

Hope Academy of Northwest Arkansas

Benton County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2024



HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2024

Independent Auditor's Report
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to the Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Selected Information for the Last Four Years – Regulatory Basis (Unaudited)	2

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
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, 2024, 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, 2024, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year 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, 2024, 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 (*Government Auditing Standards*). 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, on May 8, 2025, the Arkansas State Board of Education accepted the Arkansas Department of Education Charter Authorizing Panel's approval to rescind the Charter School's charter effective June 30, 2025, which will result in the closure of the Charter School. Our opinion is not modified with respect to this matter.

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 Four 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 14, 2025 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 14, 2025
EDCS04724

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
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 (*Government Auditing Standards*), 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, 2024, 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 14, 2025. 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, 2024, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year 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 was understated by \$312,875.
- Accounts receivable was overstated by \$365,470.
- Accounts payable was understated by \$88,625.
- Beginning fund balance was understated by \$107,533.
- Revenues were overstated by \$320,323.
- Expenditures were overstated by \$71,570.

Special Revenue Fund

- Cash was overstated by \$116,608.
- Accounts receivable was overstated by \$5,547.
- Accounts payable was understated by \$605.
- Revenues were understated by \$3,814.
- Expenditures were understated by \$126,574.

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, 2024, with an unreconciled variance of \$91,202. ALA staff identified \$91,032 in errors during audit fieldwork, leaving an unexplained variance of \$170.
- The outstanding checks list included \$105,064 in errors, primarily due to erroneously including items that were not outstanding on June 30, 2024.
- The June 2024 bank account reconciliation was not approved by entity personnel.

Receipts

- Receipts totaling \$959,277 were entered in APSCN using invalid receipt numbers (e.g., 00000000).
- 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 Card

- Adequate supporting documentation was not maintained for credit card transactions totaling \$4,272.
- Credit card transactions totaling \$5,734 were not approved by someone other than the initiator.

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

Supporting documentation was not provided for journal entries, and there was no process communicated to the auditors for journal entries to be approved by someone other than the preparer.

Our examination of non-payroll expenditures, which included a sample of 10 disbursements and various tests, revealed the following:

- 4 disbursements (\$7,326) did not have any indication of approval, as required by Ark. Code Ann. § 6-13-701(e)(1)(B).
- 10 disbursements (\$20,138) were made with only one authorizing signature, in noncompliance with Ark. Code Ann. § 6-13-701(e)(1)(A)(i).
- 3 disbursements (\$8,716) did not have adequate supporting documentation, in noncompliance with Ark. Code Ann. § 6-13-701(e)(1)(B).

A similar finding was reported in the previous audit.

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 Arkansas Public School Resource Center (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.

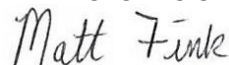
Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's response to the finding identified in our audit and 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 14, 2025

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2024

Exhibit A

	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
ASSETS			
Cash	\$ 61,647	\$ 34,265	\$ 35,544
Accounts receivable		6,694	
TOTAL ASSETS	<u>\$ 61,647</u>	<u>\$ 40,959</u>	<u>\$ 35,544</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 85,735</u>	<u>\$ 605</u>	
Fund Balances:			
Restricted	101,363	40,354	
Assigned			\$ 35,544
Unassigned	<u>(125,451)</u>		
Total Fund Balances	<u>(24,088)</u>	<u>40,354</u>	<u>35,544</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,647</u>	<u>\$ 40,959</u>	<u>\$ 35,544</u>

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, 2024

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 431,870		
Federal assistance		\$ 206,633	
Investment income	3,230		
Other revenues	325,829		
TOTAL REVENUES	760,929	206,633	
EXPENDITURES			
Regular programs	659,998	65,561	
Special education	28,120	20,653	
Student support services	38,665	38,533	
Instructional staff support services	5,547		
General administration support services	3,500	4,379	
School administration support services	193,182	60,660	
Central services support services	1,187		
Operation and maintenance of plant services		2,746	
Student transportation services	1,905		
Community services operations		5,591	
TOTAL EXPENDITURES	932,104	198,123	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(171,175)	8,510	
OTHER FINANCING SOURCES (USES)			
Refund to grantor		(3,221)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(171,175)	5,289	
FUND BALANCES - JULY 1	147,087	35,065	\$ 35,544
FUND BALANCES - JUNE 30	\$ (24,088)	\$ 40,354	\$ 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 -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 431,870	\$ 431,870	\$ 0			
Federal assistance				\$ 79,839	\$ 206,633	\$ 126,794
Investment income		3,230	3,230			
Other revenues	794,612	325,829	(468,783)			
TOTAL REVENUES	1,226,482	760,929	(465,553)	79,839	206,633	126,794
EXPENDITURES						
Regular programs	925,452	659,998	265,454	4,410	65,561	(61,151)
Special education	30,771	28,120	2,651	22,595	20,653	1,942
Other instructional programs	98,770		98,770			
Student support services		38,665	(38,665)	37,326	38,533	(1,207)
Instructional staff support services		5,547	(5,547)			
General administration support services	30,000	3,500	26,500		4,379	(4,379)
School administration support services	124,596	193,182	(68,586)		60,660	(60,660)
Central services support services	55,572	1,187	54,385			
Operation and maintenance of plant services	4,379		4,379		2,746	(2,746)
Student transportation services		1,905	(1,905)			
Community services operations					5,591	(5,591)
TOTAL EXPENDITURES	1,269,540	932,104	337,436	64,331	198,123	(133,792)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,058)	(171,175)	(128,117)	15,508	8,510	(6,998)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,721,953		(1,721,953)			
Transfers out	(1,721,953)		1,721,953			
Refund to grantor					(3,221)	(3,221)
TOTAL OTHER FINANCING SOURCES (USES)	0		0		(3,221)	(3,221)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(43,058)	(171,175)	(128,117)	15,508	5,289	(10,219)

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
FUND BALANCES - JULY 1	\$ 55,734	\$ 147,087	\$ 91,353	\$ 20,505	\$ 35,065	\$ 14,560
FUND BALANCES - JUNE 30	<u>\$ 12,676</u>	<u>\$ (24,088)</u>	<u>\$ (36,764)</u>	<u>\$ 36,013</u>	<u>\$ 40,354</u>	<u>\$ 4,341</u>

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, 2024

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, 2024

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
Improvements/infrastructure	20
Equipment	5-20

F. 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.

G. 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 Charter Schools employ the cash basis method.

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2024

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budget and Budgetary Accounting (Continued)

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.

H. 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.

I. Minimum Fund Balance Policies

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

J. 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.

K. Encumbrances

The Charter School does not utilize encumbrance accounting.

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)	\$ 131,456	\$ 137,528

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024, were comprised of the following:

	Governmental Fund
Description	Major Special Revenue
Federal assistance	\$ 6,694

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2024, were comprised of the following:

	Governmental Funds	
Description	Major	
	General	Special Revenue
Vendor payables	\$ 475	\$ 605
Salaries payable	42,629	
Payroll withholdings and matching	42,631	
Totals	\$ 85,735	\$ 605

5: 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, 2024, were \$106,360, equal to the required contributions.

HOPE ACADEMY OF NORTHWEST ARKANSAS
BENTON COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

5: RETIREMENT PLAN (Continued)

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, 2023, (actuarial valuation date and measurement date) was \$1,182,027.

6: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$125,451 in the general fund, presented at Note 9, was due to an accounts receivable of \$365,470 erroneously recorded by the Charter School at June 30, 2024, and corrected by an audit adjustment during audit fieldwork.

7: 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, vehicles, board liability, human resources, and internet.

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.

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.

8: 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 \$35,644 for the year ended June 30, 2024.

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2024

9: 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	\$ 98,770		
Professional development	1,466		
Medical services		\$ 38,600	
Special education programs	1,127		
Other purposes		1,754	
Total Restricted	<u>101,363</u>	<u>40,354</u>	
Assigned to:			
Capital projects			<u>\$ 35,544</u>
Unassigned	<u>(125,451)</u>		
Totals	<u>\$ (24,088)</u>	<u>\$ 40,354</u>	<u>\$ 35,544</u>

10: SUBSEQUENT EVENT

On May 8, 2025, the Arkansas State Board of Education accepted the Arkansas Department of Education Charter Authorizing Panel's approval to rescind the Charter School's charter effective June 30, 2025. This will result in the closure of the Charter School.

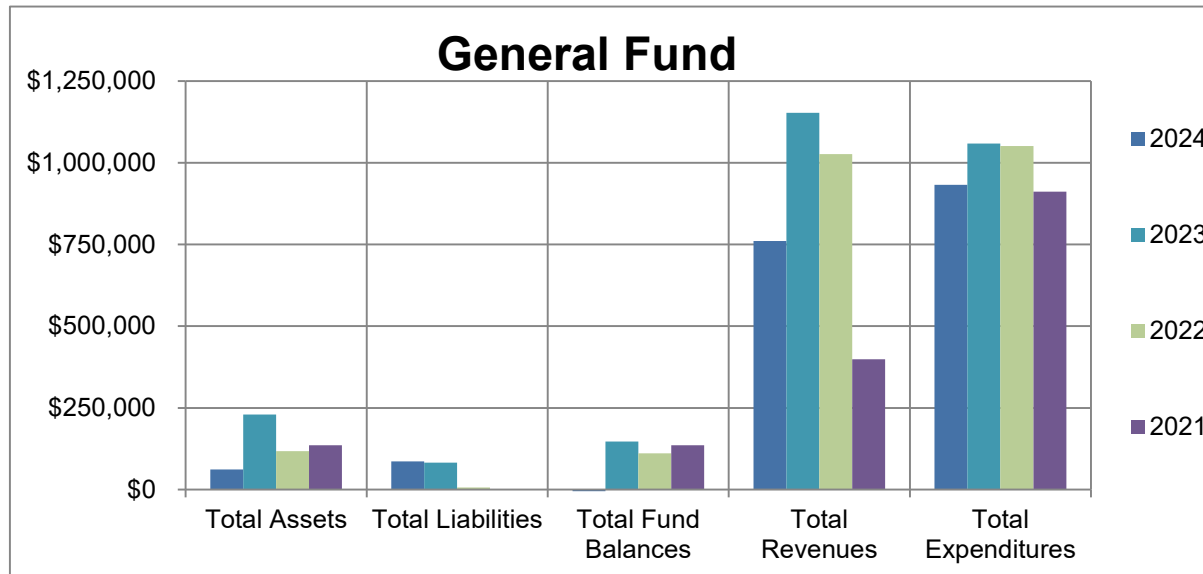
HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2024
 (Unaudited)

Schedule 1

	Balance June 30, 2024
Depreciable capital assets:	
Improvements/infrastructure	\$ 13,711
Equipment	193,178
Total depreciable capital assets	206,889
Less accumulated depreciation for:	
Improvements/infrastructure	745
Equipment	89,557
Total accumulated depreciation	90,302
Total depreciable capital assets, net	116,587
Capital assets, net	\$ 116,587

HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FOUR YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2024
 (Unaudited)

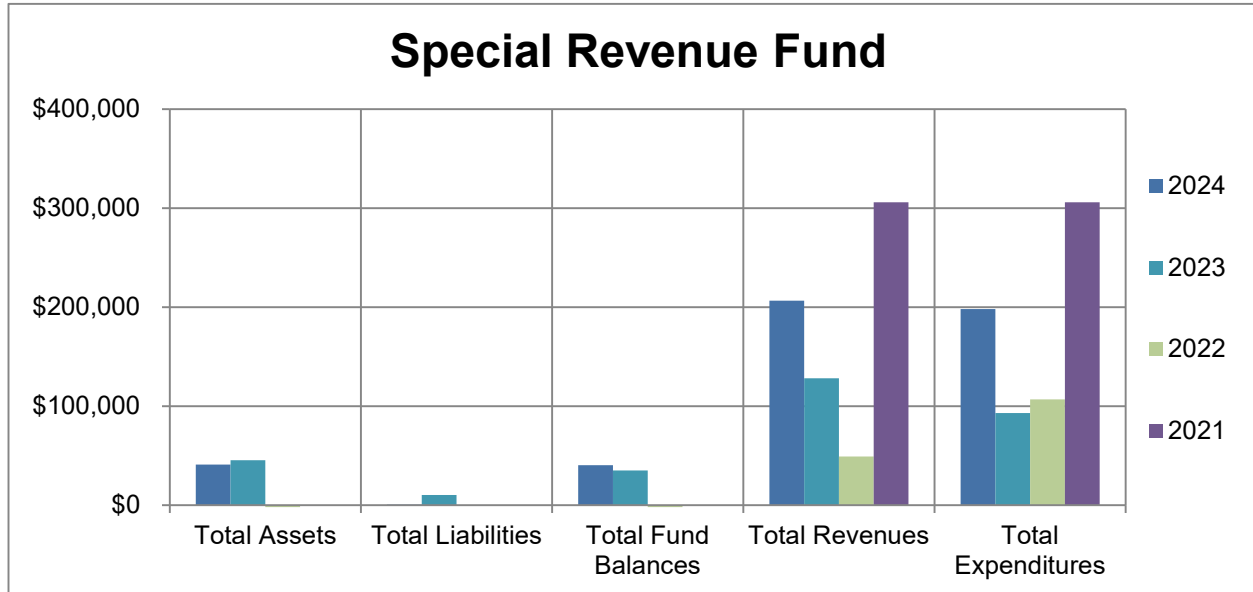
<u>General Fund</u>	Year Ended June 30,			
	2024	2023	2022	2021
Total Assets	\$ 61,647	\$ 229,442	\$ 117,442	\$ 135,497
Total Liabilities	85,735	82,355	6,787	
Total Fund Balances	(24,088)	147,087	110,655	135,497
Total Revenues	760,929	1,152,550	1,026,672	398,680
Total Expenditures	932,104	1,058,547	1,051,514	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 FOUR YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2024
(Unaudited)

Special Revenue Fund	Year Ended June 30,			
	2024	2023	2022	2021
Total Assets	\$ 40,959	\$ 45,322	\$ (57,571)	
Total Liabilities	605	10,257		
Total Fund Balances	40,354	35,065	(57,571)	
Total Revenues	206,633	128,146	49,297	306,060
Total Expenditures	198,123	93,081	106,868	306,060
Total Other Financing Sources (Uses)	(3,221)	57,571		



HOPE ACADEMY OF NORTHWEST ARKANSAS
 BENTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FOUR YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2024
 (Unaudited)

Schedule 2

<u>Other Aggregate Funds</u>	Year Ended June 30,			
	2024	2023	2022	2021
Total Assets	\$ 35,544	\$ 35,544	\$ 35,544	\$ 12,182
Total Liabilities				
Total Fund Balances	35,544	35,544	35,544	12,182
Total Revenues			27,142	17,462
Total Expenditures			3,780	5,280
Total Other Financing Sources (Uses)				

