.87%

**HAAS HALL ACADEMY CHARTER SCHOOL
FAYETTEVILLE, ARKANSAS
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022 AND 2021**

During the years ended June 30, 2022 and 2021, there were no material federal awards granted to the School. Therefore, no additional disclosures are required.



Harris CPAs LLC

**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, 2022 and 2021, 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 24, 2023.

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.



Harris CPAs LLC
Springdale, Arkansas
March 24, 2023

HAAS HALL ACADEMY CHARTER SCHOOL

**SCHEDULE OF FINDINGS
JUNE 30, 2022**

Noncompliance:

Noncompliance with state law

No material noncompliance with state law noted.

HAAS HALL ACADEMY CHARTER SCHOOL

**SCHEDULE OF FINDINGS
JUNE 30, 2021**

Noncompliance:

Noncompliance with state law

No material noncompliance with state law noted.