

ARISE SCHOOLS
NEW ORLEANS, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ARISE Schools (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ARISE Schools as of June 30, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ARISE Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Empasis of Matter

As discussed in Note 1 of the financial statements, ARISE Schools agreed to voluntarily relinquish its charter agreement. ARISE Schools will continue to operate as a not-for-profit organization but will not manage any schools. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ARISE Schools's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide*, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ARISE Schools's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ARISE Schools's ability to continue as a going concern for a reasonable period of time.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head (Schedule “1”), as required by Louisiana Revised Statute 24:513 A.(3), is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, on our consideration of ARISE Schools’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ARISE Schools’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ARISE Schools’s internal control over financial reporting and compliance.

March 15, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 1,616,581	\$ 1,704,240
Investments	1,382,944	206,536
Grant receivables	1,430,549	3,211,558
Other receivables	-	16,721
Prepaid expenses	-	44,252
	<u>4,430,074</u>	<u>5,183,307</u>
	<u>-</u>	<u>50,329</u>
<u>PROPERTY AND EQUIPMENT, NET</u>		
Total assets	<u>\$ 4,430,074</u>	<u>\$ 5,233,636</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 815,225	\$ 1,125,827
Accrued expenses	642,375	189,017
Deferred revenue	-	112,077
Other liabilities	75,235	1,354,085
	<u>1,532,835</u>	<u>2,781,006</u>
Total current liabilities	<u>1,532,835</u>	<u>2,781,006</u>
Total liabilities	<u>1,532,835</u>	<u>2,781,006</u>
<u>NET ASSETS:</u>		
Without donor restrictions	<u>2,897,239</u>	<u>2,452,630</u>
Total net assets	<u>2,897,239</u>	<u>2,452,630</u>
Total liabilities and net assets	<u>\$ 4,430,074</u>	<u>\$ 5,233,636</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 6,535,455	\$ -	\$ 6,535,455
Federal grants	4,616,099	-	4,616,099
Private grants and contributions	77,510	-	77,510
Other state funds	-	-	-
Investment income	26,409	-	26,409
Other income	253,103	-	253,103
Gain (Loss) on disposal	(336,414)	-	(336,414)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>11,172,162</u>	<u>-</u>	<u>11,172,162</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	4,979,531	-	4,979,531
General non-instructional	1,415,904	-	1,415,904
Special education	1,338,410	-	1,338,410
Administration	<u>2,993,708</u>	<u>-</u>	<u>2,993,708</u>
Total expenses	<u>10,727,553</u>	<u>-</u>	<u>10,727,553</u>
Change in net assets	444,609	-	444,609
Net assets, beginning of year	<u>2,452,630</u>	<u>-</u>	<u>2,452,630</u>
Net assets, end of year	<u>\$ 2,897,239</u>	<u>\$ -</u>	<u>\$ 2,897,239</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 7,470,751	\$ -	\$ 7,470,751
Federal grants	5,593,724	-	5,593,724
Private grants and contributions	78,868	-	78,868
Other state funds	150,056	-	150,056
Investment income	1,430	-	1,430
Other income	274,882	-	274,882
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>13,569,711</u>	<u>-</u>	<u>13,569,711</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	7,112,375	-	7,112,375
General non-instructional	2,170,190	-	2,170,190
Special education	1,678,870	-	1,678,870
Administration	<u>3,164,170</u>	<u>-</u>	<u>3,164,170</u>
Total expenses	<u>14,125,605</u>	<u>-</u>	<u>14,125,605</u>
Change in net assets	(555,894)	-	(555,894)
Net assets, beginning of year	<u>3,008,524</u>	<u>-</u>	<u>3,008,524</u>
Net assets, end of year	<u>\$ 2,452,630</u>	<u>\$ -</u>	<u>\$ 2,452,630</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>			<u>Support Services</u>	
	<u>General</u> <u>Instructional</u>	<u>General</u> <u>Non-Instructional</u>	<u>Special</u> <u>Education</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 3,512,085	\$ 343,861	\$ 995,986	\$ 517,819	\$ 5,369,751
Employee benefits	443,609	30,968	113,380	60,993	648,950
Retirement	72,380	10,482	28,514	24,556	135,932
Payroll taxes	248,509	26,181	75,086	43,845	393,621
Purchased educational services	418,356	-	20,788	-	439,144
Other purchased professional services	43,302	888	85,197	503,304	632,691
Purchased technical services	-	-	-	41,544	41,544
Utilities	-	-	-	154,091	154,091
Repairs and maintenance	-	-	-	750,853	750,853
Rentals	-	-	-	86,180	86,180
Student transportation	-	531,272	-	-	531,272
Insurance	-	-	-	154,722	154,722
Communications	34,188	1,743	-	60,454	96,385
Advertising, printing, and binding	-	-	-	35,212	35,212
Food service	-	452,070	-	-	452,070
Travel	733	11,992	800	-	13,525
Materials and supplies	206,369	6,447	18,659	413,942	645,417
Dues and fees	-	-	-	132,564	132,564
Miscellaneous	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Depreciation	-	-	-	13,629	13,629
Total expenses	\$ 4,979,531	\$ 1,415,904	\$ 1,338,410	\$ 2,993,708	\$ 10,727,553

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>			<u>Support Services</u>	
	<u>General</u> <u>Instructional</u>	<u>General</u> <u>Non-Instructional</u>	<u>Special</u> <u>Education</u>	<u>Administration</u>	<u>Total</u>
Salaries	\$ 4,533,450	\$ 699,213	\$ 1,156,842	\$ 679,301	\$ 7,068,806
Employee benefits	498,504	54,622	68,040	143,608	764,774
Retirement	122,376	51,548	29,909	31,063	234,896
Payroll taxes	344,815	51,432	76,669	55,205	528,121
Purchased educational services	861,063	-	213,646	-	1,074,709
Other purchased professional services	21,170	2,561	120,696	146,360	290,787
Purchased technical services	-	-	-	57,208	57,208
Utilities	-	-	-	209,077	209,077
Repairs and maintenance	-	-	-	873,130	873,130
Rentals	-	-	-	61,984	61,984
Student transportation	-	706,831	-	13,037	719,868
Insurance	-	-	-	151,275	151,275
Communications	106,317	-	-	72,326	178,643
Advertising, printing, and binding	-	-	-	3,273	3,273
Food service	-	482,670	-	-	482,670
Travel	16,217	11,316	-	621	28,154
Materials and supplies	608,463	109,997	13,068	459,143	1,190,671
Dues and fees	-	-	-	160,001	160,001
Miscellaneous	-	-	-	13,293	13,293
Bad debt expense	-	-	-	17,987	17,987
Depreciation	-	-	-	16,278	16,278
Total expenses	<u>\$ 7,112,375</u>	<u>\$ 2,170,190</u>	<u>\$ 1,678,870</u>	<u>\$ 3,164,170</u>	<u>\$ 14,125,605</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 444,609	\$ (555,894)
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	13,629	16,278
Loss on disposition of assets	337,917	-
(Increase) decrease in:		
Grant receivables	1,781,009	(1,684,261)
Other receivables	16,929	(10,178)
Prepaid expenses	44,252	99,637
Increase (decrease) in:		
Accounts payable	(310,810)	599,062
Accrued expenses	453,358	(59,985)
Deferred revenue	(112,077)	112,077
Other liabilities	<u>(1,278,850)</u>	<u>1,354,085</u>
Net cash from (used for) operating activities	<u>1,389,966</u>	<u>(129,179)</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Sale of investments	-	1,199,145
Purchase of investments	(1,176,408)	-
Purchase of property and equipment	<u>(301,217)</u>	<u>-</u>
Net cash from (used for) investing activities	<u>(1,477,625)</u>	<u>1,199,145</u>
Net increase (decrease) in cash and cash equivalents	(87,659)	1,069,966
Cash and cash equivalents, beginning of year	<u>1,704,240</u>	<u>634,274</u>
Cash and cash equivalents, end of year	<u>\$ 1,616,581</u>	<u>\$ 1,704,240</u>

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ARISE Schools (ARISE) is a nonprofit corporation organized under the laws of the State of Louisiana. ARISE was incorporated in the Fall of 2008 for the purpose of operating charter schools in New Orleans, Louisiana to offer extended academic time, rigorous college preparatory curriculum and instruction in a foreign language to all students daily. The Board of Elementary and Secondary Education (BESE) approved the granting of a Type 5 charter to operate ARISE Academy (AA). Effective July 1, 2019, AA became a Type 3B charter under the jurisdiction of NOLA-PS (the authorizer). On December 5, 2012, BESE granted ARISE an additional Type 5 charter to operate Mildred Osborne Charter School (MOCS) beginning July 1, 2013. Effective July 1, 2018, MOCS became a Type 3B charter under the jurisdiction of NOLA-PS.

ARISE Academy's charter was not renewed and closed effective June 30, 2022.

During the year ended June 30, 2023, ARISE agreed to voluntarily relinquish its charter for MOCS to OPSB in exchange for a new Type I Charter agreement for another charter management organization to operate Mildred Osborne Charter School beginning July 1, 2023 and expiring on June 30, 2028. The new charter management organization agreed to guarantee seats at Mildred Osborne Charter School to all students who had been attending Mildred Osborne Charter School. ARISE will continue to operate as a stand-alone not-for-profit organization to oversee and manage a grant program but not any schools.

Method of Accounting and Financial Report Framework

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

Basis of Presentation

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, ARISE is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ARISE. ARISE's board may designate assets without restrictions for specific operational purposes from time to time.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ARISE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, ARISE considers all demand deposits and all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

ARISE invests in Louisiana Asset Management Pool, which is administered by LAMP, Inc., a non-profit corporation incorporated in the State of Louisiana. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The investment in LAMP is valued at fair value, which is determined weekly by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs do not stem directly from quoted prices and include data that is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

No Level 2 or Level 3 inputs were used by ARISE during the years ended June 30, 2023 and 2022.

Receivables

Grant and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2023 and 2022, no allowance is recorded as management considers all receivables to be fully collectible.

Property and Equipment

Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated property and equipment are recorded at fair value as of the date received. ARISE maintains a capitalizing threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is computed on the straight-line basis over the lesser of the following useful lives:

Bus fleet	4 years
Leasehold improvements	the greater of life of lease or 5 years
Office and classroom equipment	5 – 7 years

Assets acquired with Louisiana Department of Education (LDOE) funds are owned by ARISE while used in the purpose for which it was purchased. The LDOE however, has a reversionary interest in these assets. Should a charter not be renewed, title in any assets purchased with these funds will revert to the appropriate agency.

Compensated Absences

All school-based and full-time school-support employees are granted 72 hours paid time off (PTO) at the beginning of each year. These days are to be used in case of illness, to handle personal affairs, or for any other personal reason an employee needs a day off. If an employee starts after the beginning of the school year, PTO is prorated. Unused balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition and Deferred Revenue

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. ARISE reports contributions of cash or other assets as restricted support if they are received with donor-imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met, or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

Revenues from federal and state grants are recorded when ARISE has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by ARISE, or when otherwise earned under the terms of the grants. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the consolidated statements of financial position.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In addition, ARISE receives services donated by parents and community members in carrying out ARISE's mission. The value of these services is not recognized in the accompanying combining financial statements as they do not meet the criteria for recognition under GAAP.

Functional Expenses

The cost of program and supporting services has been summarized on a functional basis in the statements of activities. This requires the allocation of certain costs based on total program costs and estimates made by management. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Salaries and employee benefits have been allocated based on time and effort. Rent and depreciation have been allocated based on square footage. All other allocated expenses have been allocated based on actual expenses incurred.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status

ARISE has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income. Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2023 and 2022, ARISE believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2018 and later remain subject to examination by the taxing authorities.

Leases

ARISE applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. ARISE defines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that ARISE will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

ARISE also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether ARISE can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

ARISE is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. ARISE generally uses the incremental borrowing rate when initially recording real estate leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The adoption of these Updates did not have a material impact on ARISE’s financial statements as a result of the school closure.

Date of Management Review

Subsequent events have been evaluated through March 15, 2024, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets as of June 30, 2023 and 2022 were \$4,430,074 and \$5,139,055, respectively. None of the financial assets were subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial date for each of the years ended June 30, 2023 and 2022.

As part of ARISE’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although ARISE does not intend to spend from its restricted contributions other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its contributions could be made available if necessary.

(3) INVESTMENTS

The fair value of Level 1 investments is as follows at June 30th:

	<u>2023</u>	<u>2022</u>
LAMP	\$ 1,382,944	\$ 206,536
Total investments	<u>\$ 1,382,944</u>	<u>\$ 206,536</u>

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(3) INVESTMENTS (CONTINUED)

Investment income consists as follows for the years ended June 30th:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 26,409	\$ 1,430
Total investment income	<u>\$ 26,409</u>	<u>\$ 1,430</u>

(4) GRANT RECEIVABLES

Grant receivables consists of the following at June 30th:

	<u>2023</u>	<u>2022</u>
Due from State of Louisiana	\$ 1,430,549	\$ 3,211,558
Total grant receivables	<u>\$ 1,430,549</u>	<u>\$ 3,211,558</u>

(5) PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment consists of the following at June 30th:

	<u>2023</u>	<u>2022</u>
Bus fleet	\$ -	\$ 491,854
Leasehold improvements	-	81,725
Office and classroom equipment	-	77,490
	-	651,069
Less: accumulated depreciation	-	(600,740)
Property and equipment, net	<u>\$ -</u>	<u>\$ 50,329</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$13,629 and \$16,278, respectively.

(6) OTHER LIABILITIES

Other liabilities consists of the following at June 30th:

	<u>2023</u>	<u>2022</u>
Due to Homer Plessy	\$ 75,235	\$ 242,453
Due to NOLA-PS	-	1,111,632
Other liabilities, net	<u>\$ 75,235</u>	<u>\$ 1,354,085</u>

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(7) RETIREMENT PLAN

Eligible employees of ARISE may elect to participate in ARISE's administered 403(b) defined contributed plan. Covered employees may elect to contribute a portion of their salaries as allowable. ARISE has elected to match 3% of covered employees' salaries. ARISE's contributions were \$135,932 and \$234,896 for the years ended June 30, 2023 and 2022, respectively.

(8) CONCENTRATIONS OF CREDIT RISK

ARISE maintains cash and investments in bank and investment accounts in excess of insured limits periodically. ARISE has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

(9) LEASE COMMITMENTS

Effective July 1, 2020, ARISE entered into a lease agreement with the Orleans Parish School Board (OPSB) for the use of school facilities. The lease will terminate on July 31, 2021 and in consideration of the use of the facilities, ARISE will pay OPSB a use fee and participate in OPSB's Per Pupil Unit Cost Program. The use fee for participants in OPSB's Per Pupil Unit Cost Program shall be the per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB controlled school facilities participating in the Unit Cost Program, including any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship. The use fee shall be paid through deduction from ARISE's monthly MFP allocation. For the year ended June 30, 2022, the annualized use fee deduction of \$66,815 is calculated per the average of the student counts on October 1, 2020 and February 1, 2021 at a rate of \$160.23 per pupil.

During the year ended June 30, 2018, ARISE entered into a lease with OPSB for the use of the Mildred Osborne Charter School Building. The lease term was effective beginning July 1, 2018 and expires on June 30, 2021. During the year ended June 30, 2021, the lease was renewed through June 20, 2026. As defined in the lease agreement, ARISE pays a use fee and participates in OPSB's Per Pupil Unit Cost Program for the use of MOCS. For the year ended June 30, 2023, the annualized use fee deduction of \$70,900.45 is calculated per the average of the student counts on October 1, 2021 and February 1, 2022 at a rate of \$160.23 per pupil. For the year ended June 30, 2022, the annualized use fee deduction of \$66,815 is calculated per the average of the student counts on October 1, 2020 and February 1, 2021 at a rate of \$160.23 per pupil.

As of June 30, 2022 ARISE has an operating lease agreement with Ross Bus for four 77-passenger buses. The lease is effective July 1, 2021 through June 30, 2024. The lease requires an annual payment of \$18,300 per bus. For the years ended June 30, 2023 and 2022, rental payments under this leases were \$128,100 and \$119,928, respectively.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023 AND 2022

(9) LEASE COMMITMENTS (CONTINUED)

During the year ended June 30, 2022, ARISE had 4 operating leases for the rental of 10 copiers. The length of each lease is for 48 months with beginning dates starting from January 2019 and July 2020 and ending dates ranging from through January 2023 and July 2024. The leases require monthly payments ranging from \$220 and \$1,150 per month. For the years ended June 30, 2023 and 2022, rental payments under these leases were \$28,894 and \$31,743, respectively.

As of June 30, 2023, ARISE Schools voluntarily relinquished its charter and all leases under ARISE Schools are no longer in effect beyond that date.

(10) GRANT PROGRAM CONTINGENCIES

ARISE participated in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that ARISE has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2023 and 2022 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying combining financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and ARISE.

(11) ECONOMIC DEPENDENCY

ARISE receives the majority of its revenue from the State of Louisiana. Minimum Foundation Program (MFP) funding for the years ended June 30, 2023 and 2022 totaled \$6,535,455 and \$7,470,751, respectively. Funding was from various federal grants passed through the State of Louisiana for the years ended June 30, 2023 and 2022 totaled \$4,616,099 and \$5,593,724, respectively. The grant amounts are appropriated each year by the federal and state governments.

(12) SUBSEQUENT EVENTS

After June 30, 2023, a final accounting will be performed between ARISE Schools and NOLA-PS once all outstanding receivables are collected and outstanding payables/accrued expenses are paid to determine the amount of funds to be returned to NOLA-PS. It is expected that all the net assets remaining after the final accounting will revert to NOLA-PS. In addition, the 403(b) defined contributed plan is in the process of being dissolved.

SUPPLEMENTARY INFORMATION

ARISE SCHOOLS
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Jolene Galpin, CEO</u>	
Time served	07/01/22 through 06/30/23	
	<hr/>	
Salary - CEO	\$	130,000
Salary - COO duties		20,000
Stipends/bonuses		6,253
Severance pay		87,815
Benefits - insurance (health and dental)		18,457
Benefits - retirement		7,322
Benefits - cell phone		644
Reimbursements		148
	<hr/>	
Total compensation, benefits, and other payments	\$	<u>270,639</u>

(See Independent Auditors' Report)

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ARISE Schools (a non-profit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ARISE Schools's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ARISE Schools's internal control. Accordingly, we do not express an opinion on the effectiveness of the ARISE Schools'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.



To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARISE Schools's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-003.

ARISE Schools's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on ARISE Schools's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ARISE Schools's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ARISE Schools'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 ARISE Schools's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 15, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

SINGLE AUDIT SECTION



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ARISE Schools's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ARISE Schools's major federal programs for the year ended June 30, 2023. ARISE Schools's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ARISE Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ARISE Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ARISE Schools's compliance with the compliance requirements referred to above.



To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ARISE Schools’s federal programs.

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ARISE Schools’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ARISE Schools’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ARISE Schools’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ARISE Schools’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ARISE Schools’s internal control over compliance. Accordingly, no such opinion is expressed.



To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 15, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

ARISE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal AL Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 420,020
Direct Student Services	84.010	8,623
School Redesign 1003a	84.010	<u>45,897</u>
Total AL 84.010		\$ 474,540
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	155,441
Special Education - Preschool Grants	84.173	<u>6,417</u>
Total Special Education Cluster		161,858
Twenty-First Community Learning Centers	84.287	560,176
Supporting Effective Instruction State Grants (Title II)	84.367	26,823
Comprehensive Literacy Development	84.371	257,500
Education Stabilization Fund:		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	535,604
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	<u>2,005,750</u>
Total Education Stabilization Fund		<u>2,541,354</u>
 Total U.S. Department of Education		 <u>4,022,251</u>
<u>U.S. Department of Agriculture</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	158,505
National School Lunch Program	10.555	370,358
Summer School Food Service for Children	10.559	<u>10,159</u>
Total Child Nutrition Cluster		539,022
Child and Adult Care Food Program	10.558	51,419
COVID-19 Pandemic Electronic Benefit Transfer (P-EBT)		
Administrative Costs	10.649	<u>3,256</u>
 Total U.S. Department of Agriculture		 <u>593,697</u>
 Total expenditures of federal awards		 <u>\$ 4,615,948</u>

(See Independent Auditors' Report)

ARISE SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of ARISE Schools (ARISE) under programs of the federal government for the year ended June 30, 2023. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of ARISE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ARISE.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expense Recognition

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended June 30, 2023.

(3) INDIRECT COST RATE

ARISE has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

ARISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of ARISE Schools.
2. Two material weaknesses but no significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for ARISE Schools expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were Education Stabilization Fund (AL Nos. 84.425D and 84.425U).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. ARISE Schools was determined to be a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2023.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

Finding 2023-001 Improper Controls over Payroll

Criteria: According to the State of Louisiana Constitution Article VII, §14, payment of severance pay is considered a prohibited donation since they generally do not require a clear quid pro quo in relation to specific performance objectives. Severance and incentive pay agreements should be documented in employees' personnel files.

ARISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Condition: ARISE Schools did not comply with these laws, issuing severance payments to several employees upon conclusion of the fiscal year. Additionally, we noted that the internal controls and processes for processing payroll were lacking. Once the School was informed of its closure and employees began to receive incentive bonuses to stay and then severance pay, the processes for entering these pay increases into the payroll system were not being followed. Each employee's base pay was simply adjusted instead of these incentive/severance payments being entered into the system as separate pay items to provide a paper trail to identify base pay from additional pay.

Effect: ARISE Schools is not in compliance with State of Louisiana Constitution Article VII, §14. ARISE Schools could not provide proper documentation differentiating base pay from severance/incentive payments.

Cause: ARISE Schools experienced turnover within administrative departments once it was decided to close the school.

Recommendation: Due to the school closure, there is no recommendation or corrective action plan.

Views of Responsible Officials: Management agrees with the finding but due to the school closure, no further action will be taken. After ARISE Schools was notified the school charter was not going to be renewed for the 2023-2024 fiscal year, an effort was made to retain staff and the CEO through the close-out period of the school. As an incentive for staff to complete the term of their offer letter, the board agreed to one additional bi-monthly payroll at the end of the fiscal year and offered the CEO a severance package contingent upon working through the end of the fiscal year. The board felt these incentives were necessary and reasonable to ensure continuity and continued student learning through the 2022-2023 school year.

Finding 2023-002 Improper Controls over Disbursements

Criteria: Separate accounting should be performed for public and private funds to prevent commingling of the funds in the books and records of the entity and to prevent the spending of public funds on unauthorized uses.

Condition: ARISE Schools did not appropriately segregate its public funds from its private funds within its general fund.

Effect: During our testing, we noted that ARISE Schools held a staff appreciation party at the end of the year at an outside venue at a significant cost to the School. While it appears that ARISE Schools followed its own internal policies and procedures in obtaining approved purchase orders for the party, it does not appear that private funds were appropriately segregated from public funds to enable ARISE Schools to determine which funds were used to pay for the party.

Cause: ARISE Schools experienced turnover within administrative departments once it was decided to close the school.

ARISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

Recommendation: Due to the school closure, there is no recommendation or corrective action plan.

Views of Responsible Officials: Management agrees with the finding but due to the school closure, no further action will be taken. ARISE Schools has accumulated various sources of non-public funds throughout the years of operations. As an employee incentive to boost morale and aid in the transition of employment to the new school operator, an employee end-of-year celebration was announced to take place after the school year. The party was paid with non-public funds accumulated by ARISE Schools.

Noncompliance

Finding 2023-003 Noncompliance with Louisiana Audit Law Reporting Requirements

Criteria: ARISE Schools is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end in accordance with Louisiana Revised Statutes 24:513 and 24:514.

Condition: ARISE Schools did not comply with these laws, submitting the required report after the required deadline.

Effect: ARISE Schools is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

Cause: ARISE Schools experienced turnover within administrative departments.

Recommendation: Due to the school closure, there is no recommendation or corrective action plan.

Views of Responsible Officials: Management agrees with the finding but due to the school closure, no further action will be taken.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings related to major federal awards programs for the year ended June 30, 2023.

ARISE SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding 2022-001 Noncompliance with Reporting Requirements

Condition: ARISE Schools did not comply with these laws, submitting the required report after the required deadline.

This finding has not been resolved and is repeated as a finding as 2023-003 as of June 30, 2023.

II. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FEDERAL AWARDS

There were no findings and questioned costs related to major federal award programs for the year ended June 30, 2022.

III. MANAGEMENT LETTER

There were no management letter items for the year ended June 30, 2022.

**SCHEDULES REQUIRED BY STATE LAW
(PERFORMANCE STATISTICAL DATA)**

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual financial statements of ARISE Schools for the fiscal year ended June 30, 2023; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514.I. Management of ARISE Schools is responsible for its performance and statistical data.

ARISE Schools has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the annual financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - a. Total General Fund Instructional Expenditures,
 - b. Total General Fund Equipment Expenditures,
 - c. Total Local Taxation Revenue,
 - d. Total Local Earnings on Investment in Real Property,
 - e. Total State Revenue in Lieu of Taxes,
 - f. Nonpublic Textbook Revenue,
 - g. Nonpublic Transportation Revenue.

Exceptions: No exceptions were found as a result of applying the procedure.

Class Size Characteristics (Schedule 2)



To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

Exceptions: The October 1st list of classes by school, school type, and class size, as reported to the School's local educational agency and to the Louisiana Department of Education, was not provided by management nor its local educational agency. As a result, we were unable to perform the procedures above. Management agrees with the exception, but due to the school closure, no further action will be taken.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Exceptions: Eight individual's education level on the PEP report did not match the individual's education level per the personnel file. Seven individual's years of experience did not match the individual's years of experience per the personnel file. Management agrees with the exception, but due to the school closure, no further action will be taken.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Exceptions: Twenty-one individuals' personnel file salary were not properly included on the PEP data. Management agrees with the exception, but due to the school closure, no further action will be taken.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors and Management of
ARISE Schools
New Orleans, Louisiana

We were engaged by ARISE Schools to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of ARISE Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope and results of testing performed on the performance and statistical data accompanying the annual financial statements of the ARISE Schools, as required by Louisiana Revised Statute 24:514.I, and for the information and use of ARISE Schools, the Louisiana Department of Education, and the Louisiana Legislative Auditor. Accordingly, this report is not suitable for any other purpose and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

March 15, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

ARISE SCHOOLS
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2023

GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES

	Column A	Column B
General fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$ 1,345,577	
Other instructional staff salaries	126,187	
Instructional staff employee benefits	532,780	
Purchased professional and technical services	77,517	
Instructional materials and supplies	187,711	
Instructional equipment	-	
Total teacher and students interaction activities		\$ 2,269,772
Other instructional activities		46,174
Pupil support services	190,113	
Less: equipment for pupil support services	-	
Net pupil support services		190,113
Instructional staff services	92,159	
Less: equipment for instructional staff services	-	
Net instructional staff services		92,159
School administration	808,945	
Less: equipment for school administration	9,924	
Net school administration		818,869
Total general fund instructional expenditures (total of column B)		\$ 3,417,087
Total general fund instructional and support expenditures		\$ 9,924

CERTAIN LOCAL REVENUE SOURCES

Total local taxation revenue	\$ -
Total local earnings on investment in real property	\$ -
Total state revenue in lieu of taxes	\$ -
Nonpublic textbook revenue	\$ -
Nonpublic transportation revenue	\$ -

ARISE SCHOOLS
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2023
AS OF OCTOBER 1, 2022

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	25%	32	39%	49	33%	42	2%	3
Elementary/Activity Classes	19%	5	23%	6	46%	12	12%	3
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES
ARISE SCHOOLS
NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
JUNE 30, 2023



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
ARISE Schools
New Orleans, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. ARISE School's management is responsible for those C/C areas identified in the SAUPs.

ARISE Schools has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are attached in Schedule "1."

We were engaged by ARISE Schools to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of ARISE Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

March 15, 2024
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES
JULY 1, 2022 TO JUNE 30, 2023

WRITTEN POLICIES AND PROCEDURES

- 1) **Procedures:** Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were found as a result of applying the procedure.

BOARD OR FINANCE COMMITTEE

- 2) **Procedures:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of applying the procedure.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

BANK RECONCILIATIONS

- 3) **Procedures:** Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS)

- 4) **Procedures:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):
- 5) **Procedures:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFER) (CONTINUED)

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- 6) **Procedures:** Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- 7) **Procedures:** Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: Of the deposits tested, two deposits were made a week or more after receipt. Management agrees with the exception, but due to the school closure, no further action will be taken.

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)

- 8) **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5):

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

- 9) **Procedures:** For each location selected under procedure #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- 10) **Procedures:** For each location selected under procedure #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- 11) **Procedure:** Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

Results: No exceptions were found as a result of applying the procedures.

CREDIT CARDS/DEBIT CARDS/FUEL CARDS/PURCHASE CARDS (CARDS)

- 12) **Procedures:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 13) **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
- 14) **Procedures:** Using the monthly statements or combined statements selected under procedure #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Of the transactions tested, one transaction did not have proper documentation of business/public purpose or approval of the expenditure. Management agrees with the exception, but due to the school closure, no further action will be taken.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

- 15) **Procedures:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS) (CONTINUED)

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedures.

CONTRACTS

- 16) **Procedures:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that the amendments were made in compliance with contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedures.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

PAYROLL AND PERSONNEL

- 17) **Procedures:** Obtain a listing of employees and officials employed during the fiscal period, and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 18) **Procedures:** Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- 19) **Procedures:** Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- 20) **Procedures:** Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedures.

ETHICS

- 21) **Procedure:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

ETHICS (CONTINUED)

b) Observe that the documentation demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

22) **Procedures:** Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: No exceptions were found as a result of applying the procedures.

DEBT SERVICE

23) **Procedures:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

24) **Procedures:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Not applicable. The Organization did not issue bonds during the fiscal period nor does it need State Bond Commission approval for the issuance of notes.

FRAUD NOTICE

25) **Procedures:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

26) **Procedures:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedures.

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

INFORMATION TECHNOLOGY DISASTER RECOVERY/ BUSINESS CONTINUITY

27) **Procedures:** Perform the following procedures:

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

28) **Procedures:** Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

SEXUAL HARASSMENT

29) **Procedures:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

30) **Procedures:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

31) **Procedures:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344.

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;

ARISE SCHOOLS
STATEWIDE AGREED-UPON PROCEDURES (CONTINUED)
JULY 1, 2022 TO JUNE 30, 2023

SEXUAL HARASSMENT (CONTINUED)

- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: The Organization as a charter school is not subject to the sexual harassment law, R.S. 42:344.