



# ARKANSAS DEPARTMENT OF EDUCATION

## **Open-Enrollment Public Charter School Renewal Application**

**Deadline for Submission: 4:00 PM on September 28, 2017**



**Charter School: Arkansas Arts Academy**

**Arkansas Department of Education  
Charter School Office  
Four Capitol Mall  
Little Rock, AR 72201  
501.683.5313**

## Contact Information

<b>Sponsoring Entity:</b>	<b>Benton County Charter School Organization, Inc.</b>
<b>Name of Charter School:</b>	<b>Arkansas Arts Academy</b>
<b>School LEA #</b>	<b>0440</b>
<b>Name of Principal/Director:</b> <b>Mailing Address:</b> <b>Phone Number:</b> <b>Fax Number:</b> <b>E-mail address:</b>	<b>Mrs. Mary Ley, CEO</b> <b>1110 W. Poplar Street, Suite A</b> <b>Rogers, AR 72756</b> <b>479-877-1795</b> <b>479-878-2790</b> <b>mley@artsk12.org</b>
<b>Name of Board Chairman:</b> <b>Mailing Address:</b> <b>Phone Number:</b> <b>Fax Number:</b> <b>E-mail address:</b>	<b>Mr. Tony Beardsley</b> <b>707 Crest Drive</b> <b>Fayetteville, AR 72701</b>  <b>Cabeardsley123@gmail.com</b>

**Number of Years Requested for Renewal (1-20) \_\_\_\_\_ 10 \_\_\_\_\_**

**Renewal Application Approval Date by the School/Entity Board(s) 09/13/17**

# **Section 1 – Composition of the Charter School’s Governing Board and Relationships to Others**

## **Part A: Composition of Governing Board**

Describe the governance structure of the charter, including an explanation of the board member selection process and the authority and responsibilities of the charter board.

### **Board Member Selection**

The Arkansas Arts Academy School Board members are elected each April. Board members are elected for a three-year term of office. There are seven board members. The School Board must elect officers during the first meeting of the new fiscal year (July). Officers include President, Vice-President, and Secretary/Treasurer. Per the charter, the President shall be the Chief Executive Officer of the Founding Board/School Board. The Vice-President will, in the absence or disability of the President, perform the duties and exercise the power of the President. The Secretary/Treasurer, will be responsible for recording all actions and proceedings and will be the second signature (disbursing agent) along with the Superintendent/Executive Director on all charter school checks and warrants. A school board member, as appointed by the School Board, will serve as a disbursing agent alternate in the event the Secretary/Treasurer cannot perform warrant/check signature duties due to absence or disability. Further duties and responsibilities of officers of board members are outline in the bylaws of the Arkansas Arts Academy, Inc.

### **School Board Authority and Responsibilities**

It is the objective of the School Board that every lay person in the community feels he or she is in partnership with the professional educators and the School Board, who have the responsibility for continuous planning, analysis, and evaluation to see that the most effective and meaningful educational opportunities are made available to our youth consistent with the aspiration, cultural pattern, and financial ability of the community.

The Arkansas Arts Academy School Board further acknowledges that it is responsible for the establishment and maintenance of a free public school for children residing in Arkansas and shall make all necessary rules and regulations appropriate for the governance and conduct of school operations consistent with local, state, and federal law.

The Board will convene in executive session only for the purpose of considering the employment, appointment, promotion, demotion, disciplining or resignation of any employee. The Board of Directors shall conduct any vote on a matter discussed in executive session after reconvening in open session.

Private hearings may be held by the Board of Directors to act upon a student suspension, expulsion or appeal if requested by the parent or guardian of the student. The hearing must be public if requested by the parent or guardian. After conducting a public hearing on a student suspension, expulsion or appeal, the board of Directors may go into closed session to deliberate. The Board of Directors shall conduct any vote on the subject of the hearing after reconvening in open session.

### **Authority and Right of Review**

The School Board has final legal authority with in the provision of the state and federal law for the operation of the school. No policy or procedure adopted by the Board or its designee shall be construed to limit the statutory powers provided by state law to the Arkansas Arts Academy School Board to exercise its own judgment and to make recommendations to the Superintendent/Executive Director. To accomplish this function, the Board must have timely access upon request to any information, including documents, in the possession of school personnel unless such access is expressly prohibited by state or federal law.

**Policy Adoption and Procedure Review**

It is the responsibility of the School Board to adopt policies for the effective and efficient management of Arkansas Arts Academy. All policies legally adopted shall be put in written form, noted in the minutes of the meeting where such action was taken, and copies of any new, revised or deleted policies shall be promptly distributed for inclusion in official copies of the Arkansas Art Academy Board Policy Book maintained in various locations throughout Arkansas Arts Academy. Adoption or revisions of generated administrative procedures that significantly alter the manner in which a Board policy is to be implemented shall be distributed to the Board for information.

**Evaluation of Policies and Procedures**

The School Board is responsible for evaluating both the effectiveness of its policies and how well they have been implemented. The Superintendent/Executive Director recommends specific action to implement Board policy, and it is the responsibility of the Board to appraise the value and importance of each recommendation and to act on each proposal.

**Operational Action**

The School Board is responsible for developing the processes necessary for conducting Board business such as adopting a procedural form for meetings, election of Board officers, and providing for the enforcement of state and federal law.

**Executive Action**

The Superintendent /Executive Director performs administrative duties for the Board by authority delegated to him or her. The School Board is responsible for holding the Superintendent/Executive Director accountable for the effective and efficient administration and leadership of Arkansas Arts Academy.

**Quasi-Judicial Action**

The School Board serves in a quasi-judicial function when it acts as a forum for hearings and appeals from parents, students, or personnel on decisions or recommendations made by the Superintendent/Executive Director or appointed designees.

**Part B: Disclosure Information**

Identify any contract, lease, or employment agreement in which the charter is or has been a party, and in which any charter administrator, board member, or an administrator’s or board member’s family member has or had a financial interest.

N/A

Complete the table on the following page.

## Relationship Disclosures

In the first column, provide the name and contact information of each board member and/or administrator. In the second column, provide the name and position (e.g., financial officer, teacher, custodian) of any other board member, charter employee, or management company employee who has a relationship with the board member/administrator or state NONE. Describe the relationship in the third column (e.g., spouse, parent, sibling).

Charter School Board Member's/ Administrator's Name and Contact Information	Name and Title of Individual Related to Board Member	Relationship
<b>Tony Beardsley</b> 707 Crest Drive Fayetteville, AR 72701 479-957-6595 <a href="mailto:Cabeardsley123@gmail.com">Cabeardsley123@gmail.com</a>	NONE	N/A
<b>Dave Russell</b> 2750 Penny Lane Rogers, AR 72758 479-685-0655 <a href="mailto:Drussell0390@cox.net">Drussell0390@cox.net</a>	NONE	N/A
<b>Howard Alsdorf</b> 1305 W. Cottonwood Street Rogers, AR 72758 479-263-0468 <a href="mailto:howardalsdorf@gmail.com">howardalsdorf@gmail.com</a>	NONE	N/A
<b>Joe DeRouen</b> 3607 W. Hemlock St. Rogers, AR 72756 479-685-5736 <a href="mailto:mailto:jderouen@gmail.com">mailto:jderouen@gmail.com</a>	NONE	N/A
<b>Alicia Knotts</b> 3216 SW Stoneway Avenue Bentonville, AR 72712 479-221-2541 <a href="mailto:allypedsrn@yahoo.com">allypedsrn@yahoo.com</a>	NONE	N/A
<b>Asele Mack</b> 415 NW 7 <sup>th</sup> Street Bentonville, AR 72712 404-825-1715 <a href="mailto:Asele.surina@gmail.com">Asele.surina@gmail.com</a>	NONE	N/A
<b>Anthony Porchia</b> 1655 Winters Street Pea Ridge, AR 72751 479-202-3132 <a href="mailto:porchiaanthony@yahoo.com">porchiaanthony@yahoo.com</a>	NONE	N/A

## Section 2 – School Mission and Performance Goals

### Part A: Current School Mission

The charter’s school mission, as approved by the authorizer, is provided. Describe the charter’s progress in maintaining this mission. If the mission is not being maintained, provide a revised mission.

*Arkansas Arts Academy is the ultimate K-12 choice for excellence in arts and academics.*

Arkansas Arts Academy (AAA) is transforming into one of the finest arts academies in America. The main differences between our school and most other art schools is students can attend without auditioning and there is “no” tuition. Every child in our community can master the arts or become a lifetime advocate of the arts. The high school is stronger than ever, and K8, which previously struggled, is not only afloat but swimming in Olympic fashion. The high school was recently ranked 2<sup>nd</sup> in the state by US News & World Report. The K8 went up in 24 out of 30 categories in ACT Aspire. Seventeen categories went up by 10% or more, 6 categories were up 20% or more, and in one category the test score went up by 31%. Arkansas Arts Academy High School has also been an Arkansas Reward School for the past four years.



The K8 has 400 students on the waiting list, and 82 are kindergarten students. Arkansas Arts Academy received the Art School Exemplary School Status by Art School Network (ASN – a non-profit professional association founded in 1981). The tenth-grade class scored 97% on the writing portion of the ACT Aspire. For the past two years, AAA students have taken the top prizes at the Governor’s Young Artist Competition. AAA had five students chosen for Governor’s School and two students were named Arkansas Distinguished Governor Scholars. 2017 graduates were accepted at School of Art Institute in Chicago, Kansas City Art Institute, Ringling College of Art and Design in Sarasota, Savannah School of Art and Design in Georgia, Music Department at Oklahoma City, Music Depart at Belmont College, and the Dance Program at California State. The K8 formed the first Odyssey of the Mind Club and placed 3<sup>rd</sup> in the state. They not only competed in the arts, but also in archery, cross country, and mountain bike competitions.

Students from both campuses participated in 72 field experiences collaborating with our nine museum partners and the Community Creative Center. Students made 22 trips to our flagship partner, Crystal Bridges Museum of American Art. Students studied intensive arts integration lessons and performed music, dance, and poetry in front of some of the finest art in the world.

Arkansas Arts Academy centers it’s focus and curriculum around the following four goals:

- **Academics**
- **Arts Integration**
- **Mastery of the Arts**
- **Museum Initiative**





The administration team has been formed to ensure each goal reaches maximum success. Heather Wright (High School) and Matt Young (K8) are principals that understand and incorporate academic excellence, Arts Integration Director Aaron Jones connects all students with Crystal Bridges and eight other museums, and Fine Arts Director Dr. Barret Johnson has been tasked with raising the expectations and quality of the fine arts. Together this team is supported by a talented CFO, IT Director, and CEO.



On August 15, 2017, Arkansas Arts Academy broke ground for the new high school facility that will further aid in our mission of becoming the most recognized and celebrated public arts school in the nation.





The new facility will offer animation from an Oscar winning animator, a sculpture courtyard, a clay studio designed by the famous local ceramic artist James Young, photography design laboratories, recording studios, culinary arts, and a high level creative writing class that uses visual arts as part of the course synopsis. We will use this facility as part of the preparation to send our students off to college so they can return home ready to build the next generation of Northwest Arkansas success in the arts, in business, and most importantly, in life. Arkansas Arts Academy will impact the lives of students at the highest level through the arts.



- **2017 US News & World Report 2<sup>nd</sup> Best High School in the State**
- **High School Received - Arkansas Recognition School Status**
- **Art School Network Exemplary School Status**
- **2017 – 5 Governor Scholar Recipients**
- **97% Graduation Rate**
- **2017 Governor’s Best Visual Art Award in Ink Drawing**
- **2017 Governor’s Best Pencil Drawing**
- **2017 First Time students participated in AP Arts Final Exam**
- **2017 – 2 Arkansas Distinguished Governor Scholars**
- **2017 Graduates accepted at School of Art Institute in Chicago; Kansas City Art Institute; Ringling College of Art and Design in Sarasota, FL; Savannah School of Art and Design in Georgia; Music Program at Oklahoma City; Music Program at Belmont College; Dance Program at California State**
- **98% in Language Arts (10<sup>th</sup> Grade) - Aspire**
- **AP Literature and Composition**

- **General scores from the past three years:**
  - 2017- 2.5 average score    50% made a 3 or higher
  - 2016- 3.176 average score    77% made a 3 or higher
  - 2015- 3.143 average score    71% made a 3 or higher

**Highlights:** In 2016 77% of AP Literature and Composition students made a 3 or higher, and, of these, 23% scored a 5.

**Part B: Current Performance Goals**

Each of the charter’s performance goals, as approved by the authorizer, is listed. Describe the charter’s progress in achieving each goal and provide supporting documentation that demonstrates the progress. If a goal was not reached, explain why it was not reached and the actions being taken so that students can achieve the goal.

**REDACT ALL STUDENT IDENTIFIABLE INFORMATION.**

*Goals as stated in the prior application:*

Describe the charter’s progress toward achieving each goal by completing the table below, responding to the prompts, and providing supporting documentation that demonstrates the progress, as appropriate.

**Goals**

<b>Goal</b>	<b>Assessment Instrument For Measuring Performance</b>	<b>Performance Level that Demonstrates Achievement</b>	<b>When Attainment of Goal will be Assessed</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Met Goal Yes or No</b>
1. Arkansas Arts Academy student cadres will show progress in literacy over the charter contract. Cadres are defined as	End-of-year state required testing	Exceed state and regional performance	Annually						Yes –See Attached

student groups moving up a grade each year.									
2. Arkansas Arts Academy student cadres will show progress in math over the charter contract.	End-of-year state required testing	Exceed state and regional performance	Annually						Yes – See Attached
3. Arkansas Arts Academy will demonstrate proof of progress for Economically Disadvantaged students who score below the state mean scale score beginning in the second year of state mandated assessment on the end-of-year exam	End-of-year state required testing	Student achievement that meets a concurrent year state mean scale score and/or two successive years at Proficient or Advanced level	Annually						Economically Disadvantaged: Indeterminate but positive – See attached
4. Arkansas Arts Academy will demonstrate	End-of-year state required testing	Student achievement that meets a concurrent year	Annually						LEP: Indeterminate but positive – see attached

<p>proof of progress for Limited English Proficiency students who score below the state mean scale score beginning in the second year of state mandated assessment on the end-of-year exam.</p>		<p>state mean scale score and/or two successive years at Proficient or Advanced level</p>							
<p>5. Arkansas Arts Academy will demonstrate proof of progress for Students with Disabilities who score Below Basic on the end-of-year alternative exam.</p>	<p>End of year alternative exam</p>	<p>Success will be demonstrated when a student's achievement meets the Basic criteria or above for two concurrent years. For Students with Disabilities who score Basic, success will be determined with the student meets the Proficient criteria for two concurrent years. Success</p>	<p>Annually</p>						<p>None of our students with disabilities qualified for alternative testing under the new rules during the charter contract period.</p>

		may also be measured by successful transition from the alternative assessment to the state mandated assessment with a score near or above the Proficient minimum.							
6. Arkansas Arts Academy will be able to demonstrate proof of teacher accountability and improved teacher performance.	TESS evaluation, formal parental survey	Proficient TESS rating and 80%+ positive parent/guardian rating	Annually	2014-2015 Twelve teachers did not receive an 80% Tess rating and were given the chance to resign or not be renewed.	2015 – 2016 One teacher did not hit the 80% and resigned	All teachers made the 80%			
7. Arkansas Arts Academy will be able to demonstrate proof of racial/ethnic access to the school.	Demographic data	Parity within +/- 2% of Benton County demographics (US Census Bureau data) for all racial/ethnic categories	Annually						Arkansas Arts Academy will be able to demonstrate proof of racial/ethnic access to the school as measured by parity within +/- 2% of Benton County Demographics (US Census Bureau data) for

		required by the state							all racial/ethnic categories required by the state for each year. Demographics met 100%
8. Arkansas Arts Academy will be able to demonstrate proof of parent confidence.	Yearly parent/guardian survey	40% yearly response rate by family, with 80% indicating positive progress from the previous year	Annually						Our overall respondent rate surpassed our target of 50%, with approximately 55% of Arkansas Arts Academy parents completing the survey. Approximately 20% of the respondents were parents of students at the high school, and 80% of the respondents were parents of students at the EMS. Overall, 96% of parents responded to positive statements on school environment with the average ratings of "Strongly Agree" or "Agree." Survey results attached
9. Arkansas Arts Academy will demonstrate parental involvement.	Volunteer logs	Parents will contribute at least 500 volunteer hours in 2014-2015, and at least 600 volunteer hours	Annually						Parent Involvement: 2015 -2016  The last week in May 2016, 160 parents were honored for consistently volunteering in the

		in all subsequent contract years.							<p>school. Parents logged in 800 academic hours (i.e. computer labs and tutoring), 36 parent help days, (e.g. flu clinic and picture day), and 166 Rapport Building hours (e.g., Muffins for Mom, etc.). The school also benefited from 30 Watch Dog Dads, some worked whole days and some partial days, and representatives attended each event. Not all logged in, we feel between the logs we did receive, and the teacher volunteer reports sent in at the end of the year, there were slightly over 1000 volunteer hours in the first semester, more than the last three years combined. Matt Young started his new position in late March, between the principal leaving in January and the time Matt started accurate logs were not kept.</p>
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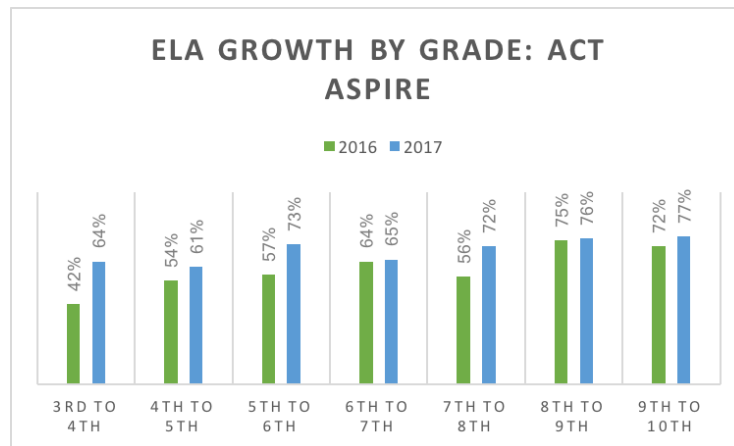


## Academic Goals

1. **Arkansas Arts Academy student cadres will show progress in literacy over the course of the charter period as measured by the end-of-year state required testing. Cadres are defined as student groups moving up a grade each year (i.e., Grade 3-2014 becomes Grade 4-2015, etc.). AAA student performance will exceed state and regional performance.**

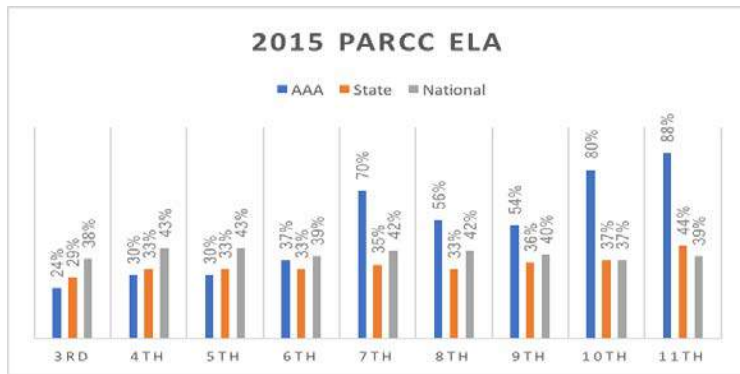
### ELA Growth by Grade: 100% Met

With the one-year lifespan of PARCC, it is not possible to show growth from 2014-15 to 2015-16 in a meaningful way. ACT Aspire scores from 2015-16 and 2016-17 showed growth for all cadres (see chart below).



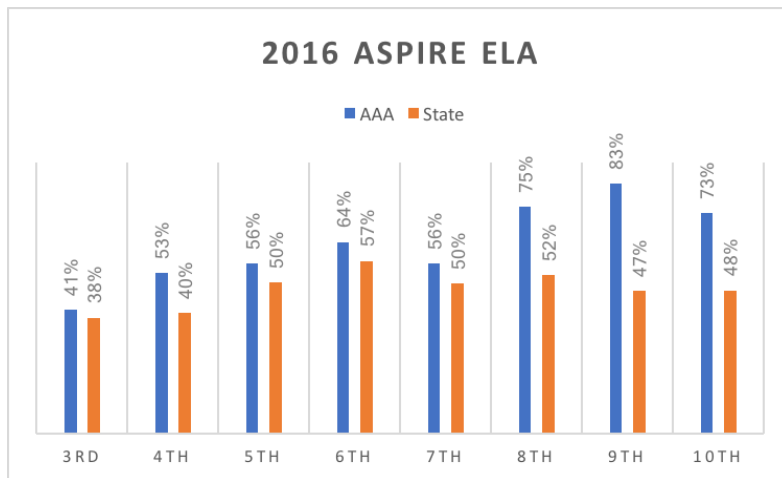
### 2015 ELA Performance vs State (and National): 66% Met

In 2014-15, AAA Literacy scores exceeded state and national averages on PARCC in grades 6 through 11 exceeded state performance. Grades 3 through 5 did not meet goal (see chart below).



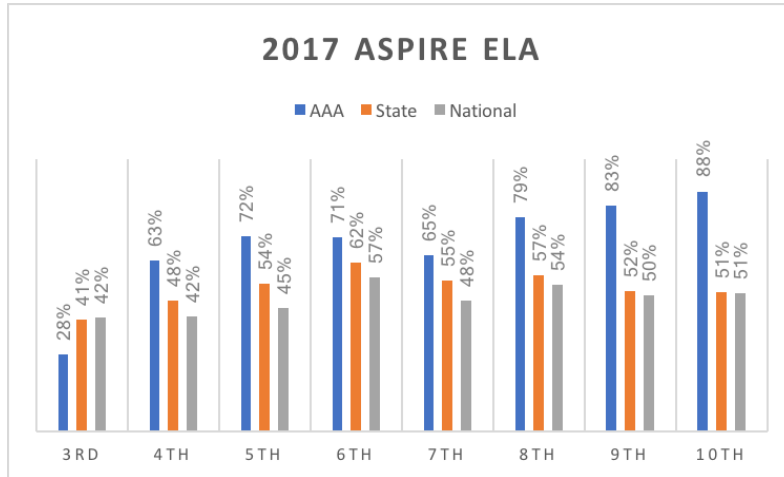
**2016 ELA Performance vs State (and National): 100% Met**

In 2015-2016, AAA students exceeded state ELA scores in all tested grades by a minimum of 3% and maximum of 36%. National scores were unavailable for comparison (see chart below).



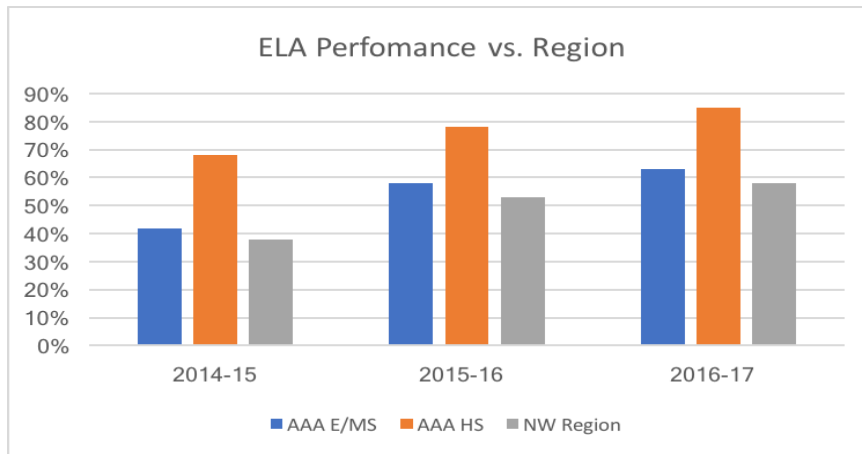
**2017 ELA Performance vs State (and National): 87.5% Met**

In 2016-17, AAA students exceeded state and national ELA scores in all tested grades by significant margins except third grade (see chart below).



**Charter Period ELA Performance vs Region: 100% Met**

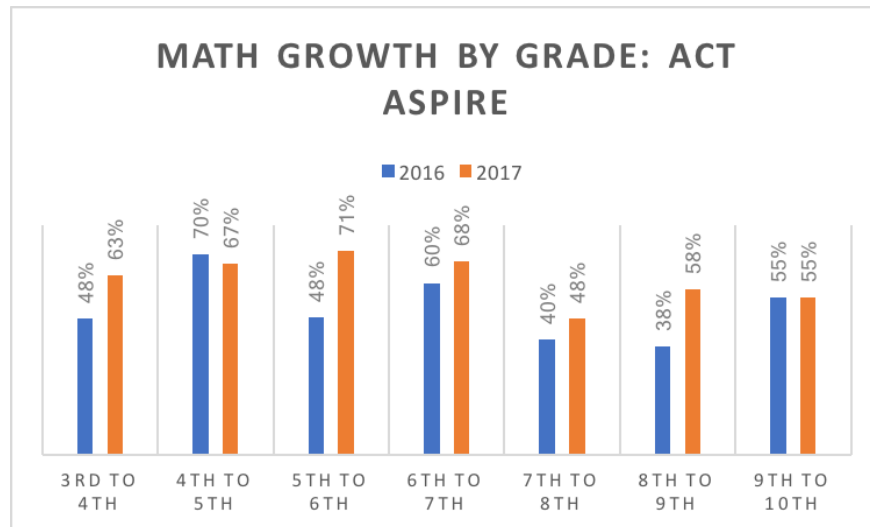
Regional performance data is only available at the school level. AAA student performance met goal in all three years of charter period versus NW Arkansas regional performance (see chart below).



**2. Arkansas Arts Academy student cadres will show progress in math over the course of the charter period as measured by the end-of-year state required testing. Cadres are defined as student groups moving up a grade each year (i.e., Grade 3-2014 becomes Grade 4-2015, etc.). AAA student performance will exceed state and regional performance.**

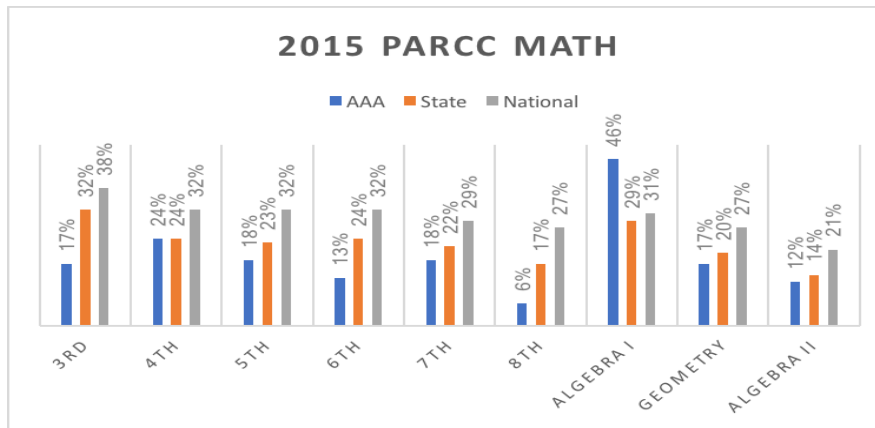
**Math Growth by Grade: 71.4% Met**

With the one-year lifespan of PARCC, it is not possible to show growth from 2014-15 to 2015-16 in a meaningful way. ACT Aspire scores from 2015-16 and 2016-17 showed growth for five of seven cadres (see chart below).



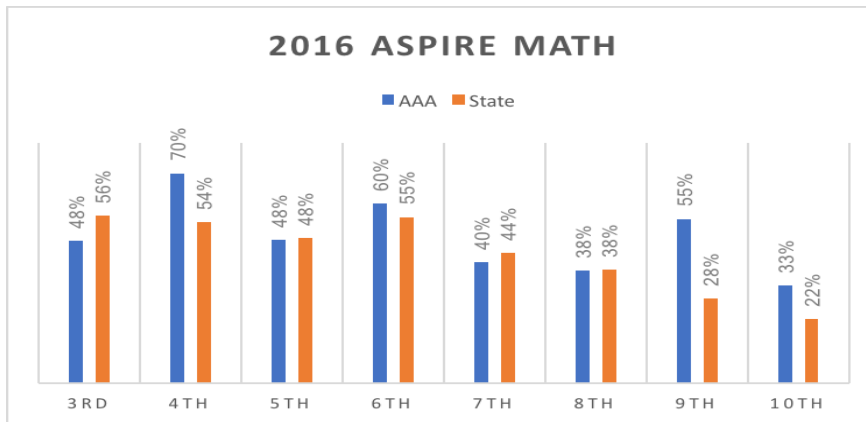
**2015 Math Performance vs State (and National): 11% Met**

In 2014-15, state and national scores exceeded AAA scores with the exception of Grade 4 (tied with state) and Algebra I (see chart below).



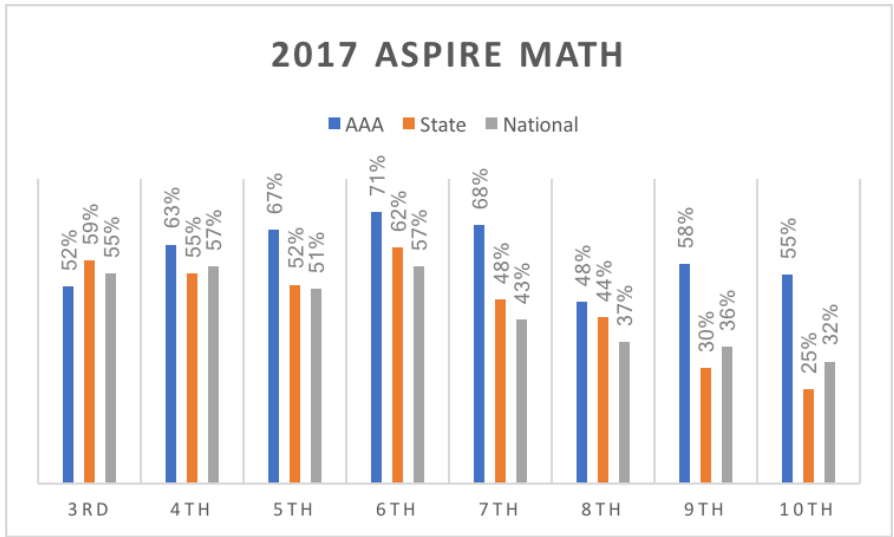
**2016 Math Performance vs State (and National): 50% Met**

In 2015-2016, AAA students exceeded state Math scores in grades 4, 6, 9 & 10. AAA students tied state achievement in grades 5 & 8. National scores were unavailable for comparison (see chart below).



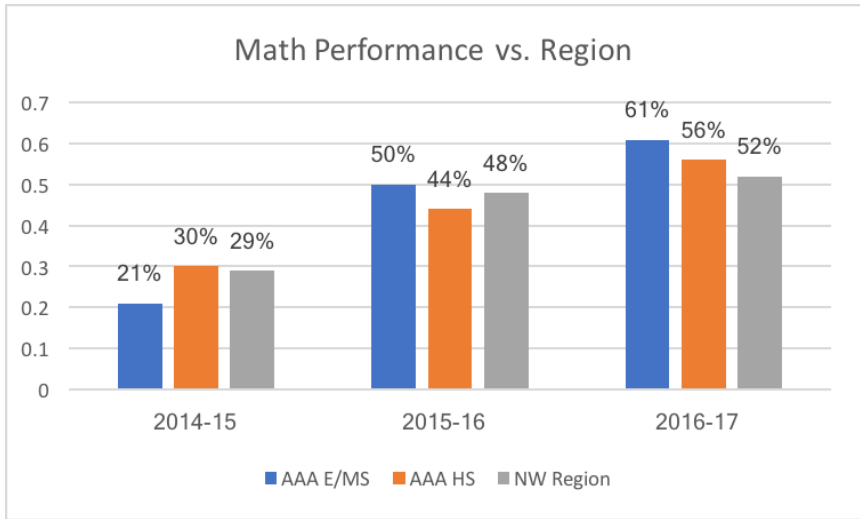
**2017 Math Performance vs State (and National): 87.5% Met**

In 2016-17, AAA students exceeded state and national math scores in all tested grades by significant margins except third grade (see chart below).



**Charter Period Math Performance vs Region: 66% Met**

Regional performance data is only available at the school level. AAA student performance had measured success against regional performance. 2016-17 was a good year (see chart below).



- 3. Arkansas Arts Academy will demonstrate proof of progress for Economically Disadvantaged students who score below the state mean scale score beginning in the second year of PARCC testing (or state mandated assessment) on the end of year exam. Success will be demonstrated when a student's achievement 1) meets a concurrent year state mean scale score, and 2) sustains achievement at Proficient or Advanced for two successive years.**

**Economically Disadvantaged: Indeterminate but positive**

In the following, "passing" is defined per the State cut scores for ELA (combined English, Reading & Writing) and Math on the ACT Aspire End-of-Year test. A "Ready" rating in either means the student attained either a "Ready" or "Exceeding" result on the test(s).

In 2015-16, AAA tested 168 economically disadvantaged student using ACT Aspire in grades 3 through 10. The percentage of those who did not pass ELA or Math two years in a row varies due to transfers, third grade entrants to metric in 2016-17 and those who aged out.

Sixty percent passed ELA (102 of 169) in 2015-16. Of those who did not pass in 2015-16, 35% passed in 2016-17, 45% did not pass, and 20% transferred to another school

Forty-four percent passed Math (74 of 169) in 2015-16. Of those who did not pass in 2015-16, 24% passed in 2016-17, 45% did not pass, 30% transferred to another school, and the remainder aged out.

- 4. Arkansas Arts Academy will demonstrate proof of progress for Limited English Proficiency students who score below the state mean scale score beginning in the second year of PARCC testing (or state mandated assessment) on the end of year exam. Success will be demonstrated when a student's achievement 1) meets a concurrent year state mean scale score, and 2) sustains achievement at Proficient or Advanced for two successive years.**

**LEP: Indeterminate but Promising**

In 2015-2016, AAA was home to 22 LEP students. Thirty percent (7 students) passed the ACT Aspire ELA benchmark in that year. In 2016-2017, the number of LEP students grew to 25. Forty-eight percent (12 students) passed in 2017. Four of the seven who passed in 2016 also passed in 2017 (probably all of these students will test out of the program this year). Four who did not pass in 2016, moved to the passing column in 2017. Six of those who did not pass also receive modifications per their IEP plans.

Seven LEP students passed Math two years in a row on the ACT Aspire test. Four more students achieved Ready status in 2016-17.

- 5. Arkansas Arts Academy will demonstrate proof of progress for Students with Disabilities who score Below Basic on the end-of-year alternative exam. Success will be demonstrated when a student's achievement meets the Basic criteria or above for two concurrent years. For Students with**

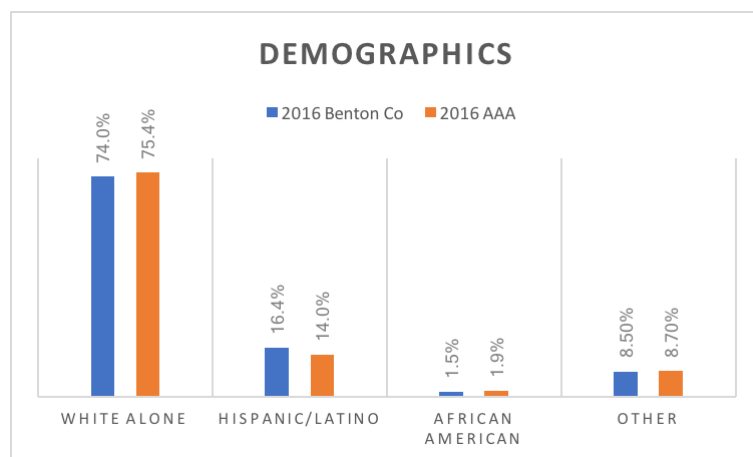


**Disabilities who score Basic, success will be determined when the student meets the Proficient status for two concurrent years. Success may be measured by successful transition from the alternate assessment to the PARCC assessment (or state mandated assessment) with a score near or above Proficient minimum.**

None of our students with disabilities qualified for alternative testing under the new rules during the charter contract period.

- Arkansas Arts Academy will be able to demonstrate proof of racial/ethnic access to the school as measured by parity within +/- 2% of Benton County demographics (US Census Bureau data) for all racial/ethnic categories required by the state for each year.

**Demographics: 100% Met**



**2016 Parent Survey**

In May of 2016, Arkansas Arts Academy distributed a survey to parents of students at both the EMS and the high school. The survey and an informational letter describing the survey were sent home with every student in the district. In the survey, parents were asked to report their attitudes in response to statements by selecting among categories on a four-point scale, similar to that of a Likert scale. Parent responses to the rating options, “Strongly Agree,” “Agree,” “Disagree,” and “Strongly Disagree,” were used to measure Arkansas Arts Academy’s performance in two constructs: School Environment and Arts Integration Curriculum. The survey had two main categories (one for each construct), and each section consisted of 10 positive statements that

attempted to capture the nature of the two aforementioned constructs. In each section, parents were asked to use the four-point scale to self-report the extent they agree with the following statements. Below are some sample statements from both categories of the survey:

Statements on School Environment:

1. My child’s teachers show an interest in student learning.
2. In my child’s school, teachers treat students fairly.
3. My child’s school encourages parental involvement.
4. Teachers in my child’s school express enthusiasm in teaching and take pride in the school.

Statements on Arts Integration Curriculum:

1. In my child’s school, students are exposed to various mediums of art, drama, and music.
2. My child’s teachers assign projects and assignments that promote an arts-enhanced curriculum.
3. The teachers in my child’s school present efforts to effectively integrate arts into their classrooms.
4. In my child’s school, the use of an arts integrated curriculum enhances learning and engages students.

Once we reached our deadline for parents to turn-in their surveys (May 13<sup>th</sup>, 2016), we coded their responses to each statement using the numerical values 1-4, with 1 corresponding with “Strongly Disagree,” and 4 corresponding with “Strongly Agree.” These values were averaged across every statement for each respondent within each category. For example, consider the coded responses given by Parent A in the table below.

*Example Survey Responses: Parent A’s Rating for Each Construct*

Question	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
<b>Construct</b>										
School Environment	4	4	3	3	3	3	2	4	4	4
Arts Integration Curriculum	2	2	2	1	1	1	3	2	4	1

As you can see by the ratings, in this example, Parent A gave higher ratings to the positive statements on school environment, but they gave lower ratings to the positive statements on arts integration curriculum. In this sense, Parent A tended to agree with the positive statements measuring the school environment, but they tended to disagree with the positive statements measuring the arts integration curriculum. Parent A’s average rating for the school environment construct is 3.4 (which is rounded down to 3), while their average rating for the arts integration curriculum construct is 1.9 (which is rounded up to 2). Overall, Parent A would fall in the “Agree” category for the school environment construct, and they would fall in the “Disagree” category for the arts integration construct. This method of taking the average rating of each respondent in each construct was done for all parents who turned in the survey. Below you can see our overall results.

*Survey Responses: Average Rating by Category*

	Strongly Agree	Agree	Disagree	Strongly Disagree
<b>Positive Statements on School Environment</b>				
<b>N Respondents (422 total)</b>	211	195	14	2

<b>% Respondents</b>	50%	46%	3%	<1%
<b>Positive Statements on Arts Integration Curriculum</b>				
<b>N Respondents (419 total)*</b>	176	225	15	3
<b>% Respondents</b>	42%	54%	4%	<1%

*\*Note: This number is smaller than the N for the school environment construct, as some parents did not turn the survey over to complete the next page, which included the arts integration curriculum construct.*

Our overall respondent rate surpassed our target of 50%, with approximately 55% of Arkansas Arts Academy parents completing the survey. Approximately 20% of the respondents were parents of students at the high school, and 80% of the respondents were parents of students at the EMS. Overall, 96% of parents responded to positive statements on school environment with the average ratings of “Strongly Agree” or “Agree.” As for parents’ responses to positive statements on arts integration curriculum, 96% selected the average ratings of “Strongly Agree” or “Agree.”

List performance goals for the period of time requested for renewal. Be sure to include, at a minimum, goals for literacy, mathematics, and science, as appropriate for the grade levels served at the charter. For each goal, include the following:

- The tool to be used to measure academic performance;
- The level of performance that will demonstrate success; and
- The timeframe for the achievement of the goal.

Respond below in 11 point Times New Roman font. This response can be no longer than 2 pages.

### Retained Performance Goals

1. Arkansas Arts Academy student cadres will show progress in literacy over the charter contract period as measured by the end –of-year state required testing. Cadres are defined as student groups moving up a grade each year. AAA student performance will exceed state and regional performance.
2. Arkansas Arts Academy student cadres will show progress in math over the charter contract period as measured by the end-of-year state required testing. AAA student performance will exceed state and regional performance.
3. Arkansas Arts Academy student cadres will show progress in science over the charter contract period as measured by the end-of-year state required testing. AAA student performance will exceed state and regional performance.

### New Goals

Goal	Assessment Instrument For Measuring Performance	Performance Level that Demonstrates Achievement	When Attainment of Goal will be Assessed	Year 1 Following Renewal	Year 2 Following Renewal	Year 3 Following Renewal	Year 1 Following Renewal	Year 5 Following Renewal
<b><u>1.Academic Excellence</u></b> AAA will provide an academically rigorous innovative curriculum with personalized student learning environments that	Aggregate academic performance will be measured annually by state mandated summative assessments (ACT Aspire). In addition to this performance data, we will	Exceeding state and national averages	Yearly	<b><u>Milestone:</u></b> All math from grades k-12 are vertically aligned. All math teachers have gone through AIMS Training.	<b><u>Milestone:</u></b> Increased Critical Thinking processes instilled in science through the influence of	<b><u>Milestone</u></b> Writing scores are improved through constant journaling that leads to	<b><u>Milestone</u></b> Student use of technology integrated in all leaning	<b><u>Milestone</u></b> All qualifying teachers have received Pre AP and AP training in Literacy.

<p>result in college and career ready students.</p>	<p>include our high school graduation rate as a measure of academic excellence. While graduation rates and performance on standardized tests serve as measure of student growth over time. We track student growth throughout the year using MAP assessments. Using MAP assessment data along with graduation rates and end-of year assessment data will provide us with the ability to more reliably gauge the level of academic excellence occurring within our school.</p>				<p>engineering concepts and physics assignments through arts integration at Crystal Bridges Museum of American Art.</p>	<p>senior project.</p>		<p>Math, and Science</p>
<p><b><u>2. Mastering an Art Form</u></b> –AAA provides rigorous art focused programming where students master the creating and performing of the arts. Students upon</p>	<p>In the next three years, we plan to adjust the scope, sequence, and content of our curriculum to better prepare students for arts and academic secondary education</p>	<p>College entries to top arts colleges and panel evaluation of the project itself.</p>	<p>Senior year students</p>	<p><b><u>Milestone:</u></b> All students will have learned to play the piano through our new piano labs on both campuses.</p>	<p><b><u>Milestone:</u></b> All students will have performed or displayed their art at the minimum of</p>	<p><b><u>Milestone:</u></b> At least 20% of our graduates attend high ranking arts universities.</p>	<p><b><u>Milestone:</u></b> All students have a portfolio to show proof of integrated principles, techniques</p>	<p><b><u>Milestone</u></b> All high school students have created a future career plan at the end</p>

<p>graduation will either transition to post-secondary opportunities in arts, art careers or pursue non-art pathways while remaining lifelong advocates for the arts.</p>	<p>programs through project-based learning. Beginning in middle school, we will prepare students for a new graduation requirement, the Senior Project. A senior project may be a portfolio for an art and design student, a solo performance for a dance student, a collection of written works or research paper for the English student, or a historical play or video for a history student. This Senior Project will be a year-long process, beginning during the junior year of high school, when students will be expected to develop proposals and received approval for their projects. Students will be encouraged to link their project to the community. This</p>				<p>two times per year.</p>		<p>and skills acquired in their coursework.</p>	<p>of their sophomore year.</p>
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	project will serve as a culmination of the arts education that students have been exposed to during their time at AAA. Which makes student performance on this project an ideal candidate as a means to measure mastering of the arts.							
<p><b><u>Arts Integration</u></b>  3. Arts integration is an approach to teaching in which students construct and demonstrate understanding through an art form. Students engage in a creative process which connects an art form and another subject area and meets evolving objectives.  (Kennedy Center</p>	<p>In order to measure the academic and non-cognitive impact of our arts integration initiative, we will develop a student survey and a teacher survey. These surveys will be used in congruence with formal and informal principal classroom evaluations to account for the frequency in which arts integration lessons occur in the</p>		Yearly	<p><b><u>Milestone</u></b>  The theater program strengthened K-5 literacy by integrating arts strategies to improve reading comprehension and narrative writing. K-2 will strengthen their storytelling abilities, including retelling the beginning, middle, and end of a story using fluency and</p>	<p><b><u>Milestone</u></b>  Yearly, every students attend Crystal Bridges at least once during class time and four family evenings where students become the curators and explain the art to their families and how it ties within one of their cores course</p>	<p><b><u>Milestone</u></b>  Each year high school produces a student salon based on one common theme. During one evening parents and community members can witness a play, music written and produced by students, visual art focused on the theme, and expressive</p>	<p><b><u>Milestone</u></b>  Science students will have applied their knowledge of basic chemistry to complete chemical reactions that produced paint pigments and then combined their paint pigments with a traditional media that</p>	<p><b><u>Milestone</u></b>  In civics class students will have written about their identity as an American Citizen and Expressed their summary by the creation of an original work of art that used the media of collage.</p>



definition of arts integration)	classroom. Additionally, these evaluation tools will be used to gain a better understanding of the impact that the arts integration program has on student attitudes, understanding of classroom material and the curriculum, as well as the impact that arts integration has on the staff (i.e. Does it result in increased levels of collaboration among staff members? Is the staff moral increased through the incorporation of new ideas and art-based topics in the classroom?)			expression. Grades 3-5, will continue with their understanding of the narrative story line including the problem, climax, and solution in at story.		dances, all voicing the same theme.	let them create colored paint which they used to create an original piece of art.	
<b>4. Museum Initiative:</b> Through two years'	Our museum initiative helps to connect our staff		Yearly	<u>Milestone</u> Students have learned about	<u>Milestone</u> Students have	<u>Milestone</u> Students participated	<u>Milestone</u> Students learned	<u>Milestone</u> Students studied

<p>experience with the Crystal Bridges Museum of American Art partnership, we recognized the opportunity to explore further potential with other museums to increase cross-discipline integration. Northwest Arkansas is rich in heritage with supporting learning centers and museums. Using Crystal Bridges as our flagship partner and extended classroom, we are establishing connections to the diverse resources and experiences offered by collections housed in local historical, natural, and science museums or sites.</p>	<p>and students with various community-based artists, art institutions, and other non-school learning groups. Since this initiative extends across the boundaries of our schools, we plan to include staff, parents, as well as community members affiliated with our partnerships in measuring its outcome. We will develop a survey targeted to each of these groups in order to measure the extent that our initiative has reached relevant community members as well as gauge the impact that our museum initiative has had on the community</p>			<p>economics, agriculture, world history, technology, and design marketing at the Walmart Museum.</p>	<p>learned botany, biology, Arkansas History at the Compton Gardens and Peel Mansion.</p>	<p>in curating and exhibition, digital design, interpretation research, student exhibition, and student performance at the Rogers Historical Museum where students learned about the history of their local heritage.</p>	<p>about Arkansas History, Military History, Civics, Science, and technology through the partnership with the Pea Ridge National Military Park.</p>	<p>dance, art, design, music and then created their own arts form from their experiences at the Museum of Native American History.</p>
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<p>Building student awareness of the variety of museum and not-for-profit careers is an integral part of this initiative.</p>	<p>and our school. We will provide an electronic portfolio that will be a systematically collected body of work that will demonstrate growth and learning. The activities will reflect a sample of objectives within and across a content standard. The portfolio will relate to a given unit of arts integration. The portfolio will address specific learning outcomes.</p>							
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## Section 3 – Waivers

Review the following list of statutes and rules that have been waived for the charter school:

### ARKANSAS ARTS ACADEMY APPROVED WAIVERS

<b>District LEA:</b>	04-40-700	<b>Elementary School LEA:</b>	04-40-701
<b>City:</b>	Rogers	<b>Middle School LEA:</b>	04-40-702
<b>Opening Date:</b>	Fall 2001	<b>High School LEA:</b>	04-40-703
<b>Grades Approved:</b>	K-12	<b>Expiration Date:</b>	6/30/2018
<b>CAP:</b>	825	<b>Grades Served 2017-2018:</b>	K-12

6-10-106(a)	School year dates
6-15-902(a)	Grading scale—Exemptions—Special education (in grades 3-8, the uniform grading scale is waived only as to non-core courses)
6-15-1004	Qualified teachers in every public school classroom
6-15-1005(b)(5)	Pertaining to alternative learning environments
6-17-111	Duty free lunch for teachers
6-17-201 et seq.	Requirements—Written personnel policies—Teacher salary schedule
6-17-203	Committees on personnel policies—Members
6-17-208	Written grievance procedure
6-17-302	Principals—Responsibilities
6-17-309	Certification to teach grade or subject matter—Exceptions—Waivers
6-17-401	Teacher licensure requirement
6-17-418	Teacher licensure—Arkansas history requirement
6-17-902	Definition (definition of a teacher as licensed)
6-17-908	Teachers' salary fund—Authorized disbursements
6-17-919	Warrants void without valid certification and contract
6-17-1501 et seq.	Teacher Fair Dismissal Act
6-17-1701 et seq.	Public School Employee Fair Hearing Act
6-17-2301 et seq.	Classified School Employee Personnel Policy Law
6-17-2407	Reduction in force procedure—Written policy required
6-18-503	Written student discipline policies required
6-18-503(a)(1)(C)(i)	Pertaining to alternative learning environments
6-18-505	School discipline act (corporal punishment)
6-20-2208(c)(6)	Monitoring of expenditures (gifted and talented)
6-42-101 et seq.	General Provisions (gifted and talented)
6-48-101 et seq.	Alternative Learning Environments

### Waivers from Arkansas Department of Education Rules Governing Standards for Accreditation of Arkansas Public Schools and Districts

14.03	Clock Hours for Unit of Credit
15	Personnel
15.01	School District Superintendent
15.02	Principals

15.03	Licensure and Renewal
16	Support Services
18	Gifted and Talented Education
19	Supplementary Educational Opportunities
19.03	Pertaining to alternative learning environments

### **Part A: New Waiver Requests**

Complete the waiver request form to include each additional law and rule from Title VI of Arkansas Code Annotated, State Board of Education Rules and Regulations, including the Standards for Accreditation that the charter would like the authorizer to waive. A rationale is required for each new waiver request.

6-16-105 United States Flag - We are under construction and until it is complete there is “no” place to put a pole.

6-16-106 Arkansas State Flag – Same as above

6-17-114 Daily planning period – Does not work with block schedule

6-17-117 Non Instructional Duties – While construction is going on, teacher want to volunteer with before and after school duties to assist with safety

### **Part B: Waivers to Be Rescinded**

List each waiver granted by the authorizer that the charter would like to have rescinded. If no waivers are listed, the charter may be required to adhere to all waivers listed on both the original and renewal charter documentation.

**If the charter wishes to maintain all currently approved waivers, state this.**

**We wish to maintain all currently approved waivers.**

## **Section 4 – Requested Amendments**

List any amendment requests and provide a rationale for each (i.e., changes to grade levels, enrollment cap, location, educational plan).

**A budget to show that the charter will be financially viable must accompany any amendment request to change grade levels, the enrollment cap, relocate, and/or add a campus. The budget must document expected revenue to be generated and/or expenses to be incurred if the amendment request is approved.**

**A request to add or change a location must be accompanied by a Facilities Utilization Agreement.**

**We applied for an amendment to relocate the 7<sup>th</sup> and 8<sup>th</sup> grade to the newly remodeled high school in the Fall of 2018.**

When the two different arts charter schools merged several years ago to create the Arkansas Arts Academy District, the administration and the board didn’t take into consideration the configuration of students per class level and how the K-8 transitioned to the high school. The high school has always been configured to have larger student counts per grade and the K-8 smaller totals for each grade. It is difficult to grow in numbers and thus makes more sense to start Kindergarten at the same number of students per class needed for the high school. The K-8 campus has more than 400 students on the waiting list and people calling everyday with an interest in the school. Currently we have 60 – 65 students per grade level at the K-8. There are three core classes in grades K-3. Grade 4 – 8 are departmentalized.

The new high school facility is under construction and will be ready for 600 students (instead of 250) when school opens the fall of 2018. Ideally, it would be great to have 100 students per class. Currently we have 49 – 70 per grade at the high school. In order for the high school to have more students we should increase the students at the elementary and have 5 teachers per grade with 20 students, or 4 with 25 students for the older grades. It is difficult to grow 100 students per grade at the high school if we start out with just 60. We wouldn’t increase class sizes; we would increase teachers.

We also want to have 7<sup>th</sup> and 8<sup>th</sup> grade attend the high school campus instead of the K-8 campus. The benefits are:

- If there is a transition into a new school for high school instruction, 7<sup>th</sup> grade appears to be the ideal time as it shows the lowest dropout rate; the higher the grade at the time for transition, the higher the dropout rate, most significantly for boys.
- Evidence indicates that a K-6 school can benefit from an improved tone, where grade 6 students take on more of a leadership role, and are not intimidated by the blossoming adolescents in grades 7-8.
- In schools with the 7-12 model, in general, secondary students, rather than bullying younger students, have benefited from taking on mentorship roles, and increased opportunities to serve as tutors, coaches, etc.
- Longer grade spans allow for more collaboration among teachers across grade levels and better alignment of curriculum across grades.

#### **Successful Schools that use this Model**

- Denver School of the Arts 6-12
- School of Creative and Performing Arts – San Diego 6-12
- Stivers School of the Arts – Dayton 7-12
- Windward Arts in Los Angeles 7-12
- Arts Academy of Cincinnati 7-12

**Concept shared with all Staff – August 10<sup>th</sup>**

**Concept shared with Parents and Community Members – August 17**

### **Section 5 –Desegregation Analysis**

Describe the impact, both current and potential, of the public charter school on the efforts of affected public school district(s) to comply with court orders and statutory obligations to create and maintain a unitary system of desegregated public schools.

#### **Desegregation Analysis**

Arkansas Arts Academy is requesting a ten (10) year renewal of its current charter from the state’s charter authorizer. Arkansas Arts Academy is located within the boundaries of the Rogers School District (RSD) in Benton County and as an open-enrollment public charter school that is not restricted in its student enrollment by district boundaries, expects to continue to obtain most of its students from within the boundaries of the RSD and the Bentonville School District (BSD).

Arkansas Arts Academy offers this Desegregation Analysis in accordance with the requirements of Ark. Code Ann. §6-23-106 to carefully review the potential impact that the granting of its amendment request would have upon the RSD, BSD and any other school district’s ability to comply with court orders and statutory obligations to create and maintain a unitary system of desegregated public schools. The current enrollment of Arkansas Arts Academy is 802 students, which includes 2% Asian, 1.1% African-American, 13.1 Hispanic, 6.7% Two or More Race, 1.4% Native American / Pacific Islander, and 75.6% Caucasian students, and would have no material impact on the racial composition of the public school districts in Benton County. There are 16,611 students enrolled in the Bentonville School District; its student population is approximately 74% Caucasian and approximately 11% Hispanic according to the latest figures maintained by the school district. There are 15,077 students enrolled in the Rogers School District. The Rogers School District student population is approximately 48% Caucasian and 45% Hispanic. The total enrollment of Arkansas Arts Academy is a little less than 5% of the total enrollment of the Bentonville School District and is approximately 5% of the total enrollment of the Rogers School District. At a maximum student population of 1,225 students, Arkansas Arts Academy’s enrollment would be approximately 7.6% of the total enrollment of the Bentonville School District and approximately 8.1% of the total enrollment of the Rogers School District.

As no school districts from which Arkansas Arts Academy draws students are under a Federal desegregation court order, the granting of our charter renewal request should have no adverse effects on any school district to create or maintain a unitary system of desegregated public schools.

Group	Arkansas Arts Academy	Bentonville Public Schools	Rogers Public Schools
<b>2017-2018 Enrollment</b>	<b>802</b>	<b>16,611</b>	<b>15,077</b>
White/Caucasian	75.6%	74.0%	48%
Hispanic	14%	11%	45%
Asian	2%	7%	1.9%
Native American/Pacific Islander	1.4%	1%	1.8%
Two or More Races	6.7%	4%	1.6%
African American	1.1%	3%	1.7%



### Charter Amendment Request Form

**Charter Name:** Arkansas Arts Academy

**LEA Number:** 0440700      **Phone Number:** 479-877-1795      **Submission Date:** 9/28/2017

**Charter Leader:** Mary Ley

**Email Address:** mley@artsk12.org

**Type of Amendment Requested:**

**Waiver**

**Waiver Topic:** Flag Display

**Statute/Standard/Rule to be Waived**

Arkansas Code Annotated

- | Code Number | Code Title          |
|-------------|---------------------|
| ● 6-16-105  | United States Flag  |
| ● 6-16-106  | Arkansas State Flag |

**Rationale for Waiver**

We are under construction and until it is complete there is "no" place to put a pole.

**Waiver Topic:** Daily planning period

**Statute/Standard/Rule to be Waived**

Arkansas Code Annotated

- | Code Number | Code Title            |
|-------------|-----------------------|
| ● 6-17-114  | Daily planning period |

**Rationale for Waiver**

Does not work with block schedule

**Waiver Topic:** Non-Instructional Duties

**Statute/Standard/Rule to be Waived**



**Arkansas Code Annotated**

Code Number	Code Title
● 6-17-117	Non-Instructional Duties

**Rationale for Waiver**

While construction is going on, teacher want to volunteer with before and after school duties to assist with safety

Grade	School Name	District Name	Math: Percent Met Readiness Benchmark	English: Percent Met Readiness Benchmark	Reading: Percent Met Readiness Benchmark	Writing: Percent Met Readiness Benchmark	Science: Percent Met Readiness Benchmark	Overall District GPA	Region	Number of Prof
-	<b>Arkansas Overall</b>	-	<b>47%</b>	<b>70%</b>	<b>41%</b>	<b>42%</b>	<b>40%</b>	<b>2.54</b>	-	<b>288,001</b>
6	<b>Arkansas</b>	-	<b>62%</b>	<b>74%</b>	<b>47%</b>	<b>59%</b>	<b>49%</b>	<b>2.80</b>	-	<b>35,156</b>
Grade	School Name	District Name	Math: Perc	English: P	Reading: F	Writing: P	Science: F	Overall D	Region	Number of
6	ARDIS ANN MIDDLE	BENTONVILLE SC	69%	82%	59%	67%	67%	2.93	1	330
6	ARKANSAS ARTS A	ARKANSAS ARTS	71%	77%	64%	74%	62%	2.94	1	66
6	BRIGHT FIELD MID	BENTONVILLE SC	82%	90%	77%	77%	80%	3.22	1	348
6	ELMWOOD MIDDLE	ROGERS SCHOOL	70%	81%	57%	82%	62%	2.93	1	245
6	HELEN TYSON MID	SPRINGDALE SCH	61%	72%	39%	74%	45%	2.63	1	375
6	HELLSTERN MIDDLE	SPRINGDALE SCH	74%	80%	62%	83%	62%	3.01	1	476
6	J. O. KELLY MIDDLE	SPRINGDALE SCH	63%	66%	44%	68%	42%	2.61	1	342
6	KIRKSEY MIDDLE S	ROGERS SCHOOL	76%	82%	65%	84%	65%	3.04	1	288
6	LINGLE MIDDLE SC	ROGERS SCHOOL	60%	77%	48%	74%	52%	2.75	1	316
6	OAKDALE MIDDLE	ROGERS SCHOOL	57%	74%	41%	67%	44%	2.61	1	258
6	OLD HIGH MIDDLE	BENTONVILLE SC	73%	87%	68%	76%	70%	3.03	1	304
6	RUTH BARKER MID	BENTONVILLE SC	75%	85%	66%	75%	72%	3.04	1	318
6	SONORA MIDDLE S	SPRINGDALE SCH	61%	63%	40%	65%	36%	2.54	1	416



Number of Math Students Processed	% In Need of Support - Math	% Close to Meeting Expectations - Math	% Ready - Math	% Exceeding - Math	Math GPA	Number of English Students Processed	% In Need of Support - English	% Close to Meeting Expectations - English	% Ready - English	% Exceeding - English	English GPA	Number of Reading Students Processed	% In Need
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23%	30%	29%	18%	3.00	287,245	10%	20%	29%	41%	3.01	287,228	35%
8%	30%	35%	27%	3.51	35,089	6%	20%	28%	46%	3.14	35,081	34%

% In Need	% Close to	% Ready -	% Exceedi	Math GPA	Number of	% In Need	% Close to	% Ready -	% Exceedi	English G	Number of	% In Need
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5%	27%	33%	36%	3.00	330	4%	14%	23%	59%	3.36	330	22%
6%	23%	32%	39%	3.05	66	3%	20%	20%	58%	3.32	66	26%
2%	16%	32%	49%	3.29	348	3%	8%	20%	70%	3.57	348	13%
7%	22%	34%	37%	2.99	237	3%	17%	30%	50%	3.28	237	25%
8%	30%	35%	26%	2.79	361	6%	22%	30%	42%	3.08	361	41%
3%	23%	31%	43%	3.13	476	4%	16%	24%	56%	3.32	476	21%
7%	30%	34%	29%	2.85	342	8%	26%	31%	35%	2.92	342	36%
2%	22%	36%	40%	3.15	288	4%	14%	22%	61%	3.39	288	18%
8%	31%	33%	27%	2.79	316	4%	20%	31%	46%	3.18	316	31%
9%	34%	33%	24%	2.71	258	5%	21%	34%	40%	3.09	257	36%
3%	24%	40%	33%	3.03	304	2%	11%	26%	60%	3.44	304	16%
5%	20%	39%	36%	3.06	317	4%	11%	21%	64%	3.45	318	15%
6%	33%	34%	27%	2.82	416	8%	28%	25%	38%	2.93	416	38%



Reading				Writing						Science		
% Close to Meeting Expectations - Reading	% Ready - Reading	% Exceeding - Reading	Reading GPA	Number of Writing Students Processed	% In Need of Support - Writing	% Close to Meeting Expectations - Writing	% Ready - Writing	% Exceeding - Writing	Writing GPA	Number of Science Students Processed	% In Need of Support - Science	% Close to Meeting Expectations - Science
25%	25%	16%	2.22	287,200	21%	38%	36%	6%	2.27	287,978	38%	22%
20%	23%	24%	2.37	35,083	12%	28%	51%	9%	2.55	35,163	29%	22%
% Close to Meeting Expectations - Reading				% In Need of Support - Writing						% In Need of Support - Science		
% Close to Meeting Expectations - Reading	% Ready - Reading	% Exceeding - Reading	Reading GPA	Number of Writing Students Processed	% In Need of Support - Writing	% Close to Meeting Expectations - Writing	% Ready - Writing	% Exceeding - Writing	Writing GPA	Number of Science Students Processed	% In Need of Support - Science	% Close to Meeting Expectations - Science
19%	24%	36%	2.73	330	12%	22%	51%	16%	2.71	330	15%	19%
11%	20%	44%	2.82	66	8%	18%	73%	2%	2.68	66	21%	17%
10%	30%	47%	3.12	348	5%	18%	58%	20%	2.92	348	9%	11%
18%	23%	34%	2.66	237	6%	12%	58%	24%	3.00	245	18%	20%
21%	19%	20%	2.17	361	10%	16%	58%	16%	2.80	376	32%	23%
18%	23%	39%	2.80	476	5%	13%	57%	26%	3.04	476	19%	19%
21%	25%	18%	2.26	341	9%	23%	49%	19%	2.77	342	31%	27%
17%	27%	38%	2.85	288	3%	13%	66%	18%	3.00	288	15%	20%
20%	21%	27%	2.44	316	8%	18%	58%	16%	2.81	316	23%	26%
23%	21%	20%	2.25	257	13%	21%	51%	16%	2.70	257	32%	24%
16%	29%	40%	2.92	304	7%	18%	61%	15%	2.84	304	12%	18%
18%	28%	38%	2.89	318	4%	21%	59%	15%	2.86	317	11%	17%
22%	23%	17%	2.19	416	10%	25%	55%	10%	2.64	416	39%	25%

Science	% Meeting Expectations - Science	% Ready - Science	% Exceeding - Science	Science GPA	Number of ELA Students	ELA: Percent Met Readiness Benchmark	Number of STEM Students	STEM: Percent Met Readiness Benchmark	School LEA	DLEA
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22%	18%	2.20	286,949	53%	287,851	42%	-	-
28%	21%	2.41	35,057	62%	35,156	54%	-	-
% Ready -	% Exceedi	Science C	Number of	ELA: Perc	Number of STEM: Per	School LE	DLEA	
33%	34%	2.86	330	74%	330	67%	0401008	0401000
18%	44%	2.85	66	71%	66	71%	0440701	0440700
33%	47%	3.18	348	85%	348	81%	0401017	0401000
34%	29%	2.73	237	77%	245	67%	0405037	0405000
27%	19%	2.32	361	61%	375	52%	7207055	7207000
31%	31%	2.74	476	77%	476	67%	7207061	7207000
28%	15%	2.26	341	61%	342	52%	7207054	7207000
32%	33%	2.84	288	80%	288	69%	0405045	0405000
29%	22%	2.51	316	68%	316	53%	0405046	0405000
28%	16%	2.28	257	62%	257	49%	0405039	0405000
38%	32%	2.90	304	80%	304	71%	0401005	0401000
38%	34%	2.95	317	81%	317	72%	0401013	0401000
23%	14%	2.11	416	57%	416	48%	7207069	7207000

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY**

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Arkansas Arts Academy and Subsidiary**  
Rogers, Arkansas

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of each major governmental fund, the aggregate remaining fund information, and the fiduciary fund information of **Arkansas Arts Academy and Subsidiary** (the "School") as of and for the year ended June 30, 2016, and the related notes to the consolidated financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1. This includes determining that the regulatory basis of accounting 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School's preparation and fair presentation of the consolidated 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 School's internal control. Accordingly, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the consolidated financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School as of June 30, 2016, or its changes in fund balances for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective regulatory basis fund balances of each major governmental fund and the fiduciary fund information of the School as of June 30, 2016, and their respective regulatory basis changes in fund balances thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c) as provided by Act 2201 of 2005 as described in Note 1.

### ***Other Matters***

Our audit was conducted for the purpose of forming opinions on the regulatory basis consolidated financial statements as a whole. The Schedule of Capital Assets (Unaudited), which is the responsibility of management, is presented for purposes of additional analysis and in compliance with state statute. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2017, on our consideration of **Arkansas Arts Academy and Subsidiary's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School's internal control over financial reporting and compliance.

*Beall Barclay & Company, PLC*

**BEALL BARCLAY & COMPANY, PLC**  
Certified Public Accountants

Rogers, Arkansas  
March 2, 2017

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET – REGULATORY BASIS  
JUNE 30, 2016**

	<u>Governmental Funds</u>			
	<u>Major</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,119,348	\$ -	\$ -	\$ 48,342
Restricted cash and cash equivalents	765,858	28,506	156,283	-
Receivables	74,300	9,619	34,461	-
<b>TOTAL ASSETS</b>	<u>\$ 1,959,506</u>	<u>\$ 38,125</u>	<u>\$ 190,744</u>	<u>\$ 48,342</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
State funding payable	\$ 135,927	\$ -	\$ -	\$ -
Accounts payable	9,993	-	16,954	-
Accrued liabilities	191,781	-	-	-
Due to student groups	-	-	-	48,342
Total Liabilities	<u>337,701</u>	<u>-</u>	<u>16,954</u>	<u>48,342</u>
<b>FUND BALANCES</b>				
Restricted:				
State programs	634,701	-	-	-
Federal programs	-	38,125	-	-
Capital projects	-	-	173,790	-
Unassigned	987,104	-	-	-
Total Fund Balances	<u>1,621,805</u>	<u>38,125</u>	<u>173,790</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,959,506</u>	<u>\$ 38,125</u>	<u>\$ 190,744</u>	<u>\$ 48,342</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS – REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2016**

	<b>Governmental Funds</b>		
	<b>Major</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>REVENUES</b>			
Federal assistance	\$ -	\$ 416,987	\$ -
State assistance	5,269,364	2,148	426,216
Local donations and grants	222,074	-	-
Meal sales	-	133,568	-
Interest income	2,053	-	-
Miscellaneous	637	424	-
	<u>5,494,128</u>	<u>553,127</u>	<u>426,216</u>
<b>EXPENDITURES</b>			
Current:			
Instructional services	3,417,038	107,555	-
Instructional support services	165,480	109,398	-
General administration	403,455	-	-
School administration	193,280	-	-
Operation and maintenance	591,039	-	-
Capital outlay	10,201	-	252,426
Transportation	20,710	-	-
Food services operations	-	316,856	-
Community services operations	-	13,823	-
Debt Service			
Principal retirement of debt and capital leases	138,173	-	-
Interest and fiscal charges	412,264	-	-
	<u>5,351,640</u>	<u>547,632</u>	<u>252,426</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	142,488	5,495	173,790
<b>OTHER FINANCING SOURCES (USES)</b>			
Program funding return	(17,492)	-	-
Transfers, net	(30,284)	30,284	-
<b>NET CHANGE IN FUND BALANCES</b>	94,712	35,779	173,790
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,527,093</u>	<u>2,346</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,621,805</u>	<u>\$ 38,125</u>	<u>\$ 173,790</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS – REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2016**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Federal assistance	\$ -	\$ -	\$ -
State assistance	5,254,460	5,269,364	14,904
Local donations and grants	204,500	222,074	17,574
Meal sales	-	-	-
Interest income	-	2,053	2,053
Miscellaneous	-	637	637
	<u>5,458,960</u>	<u>5,494,128</u>	<u>35,168</u>
<b>EXPENDITURES</b>			
Current:			
Instructional services	3,419,090	3,417,038	2,052
Instructional support services	275,915	165,480	110,435
General administration	435,923	403,455	32,468
School administration	152,507	193,280	(40,773)
Operation and maintenance	585,378	591,039	(5,661)
Capital outlay	-	10,201	(10,201)
Transportation	23,250	20,710	2,540
Food services operations	-	-	-
Community services operations	-	-	-
Debt Service			
Principal retirement of debt and capital leases	130,000	138,173	(8,173)
Interest and fiscal charges	420,701	412,264	8,437
	<u>5,442,764</u>	<u>5,351,640</u>	<u>91,124</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	16,196	142,488	126,292
<b>OTHER FINANCING SOURCES (USES)</b>			
Program funding return	-	(17,492)	(17,492)
Transfers, net	-	(30,284)	(30,284)
<b>NET CHANGE IN FUND BALANCES</b>	16,196	94,712	78,516
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,527,093</u>	<u>1,527,093</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,543,289</u>	<u>\$ 1,621,805</u>	<u>\$ 78,516</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

**Special Revenue Fund**

<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 412,024	\$ 416,987	\$ 4,963
-	2,148	2,148
-	-	-
140,000	133,568	(6,432)
-	-	-
-	424	424
<u>552,024</u>	<u>553,127</u>	<u>1,103</u>
116,289	107,555	8,734
140,655	109,398	31,257
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
345,000	316,856	28,144
15,000	13,823	1,177
-	-	-
-	-	-
<u>616,944</u>	<u>547,632</u>	<u>69,312</u>
(64,920)	5,495	70,415
-	-	-
-	30,284	30,284
<u>(64,920)</u>	<u>35,779</u>	<u>100,699</u>
2,346	2,346	-
<u>\$ (62,574)</u>	<u>\$ 38,125</u>	<u>\$ 100,699</u>

**See Independent Auditors' Report and Notes to Consolidated Financial Statements.**

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

***Reporting Entity***

Arkansas Arts Academy (formerly Benton County Charter School Organization, Inc.) is a nonprofit organization which was granted a charter by the Arkansas State Board of Education to operate the Arkansas Arts Academy (formerly Benton County Charter School of the Arts) located in Rogers, Arkansas. The school's charter was renewed effective June 30, 2015 for a three-year term and is scheduled for renewal June 30, 2018. The school provides kindergarten through 12<sup>th</sup> grade academic programs with integration of the arts. Subsequent to year, the school's request for an increase in their maximum enrollment from 400 students to 1,225 students was approved by the Arkansas State Board of Education. This change becomes effective for the school year beginning July 2017.

BCCSO, LLC (subsidiary) was formed May 28, 2010 for the purpose of holding real estate and the related debt. Arkansas Arts Academy is the sole member of BCCSO, LLC.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Arkansas Arts Academy and its wholly owned subsidiary, BCCSO, LLC, collectively referred to as "the School". All significant inter-organizational accounts and transactions have been eliminated.

***Measurement Focus and Basis of Accounting***

The consolidated financial statements are prepared in accordance with the regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). The basis of accounting is prescribed by the Arkansas Code Ann. §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 supplementary schedule of capital assets, including land, buildings, and equipment. The further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide 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 consolidated 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 capital leases are reported as other financing sources.

***Description of Fund***

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

*General Fund* – The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes.

Other governmental funds consist of the following:

*Capital Projects Funds* - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

*Fiduciary Funds* – The Fiduciary Funds type is used to report balances held by the School on behalf of various student clubs, groups and organizations. These resources are held by the School acting as a custodial agent for others.



**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

***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 in the required supplementary information. 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 School maintains a threshold level of \$1,000 for capitalizing equipment.

Capital assets are depreciated using the straight-line method over their estimated useful lives, which range from three to forty years. No salvage value is taken into consideration for depreciation purposes.

***Fund Balance Classifications***

Under GASB 54, fund balance is reported under the following five classifications:

*Non-spendable Fund Balance* – Includes amounts that are not in a spendable form or are required to be maintained intact. The School does not have any non-spendable fund balance at June 30, 2016.

*Restricted Fund Balance* - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The fund balance that is restricted for state programs and federal programs reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The fund balance that is restricted for capital projects reflects amounts that are restricted for construction or other capital outlay projects. The fund balance that is restricted for other purposes includes donated funds in which the funds have been restricted by the donor for specific uses.

*Committed Fund Balance* – Includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority (the Board of Directors) and does not lapse at year end. The School does not have any committed fund balance as of June 30, 2016.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

***Fund Balance Classifications (continued)***

*Assigned Fund Balance* – Includes amounts intended for a specific purpose by the Board of Directors or by a School official that has been delegated authority to assign amounts. The School does not have any assigned fund balances as of June 30, 2016.

*Unassigned Fund Balance* – Includes any remaining fund balance that has not been reported in any other classification. 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 purpose of fund balance classifications, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

***Budget and budgetary accounting***

The School is required by state law to prepare an annual budget. The annual budget is required to be approved by the School's Board of Directors and submitted to the Arkansas Department of Education (ADE) no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The School's budget is prepared utilizing the same basis of accounting described in Note 1.

***Income Taxes and Uncertain Tax Positions***

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute. Consequently, no provision for income taxes is reflected in the accompanying consolidated financial statements. Additionally, the School has been classified as an organization that is not a private foundation under Section 509(a).

The School accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the School to recognize in their consolidated financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the School and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The School files informational "Return of Organization Exempt from Income Tax" (Form 990) in the U.S. Federal jurisdiction and Arkansas.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

***Receivables***

Receivables consist of amounts due to Arkansas Arts Academy by the Arkansas Department of Education for current year funding and grant reimbursements. The entire amount is considered collectible; therefore, no allowance for uncollectible amounts is considered necessary.

***Use of Estimates***

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2016, the School had cash equivalents of \$634,327.

**NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS**

The School's cash and cash equivalents consist of demand deposits maintained at financial institutions. State statutes require that the School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess over FDIC insurance may not be recoverable. At June 30, 2016, the bank balances of the School's demand deposits amounted to \$2,165,518, of which \$316,936 was insured, \$1,214,255 was collateralized by securities held in the School's name, and \$634,327 was invested in direct obligations of the United States of America. No amounts are uninsured or uncollateralized.

**NOTE 3: RECEIVABLES**

As of June 30, 2016, the receivables balance was comprised of the following:

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Capital Projects Fund</u></b>
Federal assistance	\$ -	\$ 9,619	\$ -
Other	74,300	-	34,461
	<u>\$ 74,300</u>	<u>\$ 9,619</u>	<u>\$ 34,461</u>

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4: CONCENTRATIONS**

The School is economically dependent on funding received through state awards, federal awards, and private donations. During the year ended June 30, 2016, approximately 97% of total revenues were from state, federal and private sources.

**NOTE 5: EMPLOYEE BENEFIT PLANS**

***Arkansas Teacher Retirement System***

*Plan Description* - The School contributes to the Arkansas Teachers Retirement System (ATRS), a cost-sharing multiple-employer defined benefit plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The ATRS issues a publicly available financial report that includes financial statements and required supplementary information. The 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% 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% of covered salaries. The School's contributions to ATRS for the years ended June 30, 2016, 2015 and 2014, were \$451,835, \$445,193 and \$402,348, respectively, equal to the required contributions.

*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 68 would be limited to disclosure of the School's proportionate share of the collective net pension liability. The School's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$3,551,255.

***Defined Contribution Plan – 403(b)***

During the year ended June 30, 2009, the School adopted a 403(b) plan covering all employees of the School. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. Annual contributions may not exceed the amount permitted under section 415 of the Internal Revenue Code. Employees vest immediately in their contributions.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6: BONDS PAYABLE AND LONG-TERM DEBT**

BCCSO, LLC, through a loan agreement with the Public Facilities Board of Benton County, Arkansas, issued \$7,350,000 Series 2010A BCCSO Project Bonds, net of an original issue discount of \$287,451. The bond discount is amortized as a component of interest expense over the life of the bonds, which is thirty years, beginning July 2010.

As part of the bond issue, BCCSO, LLC entered into a lease agreement with Arkansas Arts Academy, whereby Arkansas Arts Academy will lease the facilities back from BCCSO, LLC at a monthly lease rate equal to the debt service requirement of the bonds. Lease expense and the related lease income have been eliminated in consolidation.

***Series 2010A BCCSO Project Bonds***

In June 2010, the Public Facilities Board of Benton County issued \$7,350,000 in Charter School Lease Revenue Bonds secured by a loan agreement with BCCSO, LLC as borrower. These bonds are tax exempt. They mature and bear interest as follows:

<u>Term bonds</u>	<u>Maturity Date</u>	<u>Interest rate</u>
\$ 915,000	6/1/2022	5.00%
1,780,000	6/1/2030	5.75%
<u>4,285,000</u>	6/1/2040	6.00%
<u>\$ 6,980,000</u>		

The loan agreement requires BCCSO, LLC to collect from Arkansas Arts Academy and remit to the trustee of the bonds, to be deposited in the debt service fund, monthly lease payments starting at \$34,438 and increasing up to \$45,234 by 2036 with a final balloon payment of \$587,811 due May 25, 2040.

***All Bond Issues***

The School is required to have on hand not less than \$100,000 in unrestricted cash or marketable securities and must maintain a debt service coverage ratio of greater than 1.10. The debt coverage ratio of the School for the year ended June 30, 2016, calculated in accordance with the bond documents, is 1.6. The School was in compliance with all debt covenants for the year ended June 30, 2016.

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6: BONDS PAYABLE AND LONG-TERM DEBT – CONTINUED**

The loan agreement requires minimum debt service payments that are equal to the bond sinking fund requirements to provide for the redemption of the bonds upon maturity. The minimum debt service requirement of the bonds for the next five years and thereafter including principal and interest are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 135,000	\$ 404,645	\$ 539,645
2018	140,000	398,450	538,450
2019	150,000	391,450	541,450
2020	155,000	384,476	539,476
2021	165,000	375,685	540,685
2022-2026	960,000	1,741,078	2,701,078
2027-2031	1,275,000	1,432,144	2,707,144
2032-2036	1,700,000	1,008,245	2,708,245
2037-2040	<u>2,300,000</u>	<u>400,995</u>	<u>2,700,995</u>
	<u>\$ 6,980,000</u>	<u>\$ 6,537,168</u>	<u>\$ 13,517,168</u>

The following is a summary of changes in long-term debt:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Bonds payable					
Series 2010A					
BCCSO Project Bonds	\$ 7,110,000	\$ -	\$ 130,000	\$ 6,980,000	\$ 135,000
Less discount	<u>(239,541)</u>	<u>-</u>	<u>(9,582)</u>	<u>(229,959)</u>	<u>-</u>
Bonds payable, net	6,870,459	-	120,418	6,750,041	135,000
Capital leases	<u>9,595</u>	<u>-</u>	<u>8,173</u>	<u>1,422</u>	<u>1,422</u>
Total long-term debt	<u>\$ 6,880,054</u>	<u>\$ -</u>	<u>\$ 128,591</u>	<u>\$ 6,751,463</u>	<u>\$ 136,422</u>

**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7: ON-BEHALF PAYMENTS**

During the year ended June 30, 2016, health insurance premiums of \$87,980 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on-behalf of School employees. This amount is not included in revenues or expenditures in the School's consolidated financial statements.

**NOTE 8: CONTINGENCIES**

The 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 School expects such amounts, if any, to be immaterial.

**NOTE 9: OPERATING LEASES**

The School leases copiers, office space, and a school bus under long-term operating lease agreements. The total rental expense for operating leases for the years ended June 30, 2016 was \$57,489.

Future minimum lease payments for operating leases for the next two years are as follows:

Year ending June 30,		
2017	\$	12,000
2018		2,000

## **SUPPLEMENTARY INFORMATION**



**ARKANSAS ARTS ACADEMY  
AND SUBSIDIARY  
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)  
JUNE 30, 2016**

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Capital assets, not depreciated					
Land	\$ 360,237	\$ -	\$ -	\$ -	\$ 360,237
Construction in progress	-	99,824	-	-	99,824
Total capital assets, not depreciated	<u>360,237</u>	<u>99,824</u>	<u>-</u>	<u>-</u>	<u>460,061</u>
Capital assets, depreciated					
Buildings	7,246,185	7,529	-	-	7,253,714
Furniture and equipment	1,906,624	116,601	-	-	2,023,225
Total capital assets, depreciated	9,152,809	124,130	-	-	9,276,939
Less accumulated depreciation	<u>(2,423,491)</u>	<u>(373,967)</u>	<u>-</u>	<u>-</u>	<u>(2,797,458)</u>
Net capital assets, depreciated	<u>6,729,318</u>	<u>(249,837)</u>	<u>-</u>	<u>-</u>	<u>6,479,481</u>
Total capital assets, net	<u>\$ 7,089,555</u>	<u>\$ (150,013)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,939,542</u>

See Independent Auditors' Report.



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

To the Board of Directors  
**Arkansas Arts Academy and Subsidiary**  
Rogers, Arkansas

We 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 **Arkansas Arts Academy and Subsidiary** (the "School") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's regulatory basis financial statements as listed in the table of contents, and have issued our report there on dated March 2, 2017. The School has prepared the consolidated financial statements using accounting practices prescribed or permitted by the State of Arkansas, which practices differ from accounting principles generally accepted in the United States of America. Our report expressed an unqualified opinion that the consolidated financial statements are fairly presented, in all material respects, in accordance with the regulatory basis of accounting.

**Internal Control over Financial Reporting**

In planning and performing our audit of the regulatory basis consolidated financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the regulatory basis consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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 the School's regulatory basis consolidated financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Beall Barclay & Company, PLC*

**BEALL BARCLAY & COMPANY, PLC**  
Certified Public Accountants

Rogers, Arkansas  
March 2, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
ARKANSAS STATE REQUIREMENTS**

To the Board of Directors  
**Arkansas Arts Academy and Subsidiary**  
Rogers, Arkansas

We have examined management's assertions that **Arkansas Arts Academy and Subsidiary** (the "School") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations required to be addressed by the Arkansas Department of Education during the year ended June 30, 2016. Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the School complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

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

*Beall Barclay & Company, PLC*

**BEALL BARCLAY & COMPANY, PLC**  
Certified Public Accountants

Rogers, Arkansas  
March 2, 2017