



Friendship Aspire Arkansas, Inc.

Friendship Aspire Academy Public
Charter Schools

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF

JEFFERSON COUNTY, ARKANSAS

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

with

INDEPENDENT AUDITOR'S REPORT

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2020**

	PAGE
Independent Auditor’s Report	1 – 3
Regulatory Basis Financial Statements:	
Balance Sheet – Regulatory Basis	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	6
Notes to Financial Statements	7 – 15
Other Reports and Supplementary Information:	
Schedule of Capital Assets (Unaudited)	16
Independent Auditor’s 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	17 – 18
Auditor Information Sheet	19
Independent Auditor’s Report on Compliance with Arkansas State Requirements	20
Schedule of Statutes Required by Arkansas Department of Education to be Address in Independent Auditor’s Report on Compliance	21

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
Friendship Aspire Academy – Pine Bluff

Report on the Financial Statements

I have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of Friendship Aspire Academy – Pine Bluff (the "Charter School"), as of June 30, 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's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Friendship Aspire Academy – Pine Bluff as of June 30, 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

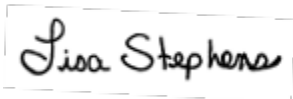
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 26, 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 rectangular box containing a handwritten signature in cursive script that reads "Lisa Stephens".

Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2021

**FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2020**

	Governmental Funds		
	Major		
	General Revenue	Special Revenue	Other Aggregate
ASSETS			
Cash and cash equivalents	\$ 138,746	\$ -	\$ -
Accounts receivable	-	14,049	10,474
Due from other funds	16,542	-	-
Total Assets	\$ 155,288	\$ 14,049	\$ 10,474
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 9,318	\$ -	\$ -
Due to other funds	-	6,068	10,474
Total Liabilities	9,318	6,068	10,474
Fund Balances			
Restricted	119,481	7,981	-
Unassigned	26,489	-	-
Total Fund Balances	145,970	7,981	-
Total Liabilities and Fund Balances	\$ 155,288	\$ 14,049	\$ 10,474

**FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2020**

	Major		Other Aggregate
	General Revenue	Special Revenue	
REVENUES			
State assistance	\$ 1,920,755	\$ 617	\$ 121,669
Federal assistance	-	425,646	-
Other revenues	397	-	-
Total Revenues	<u>1,921,152</u>	<u>426,263</u>	<u>121,669</u>
EXPENDITURES			
Regular programs	859,302	-	-
Special education	31,782	18,561	-
Compensatory education	-	229,591	-
Other instructional programs	9,900	-	-
Support services - students	61,534	33,534	-
Support services - instructional staff	131,021	-	-
Support services - general administration	169,710	-	-
Support services - school administration	207,686	-	-
Support services - business services	57,500	-	-
Support services - M & O	299,073	-	126,161
Student transportation services	75,645	-	-
Other support services	-	-	-
Food services operations	47,163	155,858	-
Community service operations	-	-	-
Total Expenditures	<u>1,950,316</u>	<u>437,544</u>	<u>126,161</u>
Excess of Revenues Over (Under) Expenditures	<u>(29,164)</u>	<u>(11,281)</u>	<u>(4,492)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>175,134</u>	<u>19,262</u>	<u>4,492</u>
FUND BALANCE - END OF YEAR	<u>\$ 145,970</u>	<u>\$ 7,981</u>	<u>\$ -</u>

**FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2020**

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 1,947,044	\$ 1,920,755	\$ (26,289)	\$ -	\$ 617	\$ 617
Federal assistance	-	-	-	469,224	425,646	(43,578)
Other revenues	-	397	397	-	-	-
Total Revenues	<u>1,947,044</u>	<u>1,921,152</u>	<u>(25,892)</u>	<u>469,224</u>	<u>426,263</u>	<u>(42,961)</u>
EXPENDITURES						
Regular programs	963,828	859,302	104,526	-	-	-
Special education	38,919	31,782	7,137	23,918	18,561	5,357
Compensatory education	-	-	-	230,773	229,591	1,182
Other instructional programs	5,851	9,900	(4,049)	-	-	-
Support services - students	30,379	61,534	(31,155)	37,799	33,534	4,265
Support services - instructional staff	212,328	131,021	81,307	-	-	-
Support services - general administration	255,947	169,710	86,237	-	-	-
Support services - school administration	77,783	207,686	(129,903)	-	-	-
Support services - central services	40,000	57,500	(17,500)	-	-	-
Support services - M & O	182,314	299,073	(116,759)	-	-	-
Student transportation services	118,950	75,645	43,305	-	-	-
Other support services	10,000	-	10,000	-	-	-
Food services operations	-	47,163	(47,163)	177,000	155,858	21,142
Community service operations	-	-	-	200	-	200
Total Expenditures	<u>1,936,299</u>	<u>1,950,316</u>	<u>(14,017)</u>	<u>469,690</u>	<u>437,544</u>	<u>32,146</u>
Excess of Revenues Over (Under) Expenditures	<u>10,745</u>	<u>(29,164)</u>	<u>(39,909)</u>	<u>(466)</u>	<u>(11,281)</u>	<u>(10,815)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>175,134</u>	<u>175,134</u>	<u>-</u>	<u>19,262</u>	<u>19,262</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 185,879</u>	<u>\$ 145,970</u>	<u>\$ (39,909)</u>	<u>\$ 18,796</u>	<u>\$ 7,981</u>	<u>\$ (10,815)</u>

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Funds

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

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

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

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources.

Revenue Recognition Policies

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

Interfund Receivables and Payables

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

Capital Assets

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

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

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

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. *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.

Budget and Budgetary Accounting

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

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

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

Stabilization Arrangements

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

Minimum Fund Balance Policies

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

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification Policies and Procedures

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.

Encumbrances

The Charter School does not utilize encumbrance accounting.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 138,746	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank’s trust department in the Charter’s name		108,913
Total Deposits	\$ 138,746	\$ 358,913

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Federal assistance	\$ -	\$ 14,049	\$ -
State assistance			10,474
Totals	<u>\$ -</u>	<u>\$ 14,049</u>	<u>\$ 10,474</u>

NOTE 4: COMMITMENTS

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

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

General description of lease and leasing arrangements:

Real property for 360 months, beginning July 1, 2018 with monthly payments to the Friendship Education Foundation. Rental payments are based on up to 15 percent of the current fiscal year incoming revenue, payable in 12 equal monthly installments. Rental payments total approximately \$ 196,459 for the year ended June 30, 2020.

NOTE 5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2020 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 9,318</u>	<u>\$ -</u>	<u>\$ -</u>

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6: RETIREMENT PLAN

Arkansas Teacher Retirement System

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

Funding Policy: ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2020 were \$169,364, equal to the required contributions for each year.

Net Pension Liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$980,783.

NOTE 7: COMPENSATED ABSENCES

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

NOTE 8: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 99.98% of total revenues were from state and federal sources for the year ending June 30, 2020. Additionally, the Charter School's received \$397 from other school sources (0.02% of total revenues).

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9: CONTINGENCIES

The Charter School participates in federally assisted grant programs. The Charter School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

NOTE 10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, paid on-behalf of the Charter School's employees, was \$33,403 for the year ending June 30, 2020.

NOTE 11: RISK MANAGEMENT

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

The Charter School carries commercial insurance for board liability, employee liability, building, contents, and workers' compensation.

The Charter School participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage during the fiscal year.

NOTE 12: SERVICE AGREEMENT

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

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12: SERVICE AGREEMENT (CONTINUED)

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

During the year ended June 30, 2020, fees and reimbursements totaled approximately \$152,618.

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	\$ 111,744	\$ -	\$ -
Special education programs	7,737		
Child nutrition programs		7,981	
Total Restricted	<u>119,481</u>	<u>7,981</u>	<u>-</u>
Unassigned	<u>26,489</u>		
Totals	<u>\$ 145,970</u>	<u>\$ 7,981</u>	<u>\$ -</u>

NOTE 14: RESPONSE TO COVID-19

On March 11, 2020, the Governor of 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 2019 (COVID-19). A mandatory, two week, statewide closure for all schools were 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.

**FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15: SUBSEQUENT EVENTS

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

**FRIENDSHIP ASPIRE ACADEMY - PINE BLUFF
JEFFERSON COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

	Balance <u>June 30, 2020</u>
DEPRECIABLE CAPITAL ASSETS:	
Equipment	\$ 107,457
Total depreciable capital assets	<u>107,457</u>
LESS ACCUMULATED DEPRECIATION FOR:	
Equipment	<u>39,458</u>
Total accumulated depreciation	<u>39,458</u>
 CAPITAL ASSETS, NET	 <u><u>\$ 67,999</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
Friendship Aspire Academy – Pine Bluff
Pine Bluff, Arkansas

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major governmental fund of Friendship Aspire Academy – Pine Bluff as of and for the year ended June 30, 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 26, 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 Friendship Aspire Academy – Pine Bluff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friendship Aspire Academy – Pine Bluff's internal control. Accordingly, I do not express an opinion on the effectiveness of Friendship Aspire Academy – Pine Bluff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Friendship Aspire Academy – Pine Bluff’s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2021

AUDITOR INFORMATION SHEET

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
3911 S. HAZEL STREET
PINE BLUFF, AR 71603

EIN: 82-3957417

TELEPHONE: (870) 395-7420

FAX: (870) 395-7403

SUPERINTENDENT: Phong Tran

CONTACT PERSON: Phong Tran, Superintendent for Friendship Aspire Arkansas, Inc.

LEAD AUDITOR:

FIRM NAME:

ADDRESS:

TELEPHONE:

FAX:

EMAIL:

LICENSE NUMBER:

LISA STEPHENS, CPA

LISA STEPHENS CERTIFIED PUBLIC
ACCOUNTANT, PLC

715 FRONT STREET
CONWAY, ARKANSAS 72032

(501) 327-2834

(501) 327-6663

lisa@lisastephenscpa.com

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
Friendship Aspire Academy – Pine Bluff
Pine Bluff, Arkansas

I have examined management's assertions that Friendship Aspire Academy – Pine Bluff ("the Charter School") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations, including those listed in the accompanying schedule of statues 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, Friendship Aspire Academy – Pine Bluff 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 Directors, management, and the Arkansas Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 26, 2021

FRIENDSHIP ASPIRE ACADEMY – PINE BLUFF
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

Description	Statutes
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).