



Friendship Aspire Arkansas, Inc.

Friendship Aspire Academy Public
Charter Schools

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021
with
INDEPENDENT AUDITOR'S REPORT

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Friendship Aspire Academy – Pine Bluff

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described more fully in Note 1, to meet the financial reporting requirements of the State of Arkansas, the Charter School has prepared the financial statements using financial reporting practices prescribed or permitted by Arkansas Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005, which is a basis other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Friendship Aspire Academy – Pine Bluff 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 financial position of each major governmental fund and the aggregate remaining fund information of the Charter School, as of June 30, 2021, and the respective regulatory basis changes in financial position and the respective regulatory budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Ann. § 10-4-413 (c) as provided in Act 2201 of 2005 described in Note 1.

Emphasis of Matter

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

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

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

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

FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021

	Governmental Funds		
	Major		Other
	General Revenue	Special Revenue	Aggregate
ASSETS			
Cash and cash equivalents	\$ 396,956	\$ 33,534	\$ -
Accounts receivable	-	34,293	11,034
Due from other funds	-	-	-
Total Assets	<u>\$ 396,956</u>	<u>\$ 67,827</u>	<u>\$ 11,034</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 21,516	\$ 15,053	\$ 10,177
Due to other funds	-	-	-
Total Liabilities	<u>21,516</u>	<u>15,053</u>	<u>10,177</u>
Fund Balances			
Restricted	99,498	52,774	857
Unassigned	275,942	-	-
Total Fund Balances	<u>375,440</u>	<u>52,774</u>	<u>857</u>
Total Liabilities and Fund Balances	<u>\$ 396,956</u>	<u>\$ 67,827</u>	<u>\$ 11,034</u>

JEFFERSON COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2021

	Major		Other
	General Revenue	Special Revenue	Aggregate
REVENUES			
State assistance	\$ 2,610,306	\$ 1,952	\$ 140,346
Federal assistance	-	674,943	-
Other revenues	889	-	-
Total Revenues	<u>2,611,195</u>	<u>676,895</u>	<u>140,346</u>
EXPENDITURES			
Regular programs	1,197,037	172,263	-
Special education	44,865	42,920	-
Compensatory education	88,986	189,498	-
Other instructional programs	-	-	-
Support services - students	78,973	23,637	-
Support services - instructional staff	147,701	38,000	-
Support services - general administration	234,578	-	-
Support services - school administration	125,594	-	-
Support services - business services	43,268	13,607	-
Support services - M & O	360,678	19,069	139,489
Student transportation services	59,850	-	-
Other support services	195	-	-
Food services operations	-	133,108	-
Community service operations	-	-	-
Total Expenditures	<u>2,381,725</u>	<u>632,102</u>	<u>139,489</u>
Excess of Revenues Over (Under)			
Expenditures	<u>229,470</u>	<u>44,793</u>	<u>857</u>
FUND BALANCE - BEGINNING OF YEAR	<u>145,970</u>	<u>7,981</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 375,440</u>	<u>\$ 52,774</u>	<u>\$ 857</u>

FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2021

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 2,618,144	\$ 2,610,306	\$ (7,838)	\$ -	\$ 1,952	\$ 1,952
Federal assistance	-	-	-	634,808	674,943	40,135
Other revenues	-	889	889	-	-	-
Total Revenues	<u>2,618,144</u>	<u>2,611,195</u>	<u>(6,949)</u>	<u>634,808</u>	<u>676,895</u>	<u>42,087</u>
EXPENDITURES						
Regular programs	1,316,602	1,197,037	119,565	687,278	172,263	515,015
Special education	24,088	44,865	(20,777)	43,006	42,920	86
Compensatory education	20,029	88,986	(68,957)	189,298	189,498	(200)
Other instructional programs	1,500	0	1,500	-	-	-
Support services - students	142,836	78,973	63,863	25,034	23,637	1,397
Support services - instructional staff	146,847	147,701	(854)	38,000	38,000	-
Support services - general administration	214,214	234,578	(20,364)	-	-	-
Support services - school administration	241,968	125,594	116,374	-	-	-
Support services - central services	40,000	43,268	(3,268)	13,795	13,607	188
Support services - M & O	367,794	360,678	7,116	19,074	19,069	5
Student transportation services	100,000	59,850	40,150	-	-	-
Other support services	500	195	305	-	-	-
Food services operations	-	-	-	160,000	133,108	26,892
Community service operations	-	-	-	200	-	200
Total Expenditures	<u>2,616,378</u>	<u>2,381,725</u>	<u>234,653</u>	<u>1,175,685</u>	<u>632,102</u>	<u>543,583</u>
Excess of Revenues Over (Under) Expenditures	<u>1,766</u>	<u>229,470</u>	<u>227,704</u>	<u>(540,877)</u>	<u>44,793</u>	<u>585,670</u>
FUND BALANCE - BEGINNING OF YEAR	<u>145,970</u>	<u>145,970</u>	<u>-</u>	<u>7,981</u>	<u>7,981</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 147,736</u>	<u>\$ 375,440</u>	<u>\$ 227,704</u>	<u>\$ (532,896)</u>	<u>\$ 52,774</u>	<u>\$ 585,670</u>

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Friendship Aspire Academy – Pine Bluff (Charter School). The Charter School is an open-enrollment charter school, and the sponsoring entity is Friendship Arkansas, Inc. There are no component units.

Description of Funds

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

General Fund – The General Fund is used to account for all financial resources not accounted for and reported in another fund.

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

Other governmental funds presented in the aggregate, consist of the following:

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

Fiduciary Fund types include the following:

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

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting 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 Policies

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

Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Equipment	5 - 15

Income Taxes

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

Budget and Budgetary Accounting

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the Charter Schools employ the cash basis method.

The Charter School budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the Charter School routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 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 a nonspendable fund balance at year end.

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

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

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

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

Stabilization Arrangements

The Charter School's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

Minimum Fund Balance Policies

The Charter School's Board of Education has not formally adopted a minimum fund balance policy.

Encumbrances

The Charter School does not utilize encumbrance accounting.

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.

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the Charter's name	180,490	428,554
Total Deposits	<u>\$ 430,490</u>	<u>\$ 678,554</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 was comprised of the following:

	Governmental Funds		
	Major		
Description	General	Special Revenue	Other Aggregate
Federal assistance	\$ -	\$ 34,293	\$ -
State assistance	-	-	11,034
Totals	<u>\$ -</u>	<u>\$ 34,293</u>	<u>\$ 11,034</u>

NOTE 4: ACCOUNTS PAYABLE

Accounts payable at June 30, 2021 were comprised of the following:

	Governmental Funds		
	Major		
Description	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 21,516</u>	<u>\$ 15,053</u>	<u>\$ 10,177</u>

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: COMMITMENTS

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

Operating Lease (noncapital lease with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

Real property for 360 months, beginning July 1, 2018 with monthly payments to the Friendship Education Foundation. Rental payments are based on up to 15 percent of the current fiscal year incoming revenue, payable in 12 equal monthly installments. Rental payments total approximately \$498,693 for the year ended June 30, 2021.

NOTE 6: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description: The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain non-teachers. 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, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.50% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2021 were \$211,678, equal to the required contributions for each year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$2,148,569.

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: COMPENSATED ABSENCES

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

NOTE 8: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 99.97% of total revenues were from state and federal sources for the year ending June 30, 2021. Additionally, the Charter School's received \$889 from other school sources (0.03% of total revenues).

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, paid on-behalf of the Charter School's employees, was \$50,634 for the year ending 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 board liability, employee liability, building, contents, and workers' compensation.

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 \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage during the fiscal year.

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: SERVICE AGREEMENT

The Charter School entered into a Management Service Agreement with Friendship Education Foundation (Foundation) as of March 25, 2018. The Management Service Agreement grants the Foundation the power and authority, on behalf of the Charter School and consistent with federal and Arkansas law to prepare the Charter School's annual budget; to assist in the purchase, lease or rental of furniture, equipment and supplies; to support the Board in raising funds, donations and grants; to perform or subcontract the business administration of the school to include maintaining accurate financial and business records pertaining to the operation of the School; to establish, implement, and evaluate an educational program and curriculum for the Charter School; to conduct professional development; to select instructional materials, equipment, and supplies; and to take such other actions that may be necessary or desirable to properly and efficiently operate the Charter School.

For the services provided, the Foundation or agreed upon designee receives management fees up to 12% of the budgeted Charter School revenue to be received by the Charter School. Upon receipt of any Charter School revenue, payment is to be remitted to the Foundation within 5 business days if any management fees are due. Unpaid management fees shall be accrued and subject to five percent interest if not paid by the Charter School within 10 days of their scheduled due date. In addition to the management fee, the Charter School is responsible for reimbursing the Foundation for all start-up expenses incurred prior to July 1, 2018, that are approved by the Charter School.

During the year ended June 30, 2021, fees and reimbursements totaled approximately \$0.

NOTE 13: 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	\$ 88,879	\$ -	\$ -
Special education programs	3,253		-
English Language Learners	704		-
School health services	6,662		-
Capital projects	-	-	857
Child nutrition programs	-	52,774	-
Total Restricted	99,498	52,774	857
Unassigned	328,968	-	-
Totals	\$ 375,440	\$ 52,774	\$ 857

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2021, the date which the financial statements were available for issue.

FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2021
(UNAUDITED)

	Balance <u>June 30, 2021</u>
DEPRECIABLE CAPITAL ASSETS:	
Equipment	\$ 107,457
Total depreciable capital assets	<u>107,457</u>
LESS ACCUMULATED DEPRECIATION FOR:	
Equipment	<u>46,622</u>
Total accumulated depreciation	<u>46,622</u>
 CAPITAL ASSETS, NET	 <u><u>\$ 60,835</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
Friendship Aspire Academy – Pine Bluff
Pine Bluff, Arkansas

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 Friendship Aspire Academy – Pine Bluff as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements and have issued my report thereon dated March 26, 2022. We have issued an adverse opinion because the Charter School prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund of the Charter School as of June 30, 2020, 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 Friendship Aspire Academy – Pine Bluff'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 Friendship Aspire Academy – Pine Bluff's internal control. Accordingly, I do not express an opinion on the effectiveness of Friendship Aspire Academy – Pine Bluff'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 Friendship Aspire Academy – Pine Bluff’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 26, 2022

AUDITOR INFORMATION SHEET

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Trustees
Friendship Aspire Academy – Pine Bluff
Pine Bluff, Arkansas

I have examined management's assertions that Friendship Aspire Academy – Pine Bluff ("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, Friendship Aspire Academy – Pine Bluff 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 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.



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