

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
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JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Future School of Fort Smith Charter School

I have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of Future School of Fort Smith Charter School (the "Charter School"), 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 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 provisions of Arkansas Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the charter school's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charter school's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the Charter School has prepared the financial statements using financial reporting practices prescribed or permitted by 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 Future School of Fort Smith as of June 30, 2021, or the changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Charter School, as of June 30, 2021, and the respective regulatory basis changes in financial position thereof 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

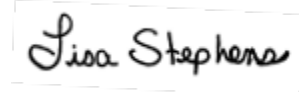
Supplementary and Other Information

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 Capital Assets and Schedule of State Assistance are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 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 black ink that reads "Lisa Stephens". The signature is written in a cursive, flowing style. It is contained within a thin black rectangular border.

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

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021**

	Governmental Funds			
	Major			
	General Revenue	Special Revenue	Other Aggregate	Fiduciary
ASSETS				
Cash and cash equivalents	\$ 1,324,036	\$ 15,467	\$ 25,726	\$ 24,071
Accounts receivable	72,696	18,920	8,560	-
Total Assets	\$ 1,396,732	\$ 34,387	\$ 34,286	\$ 24,071
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 613	\$ -	\$ -	\$ -
Due to student groups	-	-	-	24,071
Total Liabilities	613	-	-	24,071
Fund Balances:				
Restricted	62,876	34,387	34,286	-
Unassigned	1,333,243	-	-	-
Total Fund Balances	1,396,119	34,387	34,286	-
Total Liabilities and Fund Balances	\$ 1,396,732	\$ 34,387	\$ 34,286	\$ 24,071

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021**

	Major		Other
	General Revenue	Special Revenue	Aggregate
REVENUES			
State assistance	\$ 1,756,420	\$ 293	\$ 100,540
Federal assistance	-	324,738	-
Meal sales	-	34,669	-
Grants and contributions	1,991,247		
Other revenues	181,156	-	-
Total Revenues	3,928,823	359,700	100,540
EXPENDITURES			
Current:			
Regular programs	1,021,072	5,814	-
Special education	12,633	65,975	-
Career and technical education	539	-	-
Compensatory	30,181	1,250	-
Other instructional services	4,436	-	-
Support services - students	21,795	26,670	-
Support services - instructional staff	66,341	163,767	-
Support services - general administration	276,938	29,788	-
Support services - school administration	143,355	-	-
Support services - business services	159,547	-	-
Support services - M & O	147,230	-	-
Student transportation services	3,446	-	-
Non-programmed expenses	87	1,831	-
Food services operations	-	114,286	-
Facilities acquisition and construction services	2,052,198	-	66,254
Total Expenditures	3,939,798	409,381	66,254
Excess (deficiency) of revenue over expenditures	(10,975)	(49,681)	34,286
OTHER FINANCING SOURCES (USES)			
Transfers	152,775	(152,775)	-
Total Other Financing Sources (Uses)	152,775	(152,775)	-
Excess (deficiency) of revenue over expenditures and Other Uses	141,800	(202,456)	34,286
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	1,254,319	236,843	-
FUND BALANCE - END OF YEAR	\$ 1,396,119	\$ 34,387	\$ 34,286

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021**

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 1,714,793	\$ 1,756,420	\$ 41,627	\$ -	\$ 293	\$ 293
Federal assistance	-	-	-	468,386	324,738	(143,648)
Meal sales	-	-	-	23,384	34,669	11,285
Grants and contributions	-	1,991,247	1,991,247	-	-	-
Other revenues	65,000	181,156	116,156	-	-	-
Total Revenues	1,779,793	3,928,823	2,149,030	491,770	359,700	(132,070)
EXPENDITURES						
Current:						
Regular programs	1,272,464	1,021,072	251,392	2,762	5,814	(3,052)
Special education	89,250	12,633	76,617	72,575	65,975	6,600
Career and technical education	-	539	(539)	-	-	-
Compensatory	-	30,181	(30,181)	31,160	1,250	29,910
Other instructional services	13,000	4,436	8,564	-	-	-
Support services - students	4,750	21,795	(17,045)	28,249	26,670	1,579
Support services - instructional staff	7,779	66,341	(58,562)	216,568	163,767	52,801
Support services - general administration	217,291	276,938	(59,647)	3,052	-	3,052
Support services - school administration	143,967	143,355	612	-	-	-
Support services - central services	175,905	159,547	16,358	29,483	29,788	(305)
Support services - M & O	98,580	147,230	(48,650)	-	-	-
Student transportation services	19,900	3,446	16,454	-	-	-
Non-programmed expenses	1,000	87	913	2,835	1,831	1,004
Food services operations	-	-	-	128,475	114,286	14,189
Facilities acquisition and construction services	-	2,052,198	(2,052,198)	-	-	-
Total Expenditures	2,043,886	3,939,798	(1,895,912)	515,159	409,381	105,778
Excess (deficiency) of revenue over expenditures	(264,093)	(10,975)	253,118	(23,389)	(49,681)	(26,292)
OTHER FINANCING SOURCES (USES)						
Transfers	(105,091)	152,775	(257,866)	105,091	(152,775)	(40,822)
Total Other Financing Sources (Uses)	(105,091)	152,775	(257,866)	105,091	(152,775)	(40,822)
Excess (deficiency) of revenue over expenditures and Other Uses	(369,184)	141,800	(4,748)	81,702	(202,456)	(67,114)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	1,265,755	1,254,319	-	236,843	236,843	-
FUND BALANCE - END OF YEAR	\$ 896,571	\$ 1,396,119	\$ (4,748)	\$ 318,545	\$ 34,387	\$ (67,114)

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In October 2015, the Arkansas State Board of Education granted charter status to Future School of Fort Smith Charter School creating the Charter School. The governing body of the Charter School is the Board of Directors, which is comprised of 5 members. The Charter School is located in Fort Smith, Arkansas.

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). As of June 30, 2021, the Charter did not have any fiduciary funds.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN 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 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, 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.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN 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:

Asset Class	Estimated Useful Life in Years
Leasehold Improvements	Life of the lease

Income Taxes

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

Interfund Balances and Transactions

Receivables and payables resulting from short-term interfund loans are classified as “due to” or “due from” other funds.

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 balance at year end.

Restricted Fund Balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

Assigned Fund Balance – represents amounts that are constrained by the Charter School’s intent to be used for specific purposes but are neither restricted nor committed.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications (Continued)

Unassigned Fund Balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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.

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 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>1,139,300</u>	<u>1,185,616</u>
Total Deposits	<u>\$1,389,300</u>	<u>\$1,435,616</u>

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$100,176 at June 30, 2021 was comprised of federal and state assistance. 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 \$613 at June 30, 2021 was comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Accounts Payable and accrued liabilities	\$ 613	\$ -

NOTE 5: COMMITMENTS

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

Operating Leases

In June 2016, the Charter School entered into two operating leases for the Charter School's facility. The lease terms are for a period of five years each with two five-year options to renew. The Charter School facility was purchased at the beginning of fiscal year ending June 30, 2021; therefore, there are no future minimum lease payments.

The Charter School in conjunction with Future School Real Estate, LLC obtained financing to complete the construction of the building. The land and building are fully owned by the LLC. Construction was completed in September 2021. The Charter School entered into a lease agreement with Future School Real Estate, LLC. for use of the land and buildings. The rental payments are equal to 100% of the annual payments required by Future School Real Estate, LLC to service the debt on the premises. Rental payments for the above operating lease will begin in 2021-22.

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.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 51% of total revenues were from state and federal sources for the year ending June 30, 2021. Additionally, the Charter School received \$2,172,403 from private grants and contributions (49% of total revenues).

NOTE 8: RETIREMENT PLANS

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 nonteachers 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 Charter School's contributions to ATRS for the years ended June 30, 2021 was \$180,708 equal to the required contributions for each year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of 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 \$2,030,075.

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 \$38,544 for the year ended June 30, 2021.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11: RISK MANAGEMENT

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

The Charter School carries commercial insurance for buildings, contents, 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 12: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS
DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 19,385	\$ -	\$ -
English language acquisition	25,682	-	-
Professional development	2,869		
Medical services	-	15,399	-
Capital projects	-	-	34,286
Child nutrition programs	-	-	-
Other purposes	14,940	18,988	
Total Restricted	<u>62,876</u>	<u>34,387</u>	<u>34,286</u>
Unassigned	<u>1,333,243</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,396,119</u>	<u>\$ 34,387</u>	<u>\$ 34,286</u>

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13: SUBSEQUENT EVENTS

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

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 \$1,265,755 to \$1,254,319.

**FUTURE SCHOOL OF FORT SMITH CHARTER SCHOOL
SEBASTIAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021**

	Balance June 30, 2021
NONDEPRECIABLE CAPITAL ASSETS:	
Construction in progress	\$ 2,364,769
Total nondepreciable capital assets	<u>2,364,769</u>
DEPRECIABLE CAPITAL ASSETS:	
Leasehold Improvements	504,836
Equipment	66,458
Total depreciable capital assets	<u>571,294</u>
LESS ACCUMULATED DEPRECIATION FOR:	
Leasehold Improvements	504,836
Equipment	18,236
Total accumulated depreciation	<u>523,072</u>
CAPITAL ASSETS, NET	<u><u>\$ 2,412,991</u></u>

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Future School of Fort Smith Charter School

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 Future School of Fort Smith Charter School 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 Future School of Fort Smith Charter School'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 Future School of Fort Smith Charter School's internal control. Accordingly, I do not express an opinion on the effectiveness Future School of Fort Smith Charter School'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 Future School of Fort Smith Charter School'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

AUDITOR INFORMATION SHEET

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Trustees
Future School of Fort Smith Charter School

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

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

In my opinion, Future School of Fort Smith Charter School 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

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