



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

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**

**with**

**INDEPENDENT AUDITOR'S REPORT**

**LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC**

**GRADUATE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
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JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Graduate Arkansas, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

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, 2023, 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.

#### *Unmodified Opinions 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, 2023, and the respective regulatory basis changes in financial position and the respective regulatory budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005 described in Note 1.

#### *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 the Charter School as of June 30, 2023, or the changes in financial position for the year then ended.

#### *Basis for Opinion*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described more fully in Note 1, 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 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 and pervasive.

### ***Responsibilities of Management 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. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

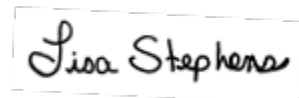
### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises of the Schedule of Capital Assets but does not include the regulatory basis financial statements, supplementary information, and our other auditor's report thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with my audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 24, 2023, 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.



Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
November 24, 2023

**GRADUATE ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**BALANCE SHEET - REGULATORY BASIS**  
**June 30, 2023**

	Governmental Funds		
	Major		
	General Revenue	Special Revenue	Other Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,228,124	\$ 50,563	\$ 71,276
Accounts receivable	-	21,430	9,298
Total Assets	<u>\$ 2,228,124</u>	<u>\$ 71,993</u>	<u>\$ 80,574</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 41,695	\$ 383	\$ -
Total Liabilities	<u>41,695</u>	<u>383</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted	23,654	71,610	80,574
Unassigned	2,162,775	-	-
Total Fund Balances	<u>2,186,429</u>	<u>71,610</u>	<u>80,574</u>
Total Liabilities and Fund Balances	<u>\$ 2,228,124</u>	<u>\$ 71,993</u>	<u>\$ 80,574</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, 2023**

	Major		Other
	General Revenue	Special Revenue	Aggregate
<b>REVENUES</b>			
State assistance	\$ 3,242,215	\$ -	\$ 91,885
Federal assistance	-	312,706	-
Meal sales	-	-	-
Other revenues	25,586	-	-
<b>Total Revenues</b>	<u>3,267,801</u>	<u>312,706</u>	<u>91,885</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular programs	317,627	45,129	-
Special education	-	30,757	-
Compensatory education	-	56,394	-
Other instructional programs	65,164	-	-
Support services - students	112,884	4,185	-
Support services - instructional staff	106,091	170,246	-
Support services - general administration	311,265	-	-
Support services - school administration	145,584	-	-
Support services - central services	143,403	-	-
Support services - M & O	214,681	-	14,989
Student transportation services	-	-	-
Food services operations	19,772	932	-
Community service operations	-	-	-
<b>Total Expenditures</b>	<u>1,436,471</u>	<u>307,643</u>	<u>14,989</u>
<b>Excess of revenue over expenditures</b>	<u>1,831,330</u>	<u>5,063</u>	<u>76,896</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	223	-
Transfers out	(223)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(223)</u>	<u>223</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>355,322</u>	<u>66,324</u>	<u>3,678</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,186,429</u>	<u>\$ 71,610</u>	<u>\$ 80,574</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, 2023**

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
State assistance	\$ 3,227,495	\$ 3,242,215	\$ 14,720	\$ 150	\$ -	\$ (150)
Federal assistance	-	-	-	255,551	312,706	57,155
Meal sales	-	-	-	-	-	-
Other revenues	17,623	25,586	7,963	-	-	-
<b>Total Revenues</b>	<u>3,245,118</u>	<u>3,267,801</u>	<u>22,683</u>	<u>255,701</u>	<u>312,706</u>	<u>57,005</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular programs	1,705,591	317,627	1,387,964	45,127	45,129	(2)
Special education	-	-	-	30,794	30,757	37
Compensatory education	-	-	-	83,694	56,394	27,300
Other instructional programs	60,771	65,164	(4,393)	-	-	-
Support services - students	106,171	112,884	(6,713)	29,595	4,185	25,410
Support services - instructional staff	123,997	106,091	17,906	259,240	170,246	88,994
Support services - general administration	323,300	311,265	12,035	-	-	-
Support services - school administration	140,724	145,584	(4,860)	-	-	-
Support services - central services	160,090	143,403	16,687	-	-	-
Support services - M & O	444,817	214,681	230,136	-	-	-
Student transportation services	-	-	-	-	-	-
Food services operations	36,000	19,772	16,228	1,074	932	142
Community service operations	500	-	500	876	-	876
<b>Total Expenditures</b>	<u>3,101,961</u>	<u>1,436,471</u>	<u>1,665,490</u>	<u>450,400</u>	<u>307,643</u>	<u>142,757</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In (Out)	<u>(223)</u>	<u>(223)</u>	<u>-</u>	<u>223</u>	<u>223</u>	<u>-</u>
<b>Excess of revenue over expenditures</b>	142,934	1,831,107	1,688,173	(194,476)	5,286	199,762
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>355,322</u>	<u>355,322</u>	<u>-</u>	<u>66,324</u>	<u>66,324</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 498,256</u>	<u>\$ 2,186,429</u>	<u>\$ 1,688,173</u>	<u>\$ (128,152)</u>	<u>\$ 71,610</u>	<u>\$ 199,762</u>



**GRADUTE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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 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, 2023, the Charter did not have fiduciary funds.

**GRADUTE ARKANSAS, INC  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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 entity 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, 2023**

**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 Division of Elementary and Secondary 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 ADE 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, 2023**

**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>2,099,964</u>	<u>2,124,510</u>
Total Deposits	<u>\$2,349,964</u>	<u>\$2,374,510</u>

**GRADUTE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$30,728 at June 30, 2023 was comprised of federal and state assistance.

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ -	\$ -	\$ 9,298
Federal assistance	-	21,430	-
Other	-	-	-
Totals	\$ -	\$ 21,430	\$ 9,298

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 \$42,080 at June 30, 2023 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Accounts Payable	\$ 41,695	\$ 385	\$ -

**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, 2023**

**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, 2023 was \$73,510.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	<u>\$ 7,221</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, 2023. Additionally, the School received \$25,586 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, 2023**

**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 7.00% 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 15.00% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2023 was \$88,676, equal to the required contributions for each year.

Net Pension Liability: The Arkansas Division of Elementary and Secondary 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, 2022 (actuarial valuation date and measurement date) was \$815,995.

**NOTE 10: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Division of Elementary and Secondary Education to the Employee Benefits Division, paid on-behalf of the Charter School's employees, was \$7,920 to the Charter School for the year ended June 30, 2023.

**GRADUTE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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		
	General	Special Revenue	Other Aggregate
<b>Fund Balances:</b>			
Restricted for:			
Enhanced student achievement funding	\$ 8,414	\$ -	\$ -
Child Nutrition Program	-	7,808	-
English Language Learners	166		
Alternative Learning	14,974		
Medical services	-	63,802	-
Other purposes	100	-	80,574
Total Restricted	<u>23,654</u>	<u>71,610</u>	<u>80,574</u>
 Assigned to:			
Student activities	-	-	-
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>
 Unassigned	<u>2,162,775</u>	<u>-</u>	<u>-</u>
 Totals	<u>\$ 2,186,429</u>	<u>\$ 71,610</u>	<u>\$ 80,574</u>



**GRADUTE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 24, 2023, the date which the financial statements were available for issue.

**GRADUATE ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
YEAR ENDED JUNE 30, 2023  
(UNAUDITED)**

	<u>Balance June 30, 2023</u>
<b>DEPRECIABLE CAPITAL ASSETS:</b>	
Leasehold Improvements	\$ 141,227
Vehicles & Equipment	<u>239,707</u>
Total Depreciable Capital Assets	<u>380,934</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>	
Leasehold Improvements	141,227
Vehicles & Equipment	<u>193,501</u>
Total Accumulated Depreciation	<u>334,728</u>
 <b>CAPITAL ASSETS, NET</b>	 <u><u>\$ 46,206</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, 2023, 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 November 24, 2023. 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, 2023, 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.

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  
November 24, 2023

## AUDITOR INFORMATION SHEET

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6724 INTERSTATE 30  
LITTLE ROCK, ARKANSAS 72209

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SUPERINTENDENT: KATIE HATLEY  
CONTACT PERSON: CHRIS BELL, CPA – COMPLETE CONSULTING

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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, 2023. 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, 2023.

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  
November 24, 2023

**GRADUATE ARKANSAS, INC.**  
**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE**  
**ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>Description</b>	<b>Statutes</b>
Bidding and Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization and Investment Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
<ul style="list-style-type: none"> <li>Bonded and Non-bonded Debt, District School Bonds</li> </ul>	6-20-1201 – 6-20-1208; 6-20-1210
<ul style="list-style-type: none"> <li>Petty Cash</li> </ul>	6-20-409
<ul style="list-style-type: none"> <li>Changes in Pullback (no deferrals – declining accrual percentages)</li> </ul>	6-20-401
<ul style="list-style-type: none"> <li>Investment of Funds</li> </ul>	19-1-504
Management of Schools	
<ul style="list-style-type: none"> <li>Board of Directors</li> </ul>	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
<ul style="list-style-type: none"> <li>District Treasurer</li> </ul>	6-13-701
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Warrants</li> </ul> </li> </ul>	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws – Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or More (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
<ul style="list-style-type: none"> <li>Personnel Policies</li> </ul>	6-17-201 et seq.; 6-17-2301
<ul style="list-style-type: none"> <li>Employment and Assignment</li> </ul>	6-17-301 et seq.
<ul style="list-style-type: none"> <li>Teacher's License Requirement</li> </ul>	6-17-401 et seq.
<ul style="list-style-type: none"> <li>Contracts</li> </ul>	6-17-801 et seq.
<ul style="list-style-type: none"> <li>Certification Requirements</li> </ul>	6-17-309; 6-17-401
<ul style="list-style-type: none"> <li>Fair Dismissal Act</li> </ul>	6-17-1501 et seq.; 6-17-1701 et seq.
<ul style="list-style-type: none"> <li>Sick Leave Policies</li> </ul>	6-17-1201 et seq.; 6-17-1301 et seq.
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees.

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

The financial statement presentation must also be in accordance with GASB 68 and 72. (Note for Regulatory Basis presentation).