



**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

**with**

**INDEPENDENT AUDITOR'S REPORT**

**LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC**

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
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**JUNE 30, 2020**

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# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Lighthouse Academies of Arkansas, Inc.

I have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of Lighthouse Academies of Arkansas, Inc. (the "Charter School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

### **Management Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting 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 of accounting is an acceptable basis for the fair presentation 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 Lighthouse Academies of Arkansas, Inc. as of June 30, 2020, 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, 2020, 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.

### **Other Matters**

#### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School’s regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Capital Assets is being presented under separate cover and are not a required part of the regulatory basis financial statements.

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

To the Board of Trustees of  
Lighthouse Academies of Arkansas, Inc.  
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### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 14, 2021, 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 cursive script that reads "Lisa Stephens". The signature is enclosed in a thin black rectangular border.

Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
March 14, 2021

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**BALANCE SHEET - REGULATORY BASIS**  
**JUNE 30, 2020**

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,862,841	\$88,511	\$ -
Accounts receivable	-	2,734	36,386
<b>Total Assets</b>	<b>\$ 1,862,841</b>	<b>\$ 91,245</b>	<b>\$ 36,386</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 42,295	\$ 10,104	\$ -
Total Liabilities	42,295	10,104	-
<b>Fund Balances:</b>			
Restricted	4,963	81,141	36,386
Assigned	28,044	-	-
Unassigned	1,787,539	-	-
Total Fund Balances	1,820,546	81,141	36,386
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,862,841</b>	<b>\$ 91,245</b>	<b>\$ 36,386</b>

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2020**

	Major		
	General	Special Revenue	Other Aggregate
<b>REVENUES</b>			
State assistance	\$ 6,109,154	\$ 2,181	\$ 414,421
Federal assistance	155,154	964,404	-
Activity revenues	79,457	-	-
Meal sales	-	16,138	-
Other revenues	1,010,964	-	-
<b>Total Revenues</b>	<u>7,354,729</u>	<u>982,723</u>	<u>414,421</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular programs	2,708,406	-	-
Special education	11,832	144,047	-
Compensatory education	731	266,932	-
Other instructional programs	129,726	-	-
Support services - students	216,061	69,214	-
Support services - instructional staff	558,522	185,817	-
Support services - general administration	280,574	-	-
Support services - school administration	505,353	-	-
Support services - business services	162,079	847	-
Support services - M & O	1,343,537	-	378,035
Support services - other	3,344	-	-
Student transportation services	102,710	-	-
Food services operations	119,877	251,511	-
Community services operations	-	2,353	-
Facilities acquisition and construction services	-	-	-
Activity expenditures	74,563	-	-
<b>Debt service:</b>			
Principal retirement	82,086	-	-
Interest and fiscal charges	42,176	-	-
<b>Total Expenditures</b>	<u>6,341,577</u>	<u>920,721</u>	<u>378,035</u>
<b>Excess of revenue over expenditures</b>	<u>1,013,152</u>	<u>62,002</u>	<u>36,386</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>807,395</u>	<u>19,139</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,820,547</u>	<u>\$ 81,141</u>	<u>\$ 36,386</u>

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2020**

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
State assistance	\$ 5,989,905	\$ 6,109,154	\$ 119,249	\$ 1,500	\$ 2,181	\$ 681
Federal assistance	200,000	155,154	(44,846)	913,785	964,404	50,619
Activity revenues	58,755	79,457	20,702	-	-	-
Meal sales	-	-	-	24,037	16,138	(7,899)
Other revenues	131,995	1,010,964	878,969	-	-	-
<b>Total Revenues</b>	<b>6,380,655</b>	<b>7,354,729</b>	<b>974,074</b>	<b>939,322</b>	<b>982,723</b>	<b>43,401</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular programs	2,759,943	2,708,406	51,537	-	-	-
Special education	13,205	11,832	1,373	160,749	144,047	16,702
Compensatory education	-	731	(731)	276,390	266,932	9,458
Other instructional programs	161,056	129,726	31,330	-	-	-
Support services - students	227,466	216,061	11,405	73,003	69,214	3,789
Support services - instructional staff	624,699	558,522	66,177	197,523	185,817	11,706
Support services - general administration	379,500	280,574	98,926	-	-	-
Support services - school administration	589,236	505,353	83,883	-	-	-
Support services - business services	110,000	162,079	(52,079)	1,500	847	653
Support services - M & O	1,123,446	1,343,537	(220,091)	-	-	-
Support services - other	500	3,344	(2,844)	-	-	-
Student transportation services	114,754	102,710	12,044	-	-	-
Food services operations	140,235	119,877	20,358	224,700	251,511	(26,811)
Community services operations	-	-	-	2,500	2,353	147
Facilities acquisition and construction services	-	-	-	-	-	-
Activity expenditures	39,923	74,563	(34,640)	-	-	-
<b>Debt service:</b>						
Principal retirement	-	82,086	(82,086)	-	-	-
Interest and fiscal charges	68,439	42,176	26,263	-	-	-
<b>Total Expenditures</b>	<b>6,352,402</b>	<b>6,341,577</b>	<b>10,825</b>	<b>936,365</b>	<b>920,721</b>	<b>15,644</b>
<b>Excess of revenue over expenditures</b>	<b>28,253</b>	<b>1,013,152</b>	<b>984,899</b>	<b>2,957</b>	<b>62,002</b>	<b>59,045</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>807,395</b>	<b>807,395</b>	<b>-</b>	<b>19,139</b>	<b>19,139</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 835,648</b>	<b>\$ 1,820,547</b>	<b>\$ 984,899</b>	<b>\$ 22,096</b>	<b>\$ 81,141</b>	<b>\$ 59,045</b>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

In February 2009, the Arkansas State Board of Education granted charter status to Lighthouse Academies of Arkansas, Inc., creating the Lighthouse Academies of Arkansas, Inc. (the Charter School). The governing body of the Charter School is the Board of Trustees, which is comprised of 7 members. The Charter School is a part of the Lighthouse Academies national network. Lighthouse Academies, Inc. is a 501 (c) (3) nonprofit organization that develops and supports the operations of public charter schools in underserved communities throughout the United States. The Charter School is located in Jacksonville Arkansas.

Description of Funds

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

Major governmental funds are reported as separate columns in the fund financial statements:

*General Fund* – is the Charter School’s primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

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

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

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

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting

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

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP 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

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

Capital Assets

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

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets (Continued)

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

Asset Class	Estimated Useful Life in Years
Leasehold Improvements	Life of the lease
Equipment	5-10
Improvements/Infrastructure	20
Buildings	50

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.

Interfund Balances and Transactions

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

Fund Balance Classifications

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines different types of fund balances that a governmental entity must use for financial reporting purposes. GASB require the fund balance amounts to be reported within one of the following fund balance categories:

*Nonspendable Fund Balance* - includes amounts that are not in a spendable form or are required to be maintained intact. The Charter School does not have any nonspendable fund balance at year end.

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

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

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

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

Fund Balance Classifications (Continued)

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

For the purposes of fund balance classification, the Charter School’s policy is to have expenditures spent from restricted fund balance first, followed in order by committed fund balance (if any), assigned fund balance and lastly unassigned fund balance.

Budget and Budgetary Accounting

As required by State statutes, the Charter School prepares an annual budget that is filed with the Arkansas Department of Education (ADE). The budget is required to be approved by the Charter School’s Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School’s budget is prepared utilizing the same basis of accounting described in Note 1.

Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the Charter’s agent, pledging bank or pledging Bank’s trust department or Agent in the Charter’s name	<u>1,701,352</u>	<u>1,936,152</u>
Total Deposits	<u>\$ 1,951,352</u>	<u>\$2,186,152</u>

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$39,120 at June 30, 2020 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ -	\$ -	\$ 36,386
Federal assistance	-	2,734	-
Other	-	-	-
<b>Totals</b>	<b>\$ -</b>	<b>\$ 2,734</b>	<b>\$ 36,386</b>

Federal assistance is based on a reimbursement program, whereby the Charter School must expend these funds before requesting cash draw downs. The Charter School expects to be reimbursed for all program expenditures.

**NOTE 4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable balance of \$52,399 at June 30, 2020 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Accounts Payable	\$ 42,295	\$ 10,104	\$ -

**NOTE 5: COMMITMENTS**

The Charter School was contractually obligated for the following at June 30, 2020:

Operating Leases

The Charter School entered into long-term operating lease agreements with DataMax on two (2) copiers. One (1) Lexmark XM5263 at \$195 per month for 36 months and one (1) Lexmark XC4150 at \$200 per month for 36 months, both commencing April 9, 2018 and ending April 8, 2021.

Two (2) 2016 Bluebird Vision buses for 60 months, beginning September 1, 2019 with monthly payments (\$1,511 per bus per month) to Master's Leasing, a Division of MaTran, Inc.

The total rental expense for the above operating leases for the year ended June 30, 2020 was \$102,629.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5: COMMITMENTS (CONTINUED)**

Operating Leases (Continued)

The Charter School transferred the main campus land and building to the JLCS Property Holding Company, LLC at book value, and negotiated a twenty-five (25) year lease effective October 30, 2012. The rental payments are equal to 100% of the annual payments required by JLCS Property Holding Company, LLC to service the debt on the premises and to service all other obligations set forth by the Arkansas Development Finance Authority on the Series 2012 bonds, issued on October 30, 2012. Rental payments for the above operating lease were approximately \$709,805 for the year ended June 30, 2020.

Future minimum lease payments for current operating leases are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 721,171
2022	723,671
2023	659,336
2024	637,891
2025	637,891
Thereafter	<u>7,761,008</u>
Total	<u>\$11,140,968</u>

Long-Term Debt Issued and Outstanding

The Charter School is presently paying on the following long-term debt:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities to June 30, 2021
03/19/10	03/19/30	4.00%	\$1,700,000	\$ 992,187	\$ 78,284

Long-Term Debt Issued and Outstanding

Changes in long-term debt as follows:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Commercial Loans	<u>\$ 1,074,273</u>	<u>\$ -</u>	<u>\$ 82,086</u>	<u>\$ 992,187</u>

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5: COMMITMENTS (CONTINUED)**

Long-Term Debt Issued and Outstanding (Continued):

Total long-term debt principal and interest payments are as follows:

Year Ended June 30	Principal	Interest	Total
2021	85,309	38,953	124,262
2022	88,834	35,428	124,262
2023	92,504	31,758	124,262
2024	96,251	28,011	124,262
2025	100,303	23,959	124,262
Thereafter	<u>528,986</u>	<u>54,233</u>	<u>583,219</u>
Totals	<u>\$ 992,187</u>	<u>\$ 212,342</u>	<u>\$ 1,204,529</u>

**NOTE 6: LINE OF CREDIT**

To provide for short-term cash requirements the Charter School has established a line of credit agreement with First Arkansas Bank & Trust of Jacksonville, Arkansas, to borrow up to \$600,000 at 6.5%. This agreement can be renewed by the bank for a period of twelve (12) months or converted into long-term financing. There was no outstanding balance at June 30, 2020, and the renewal date is August 16, 2020. Interest paid on the line of credit was zero for the year ended June 30, 2020.

On March 1, 2019, the Charter School, jointly with JLCS Property Holding Company, LLC, obtained a construction mortgage for a new gym with First Arkansas Bank & Trust of Jacksonville, Arkansas. The loan has a fixed interest rate of 6.5% with monthly payments of \$20,000 and matures on April 1, 2021. The outstanding balance as of June 30, 2020 was \$2,512,206.

**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.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8: SIGNIFICANT CONCENTRATION**

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 98% of total revenues were from state and federal sources for the year ending June 30, 2020. Additionally, the Charter School's received \$167,867 from other school sources (2% of total revenues).

**NOTE 9: RETIREMENT PLANS**

The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% 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 14.25% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2020 was \$718,185, equal to the required contributions for the year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Government Accounting Standards Board Statement No. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) is \$5,569,163.

**NOTE 10: CONTINGENCIES**

The Charter School was the recipient of Federal and state funding. Federal and state funding programs are subject to audit by the Federal or state government or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the Charter School expects such amounts, if any, to be immaterial.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the Charter School's employees, total \$109,465 for the year ended June 30, 2020.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 14, 2021, the date which the financial statements were available for issue.

**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	\$ 414	\$ -	\$ -
English language acquisition	2,706	-	-
Special education programs	14	-	-
Professional development	1,779	-	-
Medical services	-	76,036	-
Capital projects	-	-	36,386
Child nutrition programs	-	2,489	-
Other purposes	50	2,616	-
Total Restricted	<u>4,963</u>	<u>81,141</u>	<u>36,386</u>
Assigned to:			
Student activities	<u>28,044</u>	-	-
Total Assigned	<u>28,044</u>	-	-
Unassigned	<u>1,787,539</u>	-	-
Totals	<u>\$ 1,820,546</u>	<u>\$ 81,141</u>	<u>\$ 36,386</u>

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13: RESPONSE TO COVID-19**

On March 11, 2020, the Governor Arkansas Issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease (COVID-19). A mandatory, two-week, statewide closure for all schools was announced on March 15, 2020 by the Governor. On April 6, 2020, the Governor announced that on-site instruction for all Arkansas public schools would be discontinued until the 2020-2021 school year and school districts would continue alternative methods of instruction (AMI) through the remainder of the 2019-2020 school year.

**NOTE 14: SERVICES AGREEMENT**

Lighthouse Academies of Arkansas, Inc. entered into a Management Services Agreement with Lighthouse Academies, Inc. as of March 14, 2013. The Management Service Agreement grants Lighthouse Academies 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 perform personnel functions such as staffing, evaluation and training; to review monthly financial statements and budgets; to provide initial training and set up of financial systems; to conduct periodic review of financial systems; 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 these services, the management agent receives service fees that shall be paid monthly in advance. In any month when cash is not available, the service fee shall be accrued and subject to reasonable interest if not paid by the Charter School within two months of the accrual. In addition to the service fee, the Charter School is responsible for reimbursing the management agent for all expenses directly and specifically related to the Charter School incurred by the management agent, including but not limited to postage, printing, marketing and development, and staff accounting and bookkeeping services.

During the year ended June 30, 2020 fees and reimbursements totaled approximately \$158,851.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 15: RISK MANAGEMENT**

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

The Charter School carries commercial insurance for buildings, contents, board liability, and student accident. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The Charter School participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**PULASKI COUNTY, ARKANSAS**  
**SCHEDULE OF CAPITAL ASSETS**  
**Year Ended June 30, 2020**

**(UNAUDITED)**

**CAPITAL ASSETS**

Leasehold improvements	\$ 1,276,205
Improvements / infrastructure	7,126
Equipment	<u>292,525</u>
<b>TOTAL CAPITAL ASSETS</b>	<u><u>1,575,856</u></u>
Less: accumulated depreciation	
Leasehold improvements	1,276,205
Improvements / infrastructure	3,296
Equipment	<u>289,824</u>
Total accumulated depreciation	<u><u>1,569,325</u></u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u><u>\$ 6,531</u></u>

# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## 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  
Lighthouse Academies of Arkansas, Inc.

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 Lighthouse Academies of Arkansas, Inc. as of and for the year ended June 30, 2020, 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 14, 2021. 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 Lighthouse Academies of Arkansas, Inc.'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 Lighthouse Academies of Arkansas, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness Lighthouse Academies of Arkansas, Inc.'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 Lighthouse Academies of Arkansas, Inc.'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 14, 2021

**AUDITOR INFORMATION SHEET**

LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.  
251 NORTH 1<sup>ST</sup> STREET  
JACKSONVILLE, ARKANSAS 72076

EIN: 26-3168986  
TELEPHONE: (501) 985-1200  
FAX: (501) 985-1201  
SUPERINTENDENT: LaShawnDa Noel  
CONTACT PERSON: Brent Elliott, Business Manager –  
Small Business Advisory Services, Inc.

LEAD AUDITOR:	LISA STEPHENS, CPA
FIRM NAME:	LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC
ADDRESS:	715 FRONT STREET CONWAY, ARKANSAS 72032
TELEPHONE:	(501) 327-2834
FAX:	(501) 327-6663
EMAIL:	<a href="mailto:lisa@lisastephenscpa.com">lisa@lisastephenscpa.com</a>
LICENSE NUMBER:	2691, ARKANSAS

# LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

◆◆◆  
715 FRONT STREET◆P.O. BOX 1978◆CONWAY, AR 72033  
PHONE 501-327-2834◆FAX 501-327-6663

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Trustees  
Lighthouse Academies of Arkansas, Inc.

I have examined management's assertions that Lighthouse Academies of Arkansas, Inc. ("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, 2020. 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, Lighthouse Academies of Arkansas, Inc. complied with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Lisa Stephens*

Lisa Stephens Certified Public Accountant, PLC  
Conway, Arkansas  
March 14, 2021

**LIGHTHOUSE ACADEMIES OF ARKANSAS, INC.**  
**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE**  
**ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**For the Year Ended June 30, 2020**

<b>Description</b>	<b>Statutes</b>
Bidding and Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization and Investment Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded and Non-bonded Debt, District School Bonds	6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
o Warrants	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws – Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq.; 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. seq.

The Annual Financial Report shall be presented in conformity with the format and guidelines as prescribed by the appropriate professional organizations. The financial statement presentation shall be in compliance with Arkansas Codes §§ 6-1-101 and 10-4-413.

The financial statement presentation must also be in accordance with GASB 68 and 72. (Note for Regulatory Basis presentation).