



**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK**  
**REGULATORY BASIS FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2021**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**

**LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC**

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
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JUNE 30, 2021**

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# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Exalt Academy of Southwest Little Rock

I have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of Exalt Academy of Southwest Little Rock (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 of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 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.

### **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 Exalt Academy of Southwest Little Rock as of June 30, 2021, or the changes in financial position for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective 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 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.

### **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 Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards* and the Schedule of Capital Assets are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

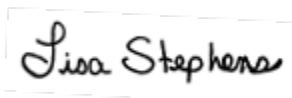
The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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 27, 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 cursive script that reads "Lisa Stephens". The signature is written in dark ink on a white background.

Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
March 27, 2022

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2021**

	Governmental Funds			
	Major			
	General Revenue	Special Revenue	Other Aggregate	Fiduciary
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,363,587	\$ 21,890	\$ -	\$ 1,554
Accounts receivable	27,292	127,033	17,332	-
<b>Total Assets</b>	<b>\$ 1,390,879</b>	<b>\$ 148,923</b>	<b>\$ 17,332</b>	<b>\$ 1,554</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 55,849	\$ -	\$ 17,332	\$ -
Due to student groups	-	-	-	1,554
Total Liabilities	55,849	-	17,332	1,554
<b>Fund Balances</b>				
Restricted	108,682	148,923	-	-
Assigned	1,226,348	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,335,030	148,923	-	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,390,879</b>	<b>\$ 148,923</b>	<b>\$ 17,332</b>	<b>\$ 1,554</b>

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED JUNE 30, 2021**

	<b>Major</b>		
	General Revenue	Special Revenue	Other Aggregate
<b>REVENUES</b>			
State assistance	\$ 4,443,857	\$ 1,676	\$ 203,551
Federal assistance	-	972,137	-
Meal sales	-	271,081	-
Investment income	650	-	-
Other revenues	96,760	-	-
<b>Total Revenues</b>	<u>4,541,267</u>	<u>1,244,894</u>	<u>203,551</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular programs	1,983,906	202,594	-
Special education	165,859	210	-
Compensatory education	-	329,500	-
Other instructional programs	143,050	101,392	-
Support services - students	140,029	147,908	-
Support services - instructional staff	181,243	18,026	-
Support services - general administration	914,000	-	-
Support services - school administration	70,568	4,815	-
Support services - business services	20,478	9,151	-
Support services - M & O	627,427	106,762	190,240
Support services - other	6,648	-	-
Food services operations	-	364,553	-
Community service operations	-	93	-
Facilities acquisition and construction services	65,921	-	33,584
<b>Total Expenditures</b>	<u>4,319,129</u>	<u>1,285,004</u>	<u>223,824</u>
<b>Excess of revenue over expenditures</b>	222,138	(40,110)	(20,273)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	\$ (92,901)	\$ 92,901	\$ -
<b>Total Other Financing Sources (Uses)</b>	<u>(92,901)</u>	<u>92,901</u>	<u>-</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>129,237</u>	<u>52,791</u>	<u>(20,273)</u>
<b>NET CHANGE IN FUND BALANCE</b>	129,237	52,791	(20,273)
<b>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</b>	<u>1,205,793</u>	<u>96,132</u>	<u>20,273</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,335,030</u></u>	<u><u>\$ 148,923</u></u>	<u><u>\$ -</u></u>

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
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)
<b>REVENUES</b>						
State assistance	\$ 4,210,310	\$ 4,443,857	\$ 233,547	\$ 2,500	\$ 1,676	\$ (824)
Federal assistance	-	-	-	855,161	972,137	116,976
Meal sales	-	-	-	-	271,081	271,081
Investment income	-	650	650	-	-	-
Other revenues	-	96,760	96,760	-	-	-
<b>Total Revenues</b>	<u>4,210,310</u>	<u>4,541,267</u>	<u>330,957</u>	<u>857,661</u>	<u>1,244,894</u>	<u>387,233</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular programs	1,894,013	1,983,906	(89,893)	425,459	202,594	222,865
Special education	165,378	165,859	(481)	210	210	-
Compensatory education	-	-	-	334,334	329,500	4,834
Other instructional programs	200,959	143,050	57,909	112,551	101,392	11,159
Career education	-	-	-	-	-	-
Support services - students	151,088	140,029	11,059	125,521	147,908	(22,387)
Support services - instructional staff	325,825	181,243	144,582	106,068	18,026	88,042
Support services - general administration	813,667	914,000	(100,333)	-	-	-
Support services - school administration	69,832	70,568	(736)	5,800	4,815	985
Support services - central services	21,700	20,478	1,222	14,450	9,151	5,299
Support services - M & O	365,276	627,427	(262,151)	298,293	106,762	191,531
Support services - Other	6,500	6,648	(148)	-	-	-
Food services operations	-	-	-	271,000	364,553	(93,553)
Community service operations	-	-	-	200	93	107
Facilities acquisition and construction services	146,470	65,921	80,549	-	-	-
<b>Total Expenditures</b>	<u>4,160,708</u>	<u>4,319,129</u>	<u>(158,421)</u>	<u>1,693,886</u>	<u>1,285,004</u>	<u>408,882</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>49,602</u>	<u>222,138</u>	<u>172,536</u>	<u>(836,225)</u>	<u>(40,110)</u>	<u>796,115</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	-	(92,901)	92,901	-	92,901	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(92,901)</u>	<u>92,901</u>	<u>-</u>	<u>92,901</u>	<u>(92,901)</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>49,602</u>	<u>129,237</u>	<u>79,635</u>	<u>(836,225)</u>	<u>52,791</u>	<u>889,016</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>49,602</u>	<u>129,237</u>	<u>172,536</u>	<u>(836,225)</u>	<u>52,791</u>	<u>796,115</u>
<b>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</b>	<u>1,205,793</u>	<u>1,205,793</u>	<u>-</u>	<u>96,132</u>	<u>96,132</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,255,395</u>	<u>\$ 1,335,030</u>	<u>\$ 172,536</u>	<u>\$ (740,093)</u>	<u>\$ 148,923</u>	<u>\$ 796,115</u>



**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Reporting Entity

The Board of Trustees, an eight (8) member group, is the level of government which has responsibilities over all activities of Exalt Academy of Southwest Little Rock ("the Charter School"). The Charter School's financial statements reflect all funds and accounts directly under the control of the Charter School. There are no component units.

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 expenditures 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).

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
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 entity; 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. 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.

Revenue Recognition

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

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.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Capital Assets (Continued)

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>
Furniture and equipment	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.

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 requires 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 balances 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 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.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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.

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.

**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>1,137,031</u>	<u>1,257,024</u>
Total Deposits	<u><u>\$ 1,387,031</u></u>	<u><u>\$1,507,024</u></u>

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$171,657 at June 30, 2021 was comprised of the following:

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
State assistance	\$ 27,292	\$ -	\$ 17,332
Federal assistance	-	127,033	-
Other		-	-
Totals	<u>\$ 27,292</u>	<u>\$ 127,033</u>	<u>\$ 17,332</u>

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 \$73,181 at June 30, 2021 was comprised of the following:

	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Accounts payable and accrued expenditures	<u>\$ 55,849</u>	<u>\$ -</u>	<u>\$ 17,332</u>

**NOTE 5: COMMITMENTS**

The Charter School was contractually obligated for the following at June 30, 2021:

Operating Leases

In February 2015, the Charter School entered into an operating lease for the Charter School's facility. This noncancelable lease has scheduled monthly payments of \$23,673. In December 2018, the Charter School extended its lease term for three years with an option to renew for one five-year term. Expense for the year ended June 30, 2021 under this agreement was \$304,850.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5: COMMITMENTS (CONTINUED)**

Operating Leases (Continued):

In February 2018, the Charter School entered into a 60 month operating lease for 2 copiers. The noncancelable lease has scheduled monthly payment of a minimum of \$936 for 43,000 black and white and 2,500 color copies. Excess copies are billable at \$.0095 each for black and white and \$.06 each for color copies.

On April 30, 2021, the Charter School entered into a lease agreement with Exalt Academy, LLC. for use of the land and buildings. The rental payments are equal to 100% of the annual payments required by Exalt Academy, LLC to service the debt on the premises and to service all other obligations set forth by the Arkansas Development Finance Authority on the Revenue Bonds, issued on April 30, 2021. Rental payments for the above operating lease were approximately \$43,716 for the year ended June 30, 2021.

Future minimum lease payments for this lease are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 262,297
2023	262,297
2024	262,297
2025	262,297
2026	95,692
	<u>\$1,144,880</u>

**NOTE 6: 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 actually 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.

**NOTE 7: SIGNIFICANT CONCENTRATION**

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 98% of total revenues were from state and federal sources for the year ending June 30, 2021. Revenues from other sources totaled \$97,410.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8: 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 6.5% 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 14.5% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the year ended June 30, 2021 were \$336,286, equal to the required contributions for the year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the Regulatory Basis of Accounting, the requirements of Government 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 \$3,327,304.

**NOTE 9: 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.

**NOTE 10: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the Charter School's employees, total \$90,209 for the year ended June 30, 2021.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11: SERVICES AGREEMENT**

Exalt Academy of Southwest Little Rock entered into a Management Services Agreement with Exalt Education, Inc. as of August 28, 2014. The Management Service Agreement grants Exalt Education, Inc. the power and authority, on behalf of the Charter School and consistent with federal and Arkansas law to prepare the Charter School's annual budget; to perform personnel functions such as staffing, evaluation and training; to review monthly financial statements and budgets; to provide initial training and set up of financial systems; to conduct periodic review of financial systems; to establish, implement, and evaluate an educational program and curriculum for the Charter School; to conduct professional development; to select instructional materials, equipment, and supplies; and to take such other actions that may be necessary or desirable to properly and efficiently operate the Charter School.

During the year ended June 30, 2021 fees and reimbursements totaled approximately \$900,092.

**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	\$ 73,865	\$ -	\$ -
English language acquisition	11,077	520	-
Special education programs	895	-	-
Professional development	16,551	-	-
Medical services	6,294	108,841	-
COVID-19	-	5,274	-
Child nutrition programs	-	34,288	-
Total Restricted	<u>108,682</u>	<u>148,923</u>	<u>-</u>
Assigned to:			
Student activities	-	-	-
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>1,226,348</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,335,030</u>	<u>\$ 148,923</u>	<u>\$ -</u>



**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13: 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, board liability, and student accident. 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 14: PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2021 adopted Governmental Accounting Standards Board Statement No. 84, therefore, the Charter reclassified their fiduciary funds from the general revenue fund. Accordingly, the Charter has restated its beginning general revenue fund balance by decreasing it from \$1,205,848 to \$1,205,793.

**NOTE 15: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 27, 2022, the date which the financial statements were available for issue.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

	Balance <u>June 30, 2021</u>
<b>DEPRECIABLE CAPITAL ASSETS:</b>	
Leasehold improvements	\$ 333,809
Vehicles & Equipment	<u>220,855</u>
Total depreciable capital assets	<u>554,664</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>	
Leasehold improvements	927
Vehicles & Equipment	<u>58,637</u>
Total accumulated depreciation	<u>59,564</u>
<b>CAPITAL ASSETS, NET</b>	<u><u>\$ 495,100</u></u>

# **LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC**

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## **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 Trustees  
Exalt Academy of Southwest Little Rock

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 major governmental fund of Exalt Academy of Southwest Little Rock 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 27, 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 Exalt Academy of Southwest Little Rock'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 Exalt Academy of Southwest Little Rock's internal control. Accordingly, I do not express an opinion on the effectiveness Exalt Academy of Southwest Little Rock'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 Charter School'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 Exalt Academy of Southwest Little Rock'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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
March 27, 2022

# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

### *Independent Auditor's Report*

To the Board of Trustees  
Exalt Academy of Southwest Little Rock.:

### **Report on Compliance for Each Major Federal Program**

I have audited Exalt Academy of Southwest Little Rock's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Exalt Academy of Southwest Little Rock's major federal program for the year ended June 30, 2021. Exalt Academy of Southwest Little Rock's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for Exalt Academy of Southwest Little Rock's major federal program based on my audit of the types of compliance requirements referred to above. I conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Exalt Academy of Southwest Little Rock's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that our audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Exalt Academy of Southwest Little Rock's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Exalt Academy of Southwest Little Rock. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of Exalt Academy of Southwest Little Rock. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, I considered Exalt Academy of Southwest Little Rock's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Exalt Academy of Southwest Little Rock's internal control over compliance.

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

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

I have audited the financial statements of Exalt Academy of Southwest Little Rock's as of and for the year ended June 30, 2021 and have issued our report thereon dated March 27, 2022, which contained an unmodified opinion on those financial statements. 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 as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the 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

To the Board of Trustees  
Exalt Academy of Southwest Little Rock.  
Page Three

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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Lisa Stephens". The signature is written in a cursive, flowing style.

Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
March 27, 2022

## AUDITOR INFORMATION SHEET

EXALT ACADEMY OF SOUTHWEST LITTLE ROCK.  
6111 W 83<sup>rd</sup> STREET  
LITTLE ROCK, AR 72209

EIN: 46-4412800  
TELEPHONE: (501) 568-3279  
FAX: (501) 568-3286  
SUPERINTENDENT: DENNIS TIEDE  
CONTACT PERSON: LINDA MOONEY

LEAD AUDITOR:	LISA STEPHENS, CPA
FIRM NAME:	LISA STEPHENS, CERTIFIED PUBLIC ACCOUNTANT, PLC
ADDRESS:	715 FRONT STREET CONWAY, ARKANSAS 72032
TELEPHONE:	(501) 327-2834
FAX:	(501) 327-6663
EMAIL:	<a href="mailto:lisa@lisastephenscpa.com">lisa@lisastephenscpa.com</a>
LICENSE NUMBER:	2691, ARKANSAS
PROGRAM EXAMINED:	84.425D Education Stabilization Fund – ESSER 84.010 Title I Grants – Local Education Agencies



**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	60-50-700	343,131
Fresh Fruits and Vegetable Program	10.582	60-50-700	21,422
Total State Department of Education			<u>364,553</u>
 TOTAL CHILD NUTRITION CLUSTER			 <u>364,553</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	35-41	329,594
Special Education - Grants to States	84.027	35-41	102,447
IDEA Early Childhood, Section 619	84.173	60-55	6,859
English Language Acquisition	84.365	60-55	30,061
Education Stabilization Fund - ESSER	84.425D	35-41	414,398
 Total U. S. Department of Education			 <u>883,359</u>
 TOTAL OTHER PROGRAMS			 <u>883,359</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 1,247,912</u></u>

The accompanying notes are an integral part of this schedule.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Lighthouse Academies of Pine Bluff Arkansas, Inc. (the Charter School) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.
2. During the year ended June 30, 2021, the Charter School received Medicaid funding of \$ 37,091 from the State Department of Human Services. Such payments are not considered Federal awards expended and therefore are not included in the above schedule.
3. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Administrative Requirements, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued:

Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency identified that is not considered to be a material weakness?

\_\_\_\_\_ Yes   X   No

\_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   No

\_\_\_\_\_ Yes   X   None reported

Type of auditor’s report issued on compliance for a major program:

Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance

\_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.425D

Education Stabilization Fund – ESSER

84.010

Title I Grants – Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

          \$750,000          

Auditee qualifies as a low-risk auditee?

\_\_\_\_\_ Yes   X   No

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
JUNE 30, 2021**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**EXALT ACADEMY OF SOUTHWEST LITTLE ROCK.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2021**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Trustees  
Exalt Academy of Southwest Little Rock.  
Jacksonville, Arkansas

I have examined management's assertions that Exalt Academy of Southwest Little Rock. substantially complied with the requirements of the 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, Exalt Academy of Southwest Little Rock. 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 27, 2022