



**GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

with

INDEPENDENT AUDITOR'S REPORT

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

**GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2021**

	PAGE
Independent Auditor's Report	1 – 3
Regulatory Basis Financial Statements:	
Balance Sheet – Regulatory Basis	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	6
Notes to Financial Statements	7 – 15
Other Reports and Supplementary Information:	
Schedule of Capital Assets (Unaudited)	16
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 <i>Government Auditing</i> <i>Standards</i>	17-18
Auditor Information Sheet	19
Independent Auditor's Report on Compliance with Arkansas State Requirements	20

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Graduate Arkansas, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of Graduate Arkansas, Inc. (the "Charter School"), as of June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting practices prescribed or permitted by the Arkansas Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the Charter School has prepared the financial statements using financial reporting practices prescribed or permitted by the Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Graduate Arkansas, Inc. as of June 30, 2021, or the changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Charter School, as of June 30, 2021, and the respective regulatory basis changes in financial position and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021 the Charter adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School’s regulatory basis financial statements. The Schedule of Capital Assets is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 26, 2022, on my consideration of the Charter School's internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lisa Stephens". The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2022

GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
June 30, 2021

	Governmental Funds		
	Major		
	General Revenue	Special Revenue	Other Aggregate
ASSETS			
Cash and cash equivalents	\$ 453,987	\$ 50,834	\$ -
Accounts receivable	-	27,276	4,582
Total Assets	<u>\$ 453,987</u>	<u>\$ 78,110</u>	<u>\$ 4,582</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 15,301	\$ 29,076	\$ 4,582
Total Liabilities	<u>15,301</u>	<u>29,076</u>	<u>4,582</u>
Fund Balances:			
Restricted	8,184	49,034	-
Unassigned	430,502	-	-
Total Fund Balances	<u>438,686</u>	<u>49,034</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 453,987</u>	<u>\$ 78,110</u>	<u>\$ 4,582</u>

GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Major		Other
	General Revenue	Special Revenue	Aggregate
REVENUES			
State assistance	\$ 1,018,647	\$ 42	\$ 53,820
Federal assistance	-	150,835	-
Meal sales	-	2,364	-
Other revenues	258	-	-
Total Revenues	<u>1,018,905</u>	<u>153,241</u>	<u>53,820</u>
EXPENDITURES			
Current:			
Regular programs	154,066	-	-
Special education	-	18,840	-
Compensatory education	7,250	-	-
Other instructional programs	24,831	-	-
Support services - students	56,310	3,831	-
Support services - instructional staff	114,378	98,739	-
Support services - general administration	102,808	-	-
Support services - school administration	162,976	-	-
Support services - central services	94,123	401	-
Support services - M & O	168,821	315	53,820
Student transportation services	98	-	-
Food services operations	29,159	2,405	-
Community service operations	-	-	-
Total Expenditures	<u>914,820</u>	<u>124,531</u>	<u>53,820</u>
Excess of revenue over expenditures	104,085	28,710	-
FUND BALANCE - BEGINNING OF YEAR	<u>334,601</u>	<u>20,325</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 438,686</u>	<u>\$ 49,035</u>	<u>\$ -</u>

GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2021

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 1,019,351	\$ 1,018,647	\$ (704)	\$ 42	\$ 42	\$ -
Federal assistance	-	-	-	158,046	150,835	(7,211)
Meal sales	-	-	-	11,186	2,364	(8,822)
Other revenues	-	258	258	-	-	-
Total Revenues	<u>1,019,351</u>	<u>1,018,905</u>	<u>(446)</u>	<u>169,274</u>	<u>153,241</u>	<u>(16,033)</u>
EXPENDITURES						
Current:						
Regular programs	221,884	154,066	67,818	-	-	-
Special education	-	-	-	22,940	18,840	4,100
Compensatory education	5,714	7,250	(1,536)	-	-	-
Other instructional programs	32,507	24,831	7,676	-	-	-
Support services - students	59,565	56,310	3,255	18,000	3,831	14,169
Support services - instructional staff	110,156	114,378	(4,222)	140,999	98,739	42,260
Support services - general administration	117,629	102,808	14,821	-	-	-
Support services - school administration	192,173	162,976	29,197	-	-	-
Support services - central services	54,359	94,123	(39,764)	401	401	-
Support services - M & O	209,799	168,821	40,978	10,000	315	9,685
Student transportation services	200	98	102	-	-	-
Other support services	-	-	-	-	-	-
Food services operations	46,000	29,159	16,841	11,178	2,405	8,773
Community service operations	-	-	-	2,000	-	2,000
Total Expenditures	<u>1,049,986</u>	<u>914,820</u>	<u>135,166</u>	<u>205,518</u>	<u>124,531</u>	<u>80,987</u>
Excess of revenue over expenditures	(30,635)	104,085	134,720	(36,244)	28,710	64,954
FUND BALANCE - BEGINNING OF YEAR	<u>334,601</u>	<u>334,601</u>	<u>-</u>	<u>20,325</u>	<u>20,325</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 303,966</u>	<u>\$ 438,686</u>	<u>\$ 134,720</u>	<u>\$ (15,919)</u>	<u>\$ 49,035</u>	<u>\$ 64,954</u>

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Graduate Arkansas, Inc. (the "Charter School"), formerly Arkansas School of Integrated Academies & Technologies Little Rock, Inc., is a nonprofit open enrollment charter school that delivers a Common Core-aligned curriculum that uses state-of-the-art technologies to integrate academic knowledge and real-world applications within a professional, work-like setting. The Charter School is accredited by AdvancED and the Arkansas Department of Education. The governing body of the Charter School is the Board of Directors, a seven member group. The Charter School is located in Little Rock, Arkansas and enrolls students in grades ninth through twelfth.

Description of Funds

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund – is the Charter School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund – Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and the related expenditures, restricted for specific educational programs or projects, including the Charter School's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other Governmental Funds, presented in the aggregate, consist of the following:

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Fiduciary Fund types include the following:

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). As of June 30, 2021, the Charter did not have fiduciary funds.

**GRADUTE ARKANSAS, INC
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Arkansas Code Annotated § 10-4-413 (c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the Charter School; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

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

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting Charter School with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose funds will be reflected in the notes to the financial statement.

Revenue Recognition

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Information on capital assets and related depreciation is reported on the Schedule of Capital Assets. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The Charter School maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Equipment	5-20
Leasehold Improvements	5-20

Income Taxes

The Charter School is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and comparable provisions of state income tax laws. Consequently, no provision for income taxes is reflected in the accompanying financial statements. Additionally, the Charter has been classified as an organization that is not a private foundation under Section 509(a).

Budget and Budgetary Accounting

As required by State statutes, the Charter School prepares an annual budget that is filed with the Arkansas Department of Education (ADE). The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to the ADE. The Charter School's budget is prepared utilizing the same basis of accounting described in Note 1.

Receivables

Receivables consist of amounts due to the Charter by the federal government for current year funding. The entire amount is considered collectible; therefore, no allowance for uncollectible amounts is considered necessary.

Use of Estimates

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

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines different types of fund balances that a governmental entity must use for financial reporting purposes. GASB require the fund balance amounts to be reported within one of the following fund balance categories:

Nonspendable Fund Balance - includes amounts that are not in a spendable form or are required to be maintained intact. The Charter School does not have any nonspendable fund balance at year end.

Restricted Fund Balance – includes amounts that can only be spent for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes determined by a formal action of the Charter School's Board of Governance.

Assigned Fund Balance – includes amounts intended to be used by the Charter School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned Fund Balance – includes the residual amount for the Charter School's general fund and includes all spendable amounts not contained in the other classifications.

For the purposes of fund balance classification, the Charter School's policy is to have expenditures spent from restricted fund balance first, followed in order by committed fund balance (if any), assigned fund balance and lastly unassigned fund balance.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the Charter's agent, pledging bank or pledging bank's trust department or agent in the Charter's name	<u>254,821</u>	<u>280,465</u>
Total Deposits	<u>\$ 504,821</u>	<u>\$ 530,465</u>

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$31,858 at June 30, 2021 was comprised of federal and state assistance.

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ -	\$ -	\$ -
Federal assistance	-	27,276	4,582
Other	-	-	-
Totals	\$ -	\$ 27,276	\$ 4,582

Federal assistance is based on a reimbursement program, whereby the Charter School must expend these funds before requesting cash draw downs. The Charter School expects to be reimbursed for all program expenditures.

NOTE 4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable balance of \$48,959 at June 30, 2021 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Accounts Payable	\$ 15,301	\$ 29,076	\$ 4,582

NOTE 5: COMPENSATED ABSENCES

Charter School employees are entitled to paid vacation and sick leave, depending on the length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Costs of compensated absences are recognized when paid to employees. Additionally, compensated absences are not includable in the financial statements under the Regulatory Basis of Accounting (RBA) as adopted by the State of Arkansas and administered by the Arkansas State Board of Education.

GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OPERATING LEASE COMMITMENT

The Charter School has an operating lease agreement with 6724 I-30, LLC beginning August 1, 2013 with monthly payments of \$5,350 through July 31, 2015, graduating to \$6,229 monthly to maturity, July 31, 2018, with a \$5,350 refundable security deposit. This lease agreement has a clause to extend for two additional five-year terms with written notice 180 days prior to expiration of the primary or renewal term. In August 2018, the Charter School extended its lease for five years, expiring on July 31, 2023, with monthly payments of \$6,415 through July 31, 2019, graduating to \$7,221 monthly to July 31, 2023.

Rental payments for the operating lease described above for the year ended June 30, 2021 was \$81,672.

The Charter School began an operating lease with Canon on November 1, 2019 for an IRADVC5235A printer with monthly base payments of \$443 ending on October 31, 2020. Lease payments for the year totaled \$7,332.

Future minimum lease payments required under the operating leases above are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 86,652
2023	86,652
2024	7,221
Total	<u>\$ 180,525</u>

NOTE 7: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 99% of total revenues were from state and federal sources for the year ending June 30, 2021. Additionally, the School received \$258 from other school sources.

NOTE 8: CONTINGENCIES

The Charter School participates in federally assisted grant programs. The Charter School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description: The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain non-teachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.50% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2021 was \$53,019, equal to the required contributions for each year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$838,685.

NOTE 10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, paid on-behalf of the Charter School's employees, was \$5,894 to the Charter School for the year ended June 30, 2021.

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Charter School carries commercial insurance for buildings, contents, vehicles, workers' compensation, board liability, and student accidents. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The Charter School participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**NOTE 12: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS
DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 22	\$ -	\$ -
English language learners	991	-	-
Medical services	-	29,122	-
Other purposes	7,171	19,912	
Total Restricted	<u>8,184</u>	<u>49,034</u>	<u>-</u>
Assigned to:			
Student activities	-	-	-
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>430,502</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 438,686</u>	<u>\$ 49,034</u>	<u>\$ -</u>

**GRADUTE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2022, the date which the financial statements were available for issue.

**GRADUATE ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

	<u>Balance June 30, 2021</u>
DEPRECIABLE CAPITAL ASSETS:	
Leasehold Improvements	\$ 141,227
Vehicles & Equipment	<u>232,378</u>
Total Depreciable Capital Assets	<u>373,605</u>
LESS ACCUMULATED DEPRECIATION FOR:	
Leasehold Improvements	141,227
Vehicles & Equipment	<u>159,220</u>
Total Accumulated Depreciation	<u>300,447</u>
 CAPITAL ASSETS, NET	 <u><u>\$ 73,158</u></u>

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Graduate Arkansas, Inc.

I have audited 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, the financial statements of each governmental fund of Graduate Arkansas, Inc., as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements and have issued my report thereon dated March 26, 2022. We have issued an adverse opinion because the Charter School prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund of the Charter School as of June 30, 2021, and the respective regulatory basis changes in the financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Graduate Arkansas, Inc.
Page Two

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of 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.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2022

AUDITOR INFORMATION SHEET

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS


To the Board of Directors
Graduate Arkansas, Inc.
Little Rock, Arkansas

I have examined management's assertions that Graduate Arkansas, Inc. substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations, including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2021. Management is responsible for the Charter School's compliance with those requirements. My responsibility is to express an opinion on management's assertions about the Charter School's compliance based on my examination.

My examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In my opinion, Graduate Arkansas, Inc. complied with the aforementioned requirements for the year ended June 30, 2021.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2022