

ARKANSAS CONNECTIONS ACADEMY, INC.

**Regulatory Basis Financial Statements
And Supplementary Information**

**June 30, 2024
(With Independent Auditors' Report Thereon)**



TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheet – Regulatory Basis.....	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – Regulatory Basis.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	7
Notes to the Financial Statements.....	9
SUPPLEMENTARY INFORMATION	
Schedule of Capital Assets (Unaudited).....	17
Schedule of Expenditures of Federal Awards.....	18
Notes to the Schedule of Expenditures of Federal Awards.....	19
ADDITIONAL REQUIRED REPORTS	
Independent Auditors' 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.....	21
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance....	23
Schedule of Findings and Questioned Costs.....	26
Independent Auditors' Report on Compliance with Arkansas State Requirements ..	28
Schedule of Statutes Required by Arkansas Department of Education to be Addressed in Independent Auditors' Report on Compliance for the Year Ended June 30, 2024.....	30



Independent Auditors' Report

The Board of Directors
Arkansas Connections Academy, Inc.

Opinions

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of Arkansas Connections Academy, Inc. (the “Organization”) (a nonprofit organization), which comprise the balance sheet—regulatory basis as of June 30, 2024, and the related statements of revenues, expenditures, and changes in fund balances—regulatory basis and revenues, expenditures, and changes in fund balances—budget and actual—general and special revenue funds—regulatory basis for the year then ended, and the related notes to the financial statements (collectively, the “financial statements”).

Unmodified Opinion on Regulatory Basis of Accounting

In our 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 Organization as of June 30, 2024, and the respective regulatory basis changes in financial position and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, in accordance with the accounting practices prescribed or permitted by Arkansas Code Ann. § 10-4-413 (c), as provided in Act 867 of 2019, as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Organization as of June 30, 2024, or the changes in its financial position for the year then ended.

Basis for Opinions

We conducted our 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. Our responsibilities under those

standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on U.S. generally accepted accounting principles.

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

As described in Note 1, the financial statements are prepared by the Organization on the basis of the accounting practices prescribed or permitted by Arkansas Code Ann. § 10-4-413 (c) as provided in Act 867 of 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of Arkansas. 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 determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the State of Arkansas, and Arkansas Code Ann. § 10-4-413 (c) as provided in Act 867 of 2019, and 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are 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 auditors' 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 generally accepted 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 generally accepted auditing standards 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 Organization’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 Organization’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.

Supplementary Information

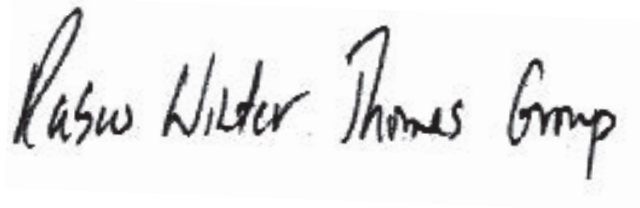
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of capital assets are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Arkansas Code Ann. § 10-4-413 (c) as provided in Act 867 of 2019.

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 the 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 regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rasw Hilder Thomas Group". The signature is written in a cursive, slightly slanted style.

March 18, 2025

ARKANSAS CONNECTIONS ACADEMY, INC.

**Balance Sheet – Regulatory Basis
June 30, 2024**

	Governmental Funds	
	Major	
<u>Assets</u>	<u>General Revenue</u>	<u>Special Revenue</u>
Cash and cash equivalents	\$ 9,028,902	85,807
Accounts receivable	-	172,311
Other receivable	3,471	-
Total assets	\$ 9,032,373	258,118
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Due to Pearson Online & Blended Learning K-12	\$ 3,498,385	-
Accounts payable and accrued liabilities	1,354,279	258,118
Total liabilities	4,852,664	258,118
Fund balances:		
Unassigned	4,179,709	-
Total fund balances	4,179,709	-
Total liabilities and fund balances	\$ 9,032,373	258,118

See accompanying notes to the financial statements.

ARKANSAS CONNECTIONS ACADEMY, INC.

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds – Regulatory Basis
For the Year Ended June 30, 2024**

	Major	
	General Revenue	Special Revenue
Revenues:		
State assistance	\$ 29,465,689	-
Federal assistance	-	3,035,370
Other revenues	36,935	-
Total revenues	29,502,624	3,035,370
Expenditures:		
Regular programs	23,435,813	2,281,012
Special education	2,745,870	750,033
Summer programs	-	1,703
Support services - students	-	-
Support services - instructional staff	202,453	-
Support services - general administration	680,730	-
Support services - school administration	1,809,692	2,622
Support services - repairs and maintenance	9,628	-
Support services - other	148,563	-
Total expenditures	29,032,749	3,035,370
Excess of revenue over expenditures	469,875	-
Fund Balance - beginning of year	3,709,834	-
Fund Balance - end of year	\$ 4,179,709	-

See accompanying notes to the financial statements.

ARKANSAS CONNECTIONS ACADEMY, INC.

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General and Special Revenue Funds – Regulatory Basis
For the Year Ended June 30, 2024**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
State assistance	\$ 24,851,590	29,465,689	4,614,099
Federal assistance	-	-	-
Other revenues	3,775	36,935	33,160
Total revenues	<u>24,855,365</u>	<u>29,502,624</u>	<u>4,647,259</u>
Expenditures:			
Regular programs	20,745,599	23,435,813	(2,690,214)
Special education	845,505	2,745,870	(1,900,365)
Summer programs	20,674	-	20,674
Support services - students	81,657	-	81,657
Support services - instructional staff	101,603	202,453	(100,850)
Support services - general administration	596,284	680,730	(84,446)
Support services - school administration	1,463,467	1,809,692	(346,225)
Support services - repairs and maintenance	23,268	9,628	13,640
Support services - other	178,517	148,563	29,954
Total expenditures	<u>24,056,574</u>	<u>29,032,749</u>	<u>(4,976,175)</u>
Excess (deficit) of revenue over expenditures	798,791	469,875	(328,916)
Fund balance - beginning of year	<u>3,709,834</u>	<u>3,709,834</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,508,625</u>	<u>4,179,709</u>	<u>(328,916)</u>

See accompanying notes to the financial statements.

Special Revenue

	Budget	Actual	Variance Favorable (Unfavorable)
\$	-	-	-
	2,831,667	3,035,370	203,703
	-	-	-
	<u>2,831,667</u>	<u>3,035,370</u>	<u>203,703</u>
	2,175,987	2,281,012	(105,025)
	561,344	750,033	(188,689)
	5,000	1,703	3,297
	67,978	-	67,978
	21,358	-	21,358
	-	-	-
	-	2,622	(2,622)
	-	-	-
	-	-	-
	<u>2,831,667</u>	<u>3,035,370</u>	<u>(203,703)</u>
	-	-	-
	-	-	-
\$	<u>-</u>	<u>-</u>	<u>-</u>

ARKANSAS CONNECTIONS ACADEMY, INC.

Notes to the Financial Statements June 30, 2024

(1) Summary of Significant Accounting Policies

Arkansas Connections Academy, Inc. (the “Organization”) is a full-time statewide virtual public charter school for grades K-12 that provides to its students a complete public school experience, focusing on the student’s academic growth, social and emotional needs, and post-secondary goals. The Organization is governed by a founding Board of Directors who all have a background in academia. The Organization receives a majority of its funding from state grants.

Description of Funds: Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund - is the Organization’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 – accounts for specific revenue, such as federal grants and capital outlay funding that are legally restricted to expenditures for particular purposes.

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 867 of 2019, 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; statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual revenues and expenditures for the general fund and special revenue funds of the entity; notes to the 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 accounting.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: Management’s Discussion and Analysis; accrual basis of accounting for government-wide financial statements, 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,

inclusion of the net pension liability in the financial statements, specific procedures for the identifications of government 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. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

Revenue and Expenditure Recognition Policies: Revenues are recognized when they become susceptible to accrual in accordance with the RBA. Expenditures shall be reported when the related liability is incurred. Such expenditures should not include accruals for interest payable, compensated absences, prepaid expense, or inventories.

Capital Assets: On the Statement of Revenues, Expenditures, and Changes in Fund Balances, capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase.

Information on capital assets and related depreciation is reported on the Schedule of Capital Assets. On this schedule, capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Donated capital assets are reported at fair value when received. The Organization maintains a threshold level of \$1,000 for capitalizing equipment. No salvage value is taken into consideration for depreciation purposes. All capital assets 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
Leasehold Improvements	5 - 6

Tax Exempt Status: The Organization 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 Classification: 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 Organization did 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 resources providers, or through enabling legislation. The Organization did not have any restricted fund balances at year end.

Committed Fund Balance – includes amounts that can only be used for specific purposes determined by a formal action of the School Board of Governance. The Organization did not have any committed fund balances at year end.

Assigned Fund Balance – includes amounts intended to be used by the Organization’s management for specific purposes but does not meet the criteria to be classified as restricted or committed. The Organization did not have any assigned fund balances at year end.

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

For the purpose of fund balance classifications, the Organization’s policy is to have expenditures spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Budget and Budgetary Accounting: As required by State statutes, the Organization prepares an annual budget that is filed with the Arkansas Department of Education (ADE). The budget is required to be approved by the Organization’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 ADE. The Organization’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.

(2) Cash Deposits with Financial Institutions

Arkansas statutes allow each local school the right to determine the depositories in which to deposit school funds and the amounts and type of investments in which to invest school funds, provided however, that investments are limited specifically to bonds or notes of the United States of America, general obligation bonds of the State of Arkansas, or bank certificates of deposit. At June 30, 2024, the Organization’s cash consisted of a demand deposit at one local depository bank.

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. The Organization’s deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all deposits with federal depository insurance (FDIC), a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; the bonds of the State of Arkansas, or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas.

As of June 30, 2024, the bank balance of the Organization’s demand deposit account was \$9,114,709, all of which was insured or collateralized.

(3) Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities of \$1,612,397 at June 30, 2024 was comprised of the following:

<u>Description</u>	<u>Governmental Funds</u>	
	<u>Major</u>	
	<u>General</u>	<u>Special Revenue</u>
Vendor payables	\$ 60,867	-
Payroll and related liabilities	1,293,412	258,118
Total	<u>\$ 1,354,279</u>	<u>258,118</u>

(4) Operating Lease

The Organization entered into an agreement to lease office space under a non-cancellable operating lease. As of June 30, 2024, the lease expiration date was August 31, 2024, with monthly rental rates that provide for future annual increases to reflect current market conditions for comparable office space.

Minimum future rental payments under the non-cancellable operating lease, during the years subsequent to June 30, 2024, were as follows as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Total</u>
2025	\$ <u>15,085</u>
Total	\$ <u>15,085</u>

Rental payments for the operating lease described above were approximately \$93,803 for the year ended June 30, 2024.

In August 2024, subsequent to the balance sheet date, the Organization exercised a two-year renewal option, extending the lease term through August 2026.

(5) Compensated Absences

Employees of the Organization 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 RBA as adopted by the State of Arkansas and administered by the Arkansas State Board of Education.

(6) Significant Concentration

The Organization is economically dependent upon funding received through state and federal assistance. Approximately 99.89% of total revenue was from state and federal sources for the year ended June 30, 2024.

(7) Retirement Plan

Plan Description: The Organization contributes to the Arkansas Teachers 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 Teachers Retirement System issues a publicly available financial report that included financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teachers 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 law to contribute 6% 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% of covered salaries, the maximum allowed by State law. The Organization's contribution to ATRS for the year ended June 30, 2024, was \$1,264,350, equal to the required contribution for the year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the Organization's proportionate share of the collective net pension liability. The Organization's proportionate share of the collective net pension liability at June 30, 2023 (most recent actuarial valuation date and measurement date) was \$10,356,379.

(8) Contingencies

The Organization participates in federally assisted grant programs. The Organization 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.

(9) On-Behalf Payments

During the year ended June 30, 2024, no payments were made by the Arkansas Department of Education to third parties on behalf of the Organization or its employees.

(10) Connections Education - Pearson Virtual Schools USA Services Agreement

The Organization entered into a Statement of Agreement with Pearson Virtual Schools USA (Pearson), formerly known as Connections Education, as of March 3, 2016. The Statement of Agreement grants Pearson the power and authority, on behalf of the Organization and consistent with federal and Arkansas law, to prepare the Organization'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 financial systems; to conduct periodic review of financial systems; to establish, implement, and evaluate an educational program and curriculum for the Organization; 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 Organization.

For those services, Pearson shall invoice the Organization monthly. Payment is due within five (5) business days by action of the Governing Council, which shall use its best efforts to review and approve invoices within thirty (30) days of receipt. Pearson may charge interest at the rate of one and one half percent (1.5%) per month for any invoices over sixty days, unless such failure to pay is the result of funds being withheld from the Organization due to failure by Pearson to perform under the terms of the Statement of Agreement. During the year ended June 30, 2024 fees and reimbursements totaled approximately \$31,705,415.

The Statement of Agreement provides that the Organization and Pearson can negotiate a reduction in the service fees billed to the Organization, if the school's expenditures are projected to exceed its funding, which would result in a cumulative net asset deficit on its audited financial statements. No such discretionary service credit was earned during the year ended June 30, 2024.

(11) Risk Management

The Organization 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 Organization carries commercial insurance for directors and board liability, and student accident. There have been no settled claims that exceeded this commercial coverage in the current year.

The Organization participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. The 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.

(12) Subsequent Events

The Organization has evaluated subsequent events through March 18, 2025, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ARKANSAS CONNECTIONS ACADEMY, INC.

**Schedule of Capital Assets
June 30, 2024
(Unaudited)**

	<u>June 30, 2024</u>
Depreciable capital assets:	
Equipment	\$ 14,563
Leasehold improvements	86,305
Less accumulated depreciation:	
Equipment	(11,192)
Leasehold improvements	(84,777)
Capital assets, net	<u>\$ 4,899</u>

See independent auditors' report.

ARKANSAS CONNECTIONS ACADEMY, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

<u>Federal Grantor/Pass-through Agency/Program</u>	<u>Pass through Agency ID Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Arkansas Department of Education:			
Title I Grants to Local Educational Agencies (LEA's)	6501	84.010	\$ 923,035
Education for Homeless Children and Youths Program	6530	84.196	13,615
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	6795	84.425U	1,133,463
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	6767	84.425W	2,622
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B)	6702	84.027	735,936
Special Education Preschool Grants (IDEA Preschool)	6710	84.173	14,097
Arkansas Department of Education Title IIa:			
Supporting Effective Instruction	6756	84.367	142,012
Arkansas Department of Education Title IVa:			
Student Support and Academic Enrichment	6786	84.424	70,590
Total Federal Assistance			<u>\$ 3,035,370</u>

See accompanying notes to the schedule of expenditures of federal awards.

ARKANSAS CONNECTIONS ACADEMY, INC.

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

(A) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Arkansas Connections Academy, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2024. The information in the 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 Organization, it is not intended to and does not present the financial position, changes in fund balances, or cash flows of the Organization.

(B) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(C) Indirect Cost Rate

Arkansas Connections Academy, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

ADDITIONAL REQUIRED REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Arkansas Connections Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund, and the aggregate remaining fund information, of Arkansas Connections Academy, Inc., (the "Organization") (a nonprofit organization), which comprise the balance sheet—regulatory basis as of June 30, 2024, and the related statements of revenues, expenditures, and changes in fund balances—regulatory basis and revenues, expenditures, and changes in fund balances—budget and actual—regulatory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2025.

We issued an adverse opinion because the Organization prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, 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 and the aggregate remaining fund information of the Organization's as of June 30, 2024, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year ended, on the basis of accounting described in Note 1.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the

effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

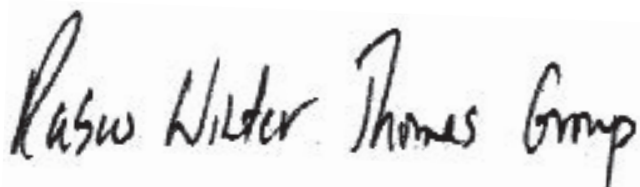
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rasw Hilder Thomas Group". The signature is written in a cursive, somewhat stylized font.

March 18, 2025



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Arkansas Connections Academy, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Arkansas Connections Academy, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Arkansas Connections Academy, Inc.'s major federal program for the year ended June 30, 2024. Arkansas Connections Academy, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arkansas Connections Academy, Inc. (the "Organization") 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, 2024.

Basis for Opinion on the Major Federal Program

We 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

A handwritten signature in black ink that reads "Rasw Hilder Thomas Group". The signature is written in a cursive, somewhat stylized font.

Little Rock, Arkansas
March 18, 2025

ARKANSAS CONNECTIONS ACADEMY, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Type of Report Issued on the Financial Statements:

The independent auditors' report expresses an adverse opinion based on generally accepted accounting principles, and an unmodified opinion based on the regulatory basis of accounting, on the financial statements of Arkansas Connections Academy, Inc. (the "Organization"), as of and for the year ended June 30, 2024.

B. Internal Control Over Financial Reporting:

The independent auditors' report on internal control over financial reporting disclosed no significant deficiencies, and no material weaknesses were identified.

C. Noncompliance Material to the Financial Statements:

The audit disclosed no instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2024.

D. Internal Control Over Compliance:

The independent auditors' report on internal control over compliance with compliance requirements applicable to the major federal program disclosed no significant deficiencies, and no material weaknesses were identified.

E. Type of Report Issued on Compliance for the Major Program:

The independent auditors' report on compliance expresses an unmodified opinion on the Organization's compliance with compliance requirements that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

F. Findings Relating to the Financial Statement Audit:

The audit disclosed no findings relating to the financial statement audit required to be reported in accordance with 2 CFR 200.516(a).

ARKANSAS CONNECTIONS ACADEMY, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024
(continued)

G. Major Program:

Federal Assistance Listing Number	Name of Federal Program
84.027	Special Education Grants to States (IDEA, Part B)

H. Threshold for Distinguishing Between Type A and Type B Programs:

The threshold for distinguishing between Type A and Type B programs was \$750,000 for the year ended June 30, 2024.

I. Qualification of Auditee as a Low-Risk Auditee:

The Organization was determined to qualify as a low-risk auditee under applicable provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for the year ended June 30, 2024.

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Directors
Arkansas Connections Academy, Inc.

We have examined management's assertion that Arkansas Connections Academy, 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 by the Arkansas Department of Education to be addressed in independent auditors' report on compliance, during the school year ended June 30, 2024.

Arkansas Connections Academy, Inc. was granted waivers, which covered the year ended June 30, 2024, from the following statutes contained in Title 6 of the Arkansas Code Annotated:

Bidding and Purchasing of Commodities	6-21-303(b)(1)(A)
Management of Schools	
• Board of Directors	6-13-608; 6-13-611 - 6-13-613; 6-13-619 - 6-13-620
• Warrants/checks	6-17-919
Classified Employees	6-17-2201 et seq.; 6-17-2301
School Elections	6-13-630; 6-13-634
Teachers and Employees	
• Personnel Policies	6-17-201; 6-17-2301
• Teacher Licensure/Background Checks	6-17-401 et seq
• Employee Sick Leave	6-17-1201 et seq.; 6-17-1301 et seq
Teachers Salaries and Foundation Funding Aid	6-17-919

Management is responsible for the Organization's compliance with those requirements that were not waived. Our responsibility is to express and opinion on management's assertions about the Organization's compliance the applicable requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the requirements of Arkansas Code Annotated 6-1-101 is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on Arkansas Connection Academy's compliance with the specified requirements.

In our opinion, management's assertion that Arkansas Connections Academy, 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 by the Arkansas Department of Education to be addressed in independent auditors' report on compliance, during the school year ended June 30, 2024 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors, 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.

A handwritten signature in black ink that reads "Rasw Hilder Thomas Group". The signature is written in a cursive, slightly slanted style.

March 18, 2025

ARKANSAS CONNECTIONS ACADEMY, INC.

**Schedule of Statutes Required by Arkansas Department of Education
to be Addressed in Independent Auditors' Report on Compliance
For the Year Ended June 30, 2024**

<u>Description</u>	<u>Statutes</u>
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 of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
<u>District Finances</u>	
• School Debt	6-20-402
• District School Bonds	6-20-1201 - 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Investment of Funds	19-1-504
<u>Management of Schools</u>	
• Board of Directors	6-13-608; 6-13-611 - 6-13-613; 6-13-617 - 6-13-620; 6-13-622
• District Treasurer	6-13-701
• Warrants/checks	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
Classified Employees	6-17-2201 et seq.; 6-17-2301 et seq
School Elections	6-13-630; 6-13-634; 6-14-106; 6-14-109; 6-14-118
<u>Teachers and Employees</u>	
• Personnel Policies	6-17-201 et seq.; 6-17-2301
• Employment and Assignment	6-17-301 et seq
• Teacher Licensure / Background Checks	6-17-401 et seq
• Teacher Contracts	6-17-801 et seq
• Employee Sick Leave	6-17-1201 et seq.; 6-17-1301 et seq
• Minimum Wage Act	11-4-213; 11-4-218; 11-4-403; 11-4-405
Teachers 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; 6-17-2401 et seq.
Education Excellence Trust Fund	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 - 22-9-205
Use of DM&O Millage	26-80-110

(continued)

See independent auditors' report.

ARKANSAS CONNECTIONS ACADEMY, INC.

**Schedule of Statutes Required by Arkansas Department of Education
to be Addressed in Independent Auditors' Report on Compliance
For the Year Ended June 30, 2024 - Concluded**

<u>Description</u>	<u>Statutes</u>
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.
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
School District Procurement Law	6-21-301 et. Seq.
Fiscal Accountability	6-20-1901, et Seq
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
Limitation of Fund Balances	6-20-2210
CARES Act (Covid-19) Education Funding	See CARES Act page at dese.ade.arkansas.gov
Charter Facilities Funding	6-23-908

Pursuant to the Division of Elementary and Secondary Education Rules Governing Publicly Funded Educational Institution Audit Requirements, a private independent audit not conducted by Legislative Audit shall include at a minimum: review, and comments, and findings on substantial compliance with the above-mentioned law.

The Annual Financial Report shall be presented pursuant to all financial statement requirements under state or federal law. The financial statement presentation shall comply with Arkansas Codes §§ 6-1-101 and 10-4-413(c), with GASB 84, 87, 90, 93, 96, 100, and with Implementation Guides 2019-1 and 2019-2, as applicable.

The financial statement presentation shall adhere to the division's Rules Governing the Regulatory Basis of Accounting and Rules Governing Publicly Funded Educational Institution Audit Requirements, as applicable.

See independent auditors' report.