



**SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI 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

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ScholarMade Achievement Place of Arkansas, Inc.

I have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of ScholarMade Achievement Place of Arkansas, Inc. (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 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 ScholarMade Achievement Place 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

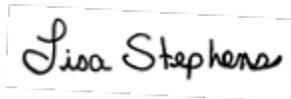
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School’s regulatory basis financial statements. The Schedule of Capital Assets is presented for purposes of additional analysis and is not a required part of the regulatory 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 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 rectangular box containing a handwritten signature in cursive script that reads "Lisa Stephens".

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

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
June 30, 2020

	Governmental Funds		
	Major		
	General Revenue	Special Revenue	Other Aggregate
ASSETS			
Cash and cash equivalents	\$ 705,405	\$ -	\$ 53,108
Accounts receivable	-	89,833	14,985
Due from other funds	2,997	-	-
Total Assets	<u>\$ 708,402</u>	<u>\$ 89,833</u>	<u>\$ 68,093</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 9,615	\$ 54,436	\$ 68,093
Due to other funds	-	2,997	-
Total Liabilities	<u>9,615</u>	<u>57,433</u>	<u>68,093</u>
Fund Balances			
Restricted	233,441	32,400	-
Assigned	271	-	-
Unassigned	465,075	-	-
Total Fund Balances	<u>698,787</u>	<u>32,400</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 708,402</u>	<u>\$ 89,833</u>	<u>\$ 68,093</u>

SCHOLARMADE ACHIEVEMENT PLACE 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		Other Aggregate
	General Revenue	Special Revenue	
REVENUES			
State assistance	\$ 2,764,434	\$ 1,228	\$ 179,113
Federal assistance	-	607,010	-
Activity revenues	7,794	-	-
Investment income	279	-	-
Other revenues	359,600	-	-
Total Revenues	<u>3,132,107</u>	<u>608,238</u>	<u>179,113</u>
EXPENDITURES			
Current:			
Regular programs	1,058,998	-	-
Special education	18,487	300	-
Compensatory education	21,390	110,677	-
Other instructional programs	18,001	-	-
Support services - students	35,675	128,810	-
Support services - instructional staff	79,483	275,409	-
Support services - general administration	230,207	-	-
Support services - school administration	471,971	-	-
Support services - business services	80,096	-	-
Support services - M & O	435,092	-	179,113
Student transportation services	118,666	-	-
Other support services	5,034	-	-
Food services operations	-	167,177	-
Activity expenditures	7,523	-	-
Total Expenditures	<u>2,580,623</u>	<u>682,373</u>	<u>179,113</u>
Excess (deficiency) of revenue over expenditures	<u>551,484</u>	<u>(74,135)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	551,484	(74,135)	-
FUND BALANCE - BEGINNING OF YEAR	<u>147,303</u>	<u>106,535</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 698,787</u>	<u>\$ 32,400</u>	<u>\$ -</u>

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC. □
PULASKI 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	\$ 2,971,062	\$ 2,764,434	\$ (206,628)	\$ -	\$ 1,228	\$ 1,228
Federal assistance	-	-	-	554,718	607,010	52,292
Activity revenues	-	7,794	7,794	-	-	-
Investment income	-	279	279	-	-	-
Other revenues	-	359,600	359,600	-	-	-
Total Revenues	<u>2,971,062</u>	<u>3,132,107</u>	<u>161,045</u>	<u>554,718</u>	<u>608,238</u>	<u>53,520</u>
EXPENDITURES						
Current:						
Regular programs	1,217,324	1,058,998	158,326	-	-	-
Special education	23,059	18,487	4,572	6,011	300	5,711
Compensatory education	57,593	21,390	36,203	113,270	110,677	2,593
Other instructional programs	19,100	18,001	1,099	-	-	-
Support services - students	263,286	35,675	227,611	43,225	128,810	(85,585)
Support services - instructional staff	154,486	79,483	75,003	245,004	275,409	(30,405)
Support services - general administration	236,200	230,207	5,993	-	-	-
Support services - school administration	474,170	471,971	2,199	-	-	-
Support services - central services	108,501	80,096	28,405	-	-	-
Support services - M & O	466,858	435,092	31,766	-	-	-
Student transportation services	84,970	118,666	(33,696)	-	-	-
Other support services	2,000	5,034	(3,034)	-	-	-
Food services operations	-	-	-	152,023	167,177	(15,154)
Community service operations	-	-	-	4,000	-	4,000
Activity expenditures	5,000	7,523	(2,523)	-	-	-
Total Expenditures	<u>3,112,547</u>	<u>2,580,623</u>	<u>531,924</u>	<u>563,533</u>	<u>682,373</u>	<u>(118,840)</u>
Excess (deficiency) of revenue over expenditures	<u>(141,485)</u>	<u>551,484</u>	<u>692,969</u>	<u>(8,815)</u>	<u>(74,135)</u>	<u>(65,320)</u>
NET CHANGE IN FUND BALANCE	<u>(141,485)</u>	<u>551,484</u>	<u>692,969</u>	<u>(8,815)</u>	<u>(74,135)</u>	<u>(65,320)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>147,303</u>	<u>147,303</u>	<u>-</u>	<u>106,535</u>	<u>106,535</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,818</u>	<u>\$ 698,787</u>	<u>\$ 692,969</u>	<u>\$ 97,720</u>	<u>\$ 32,400</u>	<u>\$ (65,320)</u>

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In September 2017, the Arkansas State Board of Education granted charter status to ScholarMade Achievement Place of Arkansas, Inc. The Charter School is governed by the Board of Directors. ScholarMade Achievement Place of Arkansas, Inc. is a 501 (c) (3) nonprofit organization that develops and supports the operations of the public charter school. The Charter School is located in Little Rock, Arkansas and currently enrolls students in grades kindergarten through five.

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 individual 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.

SCHOLARMADE ACHIEVEMENT PLACE 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 Charter School; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

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

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

Revenue Recognition Policies

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

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.

**SCHOLARMADE ACHIEVEMENT PLACE 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	Term of Lease
Vehicles & Equipment	5-20

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.

Fund Balance Classifications

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

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

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

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

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

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

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.

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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:

	Carrying Amount	Bank Balance
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	508,513	684,247
Total Deposits	\$ 758,513	\$934,247

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$104,818 at June 30, 2020 was comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ -	\$ -	\$ 14,985
Federal assistance	-	89,833	-
Other	-	-	-
Totals	\$ -	\$ 89,833	\$ 14,985

**SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3: ACCOUNTS RECEIVABLE (CONTINUED)

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 \$132,144 at June 30, 2020 was comprised of the following:

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Accounts payable and accrued expenditures	\$ 9,615	\$ 54,436	\$ 68,093

NOTE 5: COMMITMENTS

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

Operating Leases

In August 2018, the Charter School entered into an operating lease for the Charter School's campus. This non-cancellable lease has scheduled annual payments equal to twelve percent of the school's per pupil revenue for each pupil that is enrolled for each year of the term of the lease. The lease term is for a period of five years with the option of extending the term of the lease.

Two (2) copiers for 36 months, beginning in August 2018, with monthly payments of \$480 per month to Xerox.

In March 2020, the Charter School entered into an operating lease with DD&F Building, LLC for an office building commencing May 1, 2020 for a period of one year with the option of extending the term of the lease. Rent payments for this lease equal \$2,176 monthly.

Future minimum rental payments:

Year Ended June 30,	Amount
2021	\$ 236,324
2022	209,280
2023	208,800
Total	\$ 654,404

Rental payments for the operating leases described above were approximately \$197,191 for the year ended June 30, 2020.

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: COMMITMENTS (CONTINUED)

Capital Leases

The Charter School has a capital lease for a 2019 Thomas 53 Passenger Bus. The lease has a fixed interest rate of 2.75%.

On August 29, 2019, the Charter School entered into a capital lease agreement with Midwest Leasing, LLC. for the lease of a 2020 Thomas C2 71 Passenger Bus. Four lease payments of \$26,241.35 will be made beginning August 29, 2019 until August 29, 2022.

Total payments for the above leases for the period ended June 30, 2020 was \$45,121. The property held under the capital lease is summarized as follows as of June 30, 2020:

Equipment	\$ 193,081
Less accumulated depreciation	46,917
	\$ 146,164

Future minimum lease payments under the capital lease at June 30, 2020 are as follows:

2021	\$ 45,121
2022	45,121
2023	45,121
Total minimum lease payments	135,363
Less interest	2,327
	\$ 133,036

NOTE 6: 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 7: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 99% of total revenues were from state and federal sources for the year ending June 30, 2020. Additionally, the Charter School's received \$19,572 from other school sources (1% of total revenues).

SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: RETIREMENT PLANS

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 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 were \$311,555, 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 \$1,863,719.

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 \$53,158 for the year ending June 30, 2020.

**SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
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 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.

NOTE 12: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 227,957	\$ -	\$ -
English language acquisition	-	-	-
Special education programs	4,572	-	-
Professional development	912	-	-
Medical services	-	12,700	-
Capital projects	-	-	-
Child nutrition programs	-	19,700	-
Other purposes	-	-	-
Total Restricted	233,441	32,400	-
Assigned to:			
Student activities	271	-	-
Total Assigned	271	-	-
Unassigned	465,075	-	-
Totals	\$ 698,787	\$ 32,400	\$ -

SCHOLARMADE ACHIEVEMENT PLACE 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: SUBSEQUENT EVENTS

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

**SCHOLARMADE ACHIEVEMENT PLACE OF ARKANSAS, INC.
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

	Balance <u>June 30, 2020</u>
DEPRECIABLE CAPITAL ASSETS:	
Vehicles & Equipment	\$ 279,673
Total depreciable capital assets	<u>279,673</u>
LESS ACCUMULATED DEPRECIATION FOR:	
Vehicles & Equipment	<u>62,155</u>
Total accumulated depreciation	<u>62,155</u>
CAPITAL ASSETS, NET	<u><u>\$ 217,518</u></u>

LISA STEPHENS CERTIFIED PUBLIC ACCOUNTANT, PLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
ScholarMade Achievement Place 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 ScholarMade Achievement Place 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 19, 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 ScholarMade Achievement Place 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 ScholarMade Achievement Place of Arkansas, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness ScholarMade Achievement Place 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 ScholarMade Achievement Place 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 19, 2021

AUDITOR INFORMATION SHEET

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2410 SOUTH BATTERY STREET
LITTLE ROCK, ARKANSAS 72206

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LEAD AUDITOR:	LISA STEPHENS, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Trustees
ScholarMade Achievement Place of Arkansas, Inc.

I have examined management's assertions that ScholarMade Achievement Place 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, ScholarMade Achievement Place 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 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

Lisa Stephens Certified Public Accountant, PLC
Conway, Arkansas
March 19, 2021

SCHOLARMADE ACHIEVEMENT PLACE 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

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).