

Hope Academy of Northwest Arkansas

Benton County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2023



HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Hope Academy of Northwest Arkansas and School Board Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Hope Academy of Northwest Arkansas (the "Charter School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Charter School as of June 30, 2023, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In 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 accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School as of June 30, 2023, or the changes in financial position for the year then ended.

Basis for Opinions

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Charter School on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet 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 these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

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

Other Information

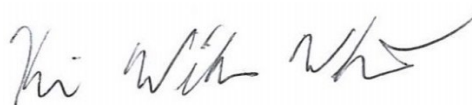
Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets and the Schedule of Selected Information for the Last Three Years – Regulatory Basis but does not include the regulatory basis financial statements and our auditor's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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2024 on our consideration of the Charter School'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 Charter School'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 Charter School's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
May 20, 2024
EDCS04723

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Hope Academy of Northwest Arkansas and School Board Members
Legislative Joint Auditing Committee

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 the Hope Academy of Northwest Arkansas (the "Charter School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated May 20, 2024. We 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 and pervasive. 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 Charter School as of June 30, 2023, 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 then 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 regulatory basis financial statements, we considered the Charter School'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 opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the Audit Findings section of this report, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and 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*.

AUDIT FINDINGS

Material Weakness

The Charter School's internal control system did not prevent, or detect and correct, on a timely basis material errors in the financial accounting records. Such records are utilized in the preparation of the Charter School's financial statements. Material errors detected in the general and special revenue funds were:

General Fund

- Cash and accounts payable were understated by \$82,355, due to accounts payable being recorded as reductions to cash.
- Cash was understated and expenses were overstated by \$111,241, due to errors in the preparation of bank reconciliations.
- Accounts payable and expenses were understated by \$3,709, due to a journal entry error.

Special Revenue Fund

- Accounts receivable and revenues were understated by \$14,561, due to unrecorded accounts receivable.

The financial statements were subsequently corrected during audit fieldwork.

Additional weaknesses identified during our testing included:

Bank account reconciliations

- The Charter School's bank account was not properly reconciled at June 30, 2023, with a variance of \$46,278 that was unexplained by management. ALA staff identified this variance during audit fieldwork.
- The June 2023 bank account reconciliation contained two checks totaling \$2,228 with issued dates over one year old.
- The outstanding checks list included \$147,318 in errors primarily due to erroneously including items that were not outstanding on June 30, 2023.
- The June 2023 bank account reconciliation was not approved by entity personnel.

Receipts

- Receipts totaling \$1,302,905 were entered in APSCN using invalid receipt numbers (e.g., 00000000, 46254, or remittance slip numbers).
- Receipts were not signed by the issuer.
- Receipts did not include composition of payment.
- Receipts were not issued sequentially.
- Receipts were not issued for all sources of income, as required by Ark. Code Ann. § 6-13-701(f)(2).

Credit Cards

- Adequate supporting documentation was not maintained for credit card transactions totaling \$6,000.
- No review or approval was noted for credit card transactions totaling \$1,687.
- Credit card transactions totaling \$1,748 were not approved by someone other than the initiator.
- Credit card transactions totaling \$526 for gift cards for staff intended to be reimbursed by donors, was not subsequently reimbursed.

Employee leave records were not maintained by the school, as required by Ark. Code Ann. § 6-17-1205.

Supporting documentation was not maintained for journal entries, and there was no process in place for journal entries to be approved by someone other than the preparer.

Our examination of 10 non-payroll expenditures revealed the following:

- 9 disbursements (\$35,304) did not have any indication of approval, as required by Ark. Code Ann. § 6-13-701(e)(1)(B).
- 9 disbursements (\$32,467) were made with only one authorizing signature in noncompliance with Ark. Code Ann. §§ 6-13-701(e)(1)(A)(i).

Our examination of payroll expenditures for five employees revealed the following:

- Signed contracts were not available.
- Two employees' payroll tested did not agree to the salary schedule.
- Review and approval of payroll disbursements was not documented.

As required by section 5.2 of the Charter School's Open-Enrollment Charter Agreement, Arkansas law, and the Arkansas Department of Education, the Charter Board is required to review, adopt, and publish the Charter School's budget. A budget was not available for audit review.

Charter School management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard Charter school assets. Additionally, Charter School management should implement procedures to ensure all financial activity is properly recorded.

Management Response: We are aware of the material weakness findings of the audit committee and are working to resolve the issues presented. Below we have outlined how we plan to address these problems.

- General Fund – we will work with APSRC to ensure that all accounts are properly reconciled and affiliated transactions are accurately recorded.
- Special Revenue Fund – ensure that all accounts receivable transactions are properly recorded.
- Bank account reconciliations – we will work to ensure each month that bank accounts are reconciled to a zero balance and investigate and correct aged transactions that have not been reconciled.
- Receipts – we will ensure all receipts are properly coded and tracked in accordance with Arkansas Code.
- Credit Cards – we will ensure all credit card charges are appropriately approved and the requisite documentation submitted with expense reports.
- Non-payroll expenditures – we will work to ensure all disbursements are in compliance with Arkansas Code by appointing a disbursement officer and adding dual signatories to accounts.
- Budget – the board will be presented with the annual budget for consideration and approval. Their approval will be captured at one of the monthly board meetings and entered into board minutes.

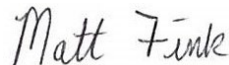
Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's response to the finding identified in our audit described in the Audit Findings section of this report. The Charter School's response was not subjected to the other auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 20, 2024

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2023

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 219,185		\$ 35,544
Accounts receivable		\$ 45,322	
Due from other funds	10,257		
	\$ 229,442	\$ 45,322	\$ 35,544
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 82,355		
Due to other funds		\$ 10,257	
Total Liabilities	82,355	10,257	
Fund Balances:			
Restricted	55,333	35,065	
Assigned			\$ 35,544
Unassigned	91,754		
Total Fund Balances	147,087	35,065	35,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 229,442	\$ 45,322	\$ 35,544

The accompanying notes are an integral part of these financial statements.

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 398,473		
Federal assistance		\$ 128,146	
Other revenues	754,077		
TOTAL REVENUES	1,152,550	128,146	
EXPENDITURES			
Regular programs	731,992	11,313	
Special education	47,210	27,378	
Compensatory education programs		1,541	
Student support services	7,534	47,866	
General administration support services	6,375		
School administration support services	250,717		
Central services support services	792		
Operation and maintenance of plant services	10,870		
Student transportation services	3,057		
Community services operations		4,983	
TOTAL EXPENDITURES	1,058,547	93,081	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	94,003	35,065	
OTHER FINANCING SOURCES (USES)			
Transfers in		57,571	
Transfers out	(57,571)		
TOTAL OTHER FINANCING SOURCES (USES)	(57,571)	57,571	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	36,432	92,636	
FUND BALANCES - JULY 1 RESTATED	110,655	(57,571)	\$ 35,544
FUND BALANCES - JUNE 30	\$ 147,087	\$ 35,065	\$ 35,544

The accompanying notes are an integral part of these financial statements.

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a four 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 Hope Academy of Northwest Arkansas (Charter School). There are no component units.

B. 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 and report 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. The Special Revenue Fund includes federal revenues and 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.

C. Measurement Focus and Basis of Accounting

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

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

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and financed purchases are reported as other financing sources. Changes in private-purpose funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. 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 \$1,500 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:

Asset Class	Estimated Useful Life in Years
Equipment	5-20

F. Interfund Receivables and Payables

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

G. Fund Balance Classifications

1. 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.
2. 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.
3. 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.

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 school districts 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.

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.

I. 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.

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The Charter School's Board of Education has not adopted a formal policy addressing this authorization.

The Charter School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the Charter School's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The Charter School does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Charter School personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Charter School does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

L. Encumbrances

The Charter School does not utilize encumbrance accounting.

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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
Uninsured and uncollateralized	4,729	13,150
Total Deposits	\$ 254,729	\$ 263,150

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Charter School's deposits may not be returned to it. The Charter School has not established a deposit policy addressing custodial credit risk. At June 30, 2023, \$13,150 of the Charter School's bank balance of \$263,150 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$13,150
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3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, were comprised of the following:

	Governmental Fund
Description	Major Special Revenue
Federal assistance	\$ 45,322

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023, were comprised of the following:

	Governmental Fund
Description	Major General
Salaries payable	\$ 40,716
Payroll withholdings and matching	41,639
Totals	\$ 82,355

5: INTERFUND TRANSFERS

The Charter School transferred \$57,571 from the general fund to the special revenue fund to supplement federal programs.

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 employees of schools and education-related agencies, except certain non-teaching school employees. 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 501-682-1517, 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 7% 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 Charter School's contributions to ATRS for the year ended June 30, 2023, were \$130,258, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$1,236,210.

7: PRIOR YEAR RESTATEMENT

The special revenue fund beginning fund balance was decreased by \$57,571 due to an accounts receivable adjustment.

8: 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, vehicles, and student accidents.

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.

The Charter School participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The Charter School pays an annual premium for its coverage of buses.

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

8: RISK MANAGEMENT (Continued)

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

9: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the Charter School's employees, totaled \$31,843 for the year ended June 30, 2023.

10: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 48,900		
Professional development	5,306		
Medical services		\$ 26,815	
Special education programs	1,127	5,029	
Education stabilization fund (COVID-19)		3,221	
Total Restricted	<u>55,333</u>	<u>35,065</u>	
Assigned to:			
Capital projects			<u>\$ 35,544</u>
Unassigned	<u>91,754</u>		
Totals	<u>\$ 147,087</u>	<u>\$ 35,065</u>	<u>\$ 35,544</u>

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

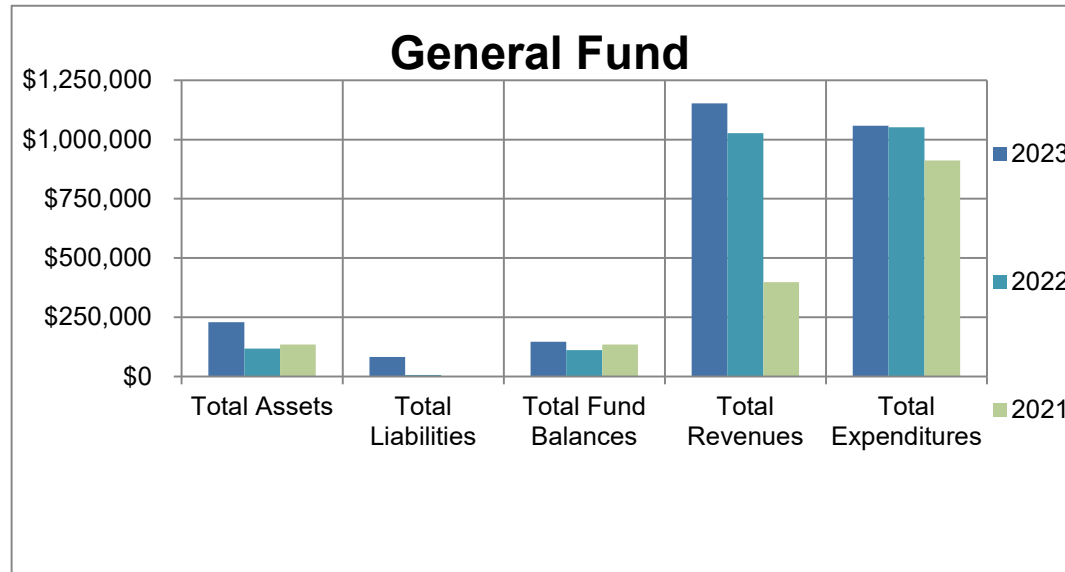
Schedule 1

	Balance June 30, 2023
Depreciable capital assets:	
Equipment	\$ 193,178
Less accumulated depreciation for:	
Equipment	66,339
Total depreciable capital assets, net	126,839
Capital assets, net	\$ 126,839

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST THREE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

Schedule 2

General Fund	Year Ended June 30,		
	2023	2022	2021
Total Assets	\$ 229,442	\$ 117,442	\$ 135,497
Total Liabilities	82,355	6,787	
Total Fund Balances	147,087	110,655	135,497
Total Revenues	1,152,550	1,026,672	398,680
Total Expenditures	1,058,547	1,051,514	911,991
Total Other Financing Sources (Uses)	(57,571)		648,808



HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST THREE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,		
	2023	2022	2021
Total Assets	\$ 45,322	\$ (57,571)	
Total Liabilities	10,257		
Total Fund Balances	35,065	(57,571)	
Total Revenues	128,146	49,297	\$ 306,060
Total Expenditures	93,081	106,868	306,060
Total Other Financing Sources (Uses)	57,571		

