

ARISE SCHOOLS
COMBINING FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Table of Contents	Page(s)
Independent Auditor’s Report	1-2
Combining Financial Statements:	
Combining Statement of Financial Position	3
Combining Statement of Activities	4
Combining Statement of Cash Flows	5
Notes to Combining Financial Statements	6-11
Supplementary Information:	
Schedule of Compensation, Benefits and Other Payments to the Agency Head	12
Combining Schedule of Financial Position	13
Combining Schedule of Activities	14
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements In Performed In Accordance with <i>Government Auditing Standards</i>	15-16
Independent Auditor’s Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	17-18
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Schedule of Prior Year Findings and Questioned Costs	22
Independent Accountant’s Report On Applying Agreed-Upon Procedures	23-25
Schedules required by Louisiana State Law (R.S. 24:514 – Performance and Statistical Data)	
Schedule 1: General Fund Instructional and Support Expenditures and Certain Local Revenue Sources for the Year Ended June 30, 2018	26
Schedule 2: Class Size Characteristics	27

Table of Contents (continued)	Page(s)
Independent Accountant's Report On Applying Agreed-Upon Procedures	28-33



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ARISE Schools
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying combining financial statements of ARISE Schools (a nonprofit organization), which comprise the combining statement of financial position as of June 30, 2018, and the related combining statements of activities and cash flows for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of ARISE Schools as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combining financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to the agency head, the combining statement of financial position, the combining statement of activities and the schedule of expenditures of federal awards, as required by the as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the combining 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining 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 combining 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 December 17, 2018 on our consideration of ARISE Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ARISE Schools' internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018

ARISE SCHOOLS
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 640,620
Grant receivables	1,105,565
Other receivables	1,017
Prepaid expenses	<u>225,475</u>
Total current assets	<u>1,972,677</u>
Property and Equipment:	
Bus fleet	491,854
Leasehold improvements	51,367
Office and classroom equipment	26,123
Less: accumulated depreciation	<u>(521,912)</u>
Total property & equipment, net	<u>47,432</u>
Total assets	<u>2,020,109</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	411,784
Line of credit	<u>196,000</u>
Total current liabilities	<u>607,784</u>
Total liabilities	<u>607,784</u>
Net Assets:	
Unrestricted	<u>1,412,325</u>
Total net assets	<u>1,412,325</u>
Total liabilities and net assets	<u>\$ 2,020,109</u>

The accompanying notes are an integral part of these combining financial statements.

ARISE SCHOOLS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Revenues:	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
State public school funding	\$ 10,169,401	\$ -	\$ 10,169,401
Federal grants	2,526,859	-	2,526,859
Donations and contributions	172,384	-	172,384
Net assets released from restrictions:			
Time and purpose restrictions satisfied	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>12,868,644</u>	 <u>-</u>	 <u>12,868,644</u>
 Program services:			
Regular educational programs	4,411,631	-	4,411,631
Special educational programs	1,612,323	-	1,612,323
Other instructional programs	64,471	-	64,471
Pupil support services	779,498	-	779,498
Instructional staff services	845,068	-	845,068
School administration	1,806,135	-	1,806,135
Student transportation services	1,082,443	-	1,082,443
Operation and maintenance of plant services	1,237,557	-	1,237,557
Food service operations	914,923	-	914,923
Management and general:			
Business administration	138,860	-	138,860
Central services	177,697	-	177,697
General administration	<u>361,870</u>	<u>-</u>	<u>361,870</u>
 Total expenses	 <u>13,432,476</u>	 <u>-</u>	 <u>13,432,476</u>
 Change in net assets	 (563,832)	 -	 (563,832)
 Net assets, beginning of year	 <u>1,976,157</u>	 <u>-</u>	 <u>1,976,157</u>
 Net assets, end of year	 <u>\$ 1,412,325</u>	 <u>\$ -</u>	 <u>\$ 1,412,325</u>

The accompanying notes are an integral part of these combining financial statements.

ARISE SCHOOLS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (563,832)
Adjustments to reconcile change in net assets to to net cash (used) by operating activities:	
Depreciation	95,477
Decrease in grant receivable	(114,999)
Increase in other receivable	5,605
Decrease in prepaid expense	(86,769)
Decrease in accounts payable and accrued expenses	29,211
Net cash (used) by operating activities	<u>(635,307)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Draws and (payments) on line of credit, net	<u>84,000</u>
Net cash provided by financing activities	<u>84,000</u>
Net decrease in cash and cash equivalents	(551,307)
Cash and cash equivalents, beginning of year	<u>1,191,927</u>
Cash and cash equivalents, end of year	<u>\$ 640,620</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	<u>\$ 4,859</u>

The accompanying notes are an integral part of these combining financial statements.

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

ARISE Schools ("ARISE") (a nonprofit organization) was incorporated in the fall of 2008 for the purpose of operating a charter school in New Orleans, Louisiana. ARISE was created to offer extended academic time, rigorous college preparatory curriculum and instruction in a foreign language to all students daily. The State Board of Elementary and Secondary Education ("BESE") granted ARISE a Type 5 charter to operate ARISE Academy ("AA").

On December 5, 2012, BESE granted ARISE an additional Type 5 charter to operate Mildred Osborne Charter School ("MOCS") beginning on July 1, 2013.

Basis of Accounting

The combining financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

ARISE follows the provisions of Not-For-Profit Entities Topic of Financial Accounting Standards Boards Accounting Standards Codification 958, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into three separate classes of net assets, as follows:

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by ARISE are limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of ARISE pursuant to such stipulations. At June 30, 2018, there were no temporarily restricted net assets.
- Permanently Restricted - Net assets whose use by ARISE are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of ARISE. At June 30, 2018, there were no permanently restricted net assets.

Estimates

The preparation of combining financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the combining statements of cash flows, ARISE considers all unrestricted highly-liquid investments with an initial maturity of less than three months as cash and cash equivalents. At June 30, 2018, ARISE did not hold any cash equivalents.

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Receivables

Grants and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes-off any balances that are deemed uncollectible and; therefore, does not record an allowance for doubtful accounts.

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 is recorded at fair value as of the date received. ARISE maintains a capitalization threshold of \$5,000 for furniture and equipment, land, and leasehold improvements, or any one item costing under \$5,000 alone but purchased in a group for over \$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 an asset's life are not. All reported property and equipment except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements - life of lease or 5 years, whichever is greater
Office and classroom equipment 5-7 years
Vehicles 4 years

For the year ended June 30, 2018, depreciation expense was \$95,477.

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

Public Support and Revenue

ARISE receives its support primarily from the Louisiana State Department of Education and the United States Department of Education. Irrevocable promises to give and outright contributions are recorded as revenue on the accrual basis as they are received, and allowances are provided for promises to give estimated to be uncollectible. Promises to give and contributions are principally received from corporate, foundation, and individual donors around the United States. Both promises to give and contributions are considered available for unrestricted use unless specifically restricted by donors. Irrevocable promises to give which relate to a subsequent year are recorded as receivables and temporarily restricted net assets in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Public Support and Revenue (continued)

purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combining statements of activities as net assets released from restrictions.

Income Tax Status

ARISE is a Louisiana nonprofit organization under Section 509 (a) (3) of the Internal Revenue Code that has been granted an exemption from the payment of income taxes under Section 501 (c) (3) and has been determined to be other than a private foundation. ARISE's management believes that ARISE continues to operate in a manner that preserves its tax exempt status.

On January 1, 2009, ARISE adopted Financial Accounting Standards Board standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the combining financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. ARISE recognizes the combining financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the combining financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, ARISE applied the new accounting standard to all tax positions for which the statute of limitations remained open. ARISE did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard.

Based on its evaluation, ARISE has concluded that there are no significant uncertain tax positions requiring recognition in its combining financial statements. ARISE is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service ("the IRS") for the years before 2015.

NOTE 2 CONCENTRATIONS:

ARISE maintains its cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution for the year ending June 30, 2018. At times during the year, the ARISE's balances may exceed the FDIC insured amount.

For the year ended June 30, 2018, ARISE received 99% of its total revenues from Federal and State grantors.

NOTE 3 RETIREMENT PLAN:

Employees of ARISE are eligible to participate in the defined contribution plan administered by ARISE. The Plan is a 403(b) defined contribution plan. Employees are allowed to make contributions during the year subject to limitations imposed by the IRS. ARISE provides an employer matching contribution of up to 3% of the employee's salary. For the year ended June 30, 2018, ARISE made employer contributions of \$176,111.

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 COMPENSATED ABSENCES:

School-Based Employees:

All school-based employees are granted seventy-two (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, personal leave/sick days are pro-rated. Unused balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

School Support Center Employees:

School support center employees work throughout the year and observe the school holidays. All full time ARISE employees will receive a total of seventy-two (72) hours PTO (a combination of vacation time, sick time, and personal holiday time) per year. Unused balances, if any, are forfeited upon employee termination and at the conclusion of the fiscal year.

NOTE 5 LEASE AGREEMENTS:

ARISE entered into a rent-free lease agreement with the State of Louisiana Department of Education, Recovery School District (the "RSD") for the period from July 1, 2009 through June 30, 2012 for the use of Dr. Charles Drew Elementary ("Drew") main buildings, cafeteria, and grounds as school facilities. This lease was extended for an additional two (2) years with the lease extension ending June 30, 2014.

The RSD terminated the Drew lease with ARISE during year ended June 30, 2014 in order to perform renovations on Drew's facilities. ARISE signed a new lease under similar terms as the original for the Frederick A. Douglass ("Douglass") School Building located directly across the street from Drew. The new lease was for the period from July 1, 2013 through June 30, 2015 for the use of Douglass's main buildings, cafeteria, and grounds as school facilities. ARISE terminated the Douglass lease on June 15, 2015 upon completion of construction of the Dr. Charles Drew Elementary ("Drew") main buildings, cafeteria, and grounds as school facilities. On February 27, 2015, ARISE, once again, entered into a lease agreement with RSD for the use of for the use of the Dr. Charles Drew Elementary ("Drew") main buildings, cafeteria, and grounds as school facilities. The new lease shall commence on February 27, 2015 and shall remain effective until the earlier of (1) five years from the date of commencement or (2) the last day of the term of the Charter School Contract. Monthly rent payments of \$92,497 shall commence on the date of completion of construction and will continue on the first day of each month thereafter during the terms of the lease. Construction was substantially complete on April 20, 2015 however; the fees were waived by RSD until July 1, 2015.

Future minimum commitments under the Drew lease agreement are as follows:

<u>Year</u>	<u>Amount</u>
2019	<u>\$1,109,964</u>

ARISE is entitled to receive monies through their local revenue allocation to partially offset the costs of the rent payments. For the year ended June 30, 2018, ARISE received \$711,549 through the local revenue

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 LEASE AGREEMENTS (continued):

allocation to partially offset the cost of the rental payments. For the year ended June 30, 2018, rental expense net of the allocation was \$398,415.

Additionally, ARISE signed another rent-free lease with RSD for the use of the Mildred Osborne Charter School Building (“MOCS”) located at 6701 Curran Blvd in New Orleans. The new lease is for the period from July 1, 2013 through June 30, 2016 for the use of the main buildings, cafeteria, and grounds as school facilities. This lease may be extended for an additional two (2) years ending June 30, 2018 in the event that BESE extends ARISE's charter contract for MOCS. During the year ended June 30, 2015, ARISE renewed the lease to extend the term until June 30, 2018. During the year ended June 30, 2018, ARISE signed a new lease with the Orleans Parish School Parish (“OPSD”). This lease expires on June 30, 2021. Beginning July 1, 2018, ARISE will pay a use fee (as defined in the lease agreement) for the use of MOCS. An estimate of the future costs of the use fee has not been determined.

For the year ended June 30, 2018 ARISE is responsible for the payment of services such as utilities, janitorial and sanitation, and disposal services. Property taxes are allocated to ARISE at a pro-rata calculation based upon student enrollment at the schools. The lease agreements state the RSD may move ARISE at any time as long as the RSD provides another facility deemed reasonable, taking into consideration such factors as building capacity, design alignment with grade levels served by ARISE, projected enrollment, program specific needs, and community needs. ARISE may terminate this agreement upon a 60 day notice to relocate its school to a non-RSD facility. The RSD may terminate this agreement with cause prior to the end of the specified term in the event ARISE fails to remedy a material breach within a period reasonable under the circumstances, but not less than 15 days after notice from the RSD. The yearly rental amount of this rent-free lease has been valued based on a schedule included in the signed lease agreement indicating the rent that would be charged to nonprofit organizations for rental of the buildings. For the year ended June 30, 2018, the value of free rent was \$310,250. This amount is not reflected in the financial statements.

At June 30, 2018, ARISE has entered into six (6) operating leases for the rental of twelve (12) copiers. Terms on the leases are forty-eight (48) months. For the year ended June 30, 2018, rental payments under these leases was \$47,633.

Future minimum commitments under the operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 32,623
2020	<u>20,780</u>
	<u>\$ 53,403</u>

NOTE 6 LINE OF CREDIT:

ARISE has a \$200,000 line of credit (the “line”) with a local financial institution. The line matures on August 13, 2018 and bears interest at a variable rate based on the Wall Street Journal Prime rate. At June 30, 2018, the interest rate was five (5) percent. The line is secured by ARISE's deposit account at the financial institution. At June 30, 2018, the balance on the line is \$196,000. For the year ended June 30, 2018, interest expense was \$4,859. Subsequent to June 30, 2018, the line was paid off completely paid and then closed.

ARISE SCHOOLS
NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 CONTINGENCIES:

State Funding - The continuation of ARISE is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

NOTE 8 DATE OF MANAGEMENT'S REVIEW:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 17, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**ARISE SCHOOLS
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018**

Agency Head Name:

Kiril Johnson	Chief Operating Officer and Co-Director
Cari Killian	Chief Academic Officer and Co-Director

<u>Purpose</u>	<u>Johnson</u>	<u>Killian</u>
Salary	\$ 116,000	\$ 116,000
FICA	8,936	8,747
Health insurance	3,706	3,706
Retirement	3,480	3,480
Other insurance benefits	1,861	1,487
Reimbursed expenses	<u>875</u>	<u>421</u>
Total	<u>\$ 134,858</u>	<u>\$ 133,841</u>

See the accompanying independent auditor's report.

ARISE SCHOOLS
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2018

	<u>ARISE</u>	<u>CMO</u>	<u>MOCS</u>	<u>Interfund Eliminations</u>	<u>Total</u>
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 618,887	\$ 3,616	\$ 18,117	\$ -	\$ 640,620
Grant receivables	510,905	-	594,660	-	1,105,565
Other receivables	622	23	372	-	1,017
Due from other entity	8,777,329	3,711,038	8,379,217	(20,867,584)	-
Prepaid expenses	157,078	395	68,002	-	225,475
Total current assets	<u>10,064,821</u>	<u>3,715,072</u>	<u>9,060,368</u>	<u>(20,867,584)</u>	<u>1,972,677</u>
Property and Equipment:					
Office and classroom equipment	20,023	-	6,100	-	26,123
Bus fleet	245,927	-	245,927	-	491,854
Leasehold improvements	-	-	51,367	-	51,367
Less: accumulated depreciation	<u>(255,076)</u>	<u>-</u>	<u>(266,836)</u>	<u>-</u>	<u>(521,912)</u>
Total property & equipment, net	<u>10,874</u>	<u>-</u>	<u>36,558</u>	<u>-</u>	<u>47,432</u>
Total assets	<u>10,075,695</u>	<u>3,715,072</u>	<u>9,096,926</u>	<u>(20,867,584)</u>	<u>2,020,109</u>
Liabilities and Net Assets:					
Current Liabilities:					
Accounts payable and accrued expenses	396,053	542	15,189	-	411,784
Line of credit	196,000	-	-	-	196,000
Due to other entity	8,911,545	3,587,652	8,368,387	(20,867,584)	-
Total current liabilities	<u>9,503,598</u>	<u>3,588,194</u>	<u>8,383,576</u>	<u>(20,867,584)</u>	<u>607,784</u>
Total liabilities	<u>9,503,598</u>	<u>3,588,194</u>	<u>8,383,576</u>	<u>(20,867,584)</u>	<u>607,784</u>
Net Assets:					
Unrestricted	<u>572,097</u>	<u>126,878</u>	<u>713,350</u>	<u>-</u>	<u>1,412,325</u>
Total net assets	<u>572,097</u>	<u>126,878</u>	<u>713,350</u>	<u>-</u>	<u>1,412,325</u>
Total liabilities and net assets	<u>\$ 10,075,695</u>	<u>\$ 3,715,072</u>	<u>\$ 9,096,926</u>	<u>\$ -</u>	<u>\$ 2,020,109</u>

See the accompanying independent auditor's report.

ARISE SCHOOLS
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	AA			CMO	MOCS			Interfund Eliminations	Combined Totals
	Unrestricted	Temporarily			Unrestricted	Temporarily			
		Restricted	Total			Restricted	Total		
State public school funding	\$ 5,419,475	\$ -	\$ 5,419,475	\$ -	\$ 4,749,926	\$ -	\$ 4,749,926	\$ -	\$ 10,169,401
Federal grants	1,365,799	-	1,365,799	-	1,161,060	-	1,161,060	-	2,526,859
Donations and contributions	102,266	-	102,266	-	70,118	-	70,118	-	172,384
Net assets released from restrictions:									
Time and purpose restrictions satisfied	-	-	-	-	-	-	-	-	-
Total revenues	6,887,540	-	6,887,540	-	5,981,104	-	5,981,104	-	12,868,644
Program services:									
Regular educational programs	2,207,717	-	2,207,717	-	2,203,914	-	2,203,914	-	4,411,631
Special educational programs	973,005	-	973,005	-	639,318	-	639,318	-	1,612,323
Other instructional programs	34,565	-	34,565	-	29,906	-	29,906	-	64,471
Pupil support services	302,192	-	302,192	21,491	455,815	-	455,815	-	779,498
Instructional staff services	228,569	-	228,569	271,004	345,495	-	345,495	-	845,068
School administration	1,052,024	-	1,052,024	(288,124)	1,042,235	-	1,042,235	-	1,806,135
Student transportation services	565,401	-	565,401	449	516,593	-	516,593	-	1,082,443
Operation and maintenance of plant services	806,991	-	806,991	-	430,566	-	430,566	-	1,237,557
Food service operations	534,796	-	534,796	-	380,127	-	380,127	-	914,923
Management and general:									
Business administration	27,543	-	27,543	98,427	12,890	-	12,890	-	138,860
Central services	90,931	-	90,931	13,091	73,675	-	73,675	-	177,697
General administration	274,739	-	274,739	47,603	39,528	-	39,528	-	361,870
Total expenses	7,098,473	-	7,098,473	163,941	6,170,062	-	6,170,062	-	13,432,476
Change in Net Assets	(210,933)	-	(210,933)	(163,941)	(188,958)	-	(188,958)	-	(563,832)
Net Assets, Beginning of Period	783,030	-	783,030	290,819	902,308	-	902,308	-	1,976,157
Net Assets, End of Period	572,097	-	572,097	126,878	713,350	-	713,350	-	1,412,325

See the accompanying independent auditor's report.



**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***

To the Board of Directors
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 combining financial statements of ARISE Schools (the “Organization”) (a nonprofit organization), which comprise the combining statement of financial position as of June 30, 2018, and the related combining statements of activities, and cash flows for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARISE Schools' combining 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 determination of combining financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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 Louisiana Legislative Auditor as a public document.

Hienz & Macaluso, LLC

Metairie, Louisiana

December 17, 2018



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

To the Board of Directors
ARISE Schools
New Orleans, LA

Report on Compliance for Each Major Federal Program

We have audited ARISE Schools' 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' major federal programs for the year ended June 30, 2018. ARISE Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ARISE Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ARISE Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ARISE Schools' compliance.

Opinion on Each Major Federal Program

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, 2018.

Report on Internal Control Over Compliance

Management of ARISE Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ARISE Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ARISE Schools' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Louisiana Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018

ARISE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
United States Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553	LA Dept of Education	\$ <u>255,523</u>
Total School Breakfast Program			255,523
National School Lunch Program	10.555	LA Dept of Education	<u>530,877</u>
Total National School Lunch Program			530,877
<i>Total United States Department of Agriculture</i>			<u>786,400</u>
Total Child Nutrition Cluster-Cluster			
United States Department of Education			
Special Education Cluster (IDEA)-Cluster			
Special Education Grants to States	84.027	LA Dept of Education	<u>231,737</u>
Total Special Education Grants to States			231,737
Special Education Preschool Grants	84.173	LA Dept of Education	<u>8,875</u>
Total Special Education Preschool Grants			8,875
<i>Total United States Department of Education</i>			<u>240,612</u>
Total Special Education Cluster (IDEA)-Cluster			
Other Programs			
United States Department of Education			
Title I Grants to Local Educational Agencies	84.010	LA Dept of Education	<u>754,963</u>
Total Title I Grants to Local Educational Agencies			754,963
Improving Teacher Quality State Grants	84.367	LA Dept of Education	<u>82,477</u>
Total Improving Teacher Quality State Grants			82,477
Striving Readers/Comprehensive Literacy Development	84.371	LA Dept of Education	<u>6,921</u>
Total Striving Readers/Comprehensive Literacy			6,921
School Improvement Grants	84.377	LA Dept of Education	<u>351,488</u>
Total School Improvement Grants			351,488
Development Grants			
Student Support and Academic Enrichment Program	84.424	LA Dept of Education	<u>20,000</u>
Total Student Support and Academic Enrichment Program			20,000
<i>Total U.S. Department of Education</i>			<u>1,215,849</u>
United States Department of Agriculture			
Child and Adult Care Food Program	10.558	LA Dept of Education	<u>268,998</u>
Total Child and Adult Care Food Program			268,998
<i>Total United States Department of Agriculture</i>			<u>268,998</u>
Total Other Programs			<u>1,484,847</u>
Total Expenditures of Federal Awards			<u>\$ 2,511,859</u>

The accompanying notes are an integral part of this schedule

See the accompanying independent auditor's report.

ARISE SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of ARISE Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of ARISE Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ARISE Schools.

NOTE B – Summary of Significant Accounting Policies

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 allowable or are limited as to reimbursement.

NOTE C – Relationship to Financial Statements

Federal awards are included in federal grants in the statement of activities for the year ended June 30, 2018.

NOTE D – De Minimis Cost Rate

During the year ended June 30, 2018, ARISE Schools did not elect to use the 10% de minimus cost rate covered in §200.414 of the Uniform Guidance.

ARISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the combining financial statements of ARISE Schools.
2. No control deficiencies were disclosed during the audit of the combining financial statements of ARISE Schools.
3. No instances of noncompliance material to the combining financial statements of ARISE Schools were disclosed during the audit.
4. No control deficiencies relating to internal control over major federal award programs are reported on the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for ARISE Schools expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings which are required to be reported by the Uniform Guidance.
7. The programs tested as a major programs include:

	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
School Improvement Grants	84.377
8. The threshold for distinguishing Type A and Type B Programs was \$750,000.
9. ARISE Schools was determined to be a low-risk auditee.

B. Financial Statement Findings under *Government Auditing Standards*

There were no combining financial statement findings under *Government Auditing Standards* for the fiscal year ended June 30, 2018.

C. Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the fiscal year ended June 30, 2018.

D. Management Letter

A management letter was not issued in connection with the audit for the fiscal year ended June 30, 2018.

ARISE SCHOOLS.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to Combining Financial Statements

No findings.

Section II – Internal Control and Compliance Material to Federal Awards

No findings.

Section III – Management Letter

Not applicable.

R.S. 24:514 I – PERFORMANCE AND STATISTICAL DATA AGREED-UPON
PROCEDURES



**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
ARISE Schools
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by ARISE Schools (the School); the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties) on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2018; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the following schedules are as follows:

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

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - 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

No exceptions were noted.

Class Size Characteristics (Schedule 2)

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.

No exceptions were noted.

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.

Findings:

We noted one individual whose education level per their personnel file did not match the October 1 PEP data.

Management's Response:

The discrepancy is the result of a clerical error and will be corrected.

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).

No exceptions were noted.

This agreed-upon procedures engagement was performed 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, 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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School, as required by Louisiana Revised Statute 24:514.I, 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 Louisiana Legislative Auditor as a public document.

Hienz & Macaluso, LLC

Metairie, Louisiana

December 17, 2018

General Fund Instructional and Support Expenditures
 and Certain Local Revenue Sources
 For the Year Ended June 30, 2018

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 3,769,652	
Other Instructional Staff Activities	91,104	
Instructional Staff Employee Benefits	832,703	
Purchased Professional and Technical Services	426,066	
Instructional Materials and Supplies	159,208	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u> </u>	\$ 5,278,733
Other Instructional Activities		\$ 87,501
Pupil Support Activities	\$ 497,460	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	<u> </u>	\$ 497,460
Instructional Staff Services	\$ 368,730	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	<u> </u>	\$ 368,730
School Administration	\$ 1,633,784.00	
Less: Equipment for School Administration	(9,342.00)	
Net School Administration	<u>1,624,442.00</u>	\$ 1,624,442.00
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 7,856,866.00</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$ 103,833.00</u>
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		\$ -
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue		<u> </u> -
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		\$ -
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		<u> </u> -
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		\$ -
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		<u> </u> -
Nonpublic Textbook Revenue		<u>\$ -</u>
Nonpublic Transportation Revenue		<u>\$ -</u>

See independent accountant's report on applying agreed-upon procedures.

Class Size Characteristics
 As of October 1, 2017

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	22%	62	27%	76	40%	114	11%	31
Elementary Activity Class	34%	11	44%	14	22%	7	-	-
Middle High								
Middle High Activity Class								
High								
High Activity Class								
Combination								
Combination Activity Class								

See independent accountant's report on applying agreed-upon procedures.

**LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES**



To the Board of Directors of ARISE Schools
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by ARISE Schools (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Findings:

We noted that ARISE's written policies and procedures did not address the following areas:

Purchasing – items 2, 4 and 5

Contracting – items 1 through 5

Management's Response:

ARISE is in the process of revising its written policies and procedures and will add the missing items to the revised written policies and procedures.

Bank Reconciliations

3. Obtain a listing of client 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 selected each account, and observe that:

We obtained the listing, management's representation and identification of the main operating account.

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Finding:

We noted one bank reconciliation that was prepared four months after the related statement closing date.

Management's Response:

Financial policies and procedures will be updated to include a deadline for completion of bank reconciliations for all accounts. In this case, the account in question is not a regularly used business account and the reconciliation was overlooked.

b) Bank reconciliations include 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

Finding:

We noted that the bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation.

Management's Response:

The Board Treasurer currently reviews bank statements on a monthly basis. Policies and procedures will be updated to include a review of reconciliations, including a measure to record evidence.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding:

We noted that the main operating account has four reconciling items older than one year.

Management's Response:

Management will research these items and resolve them.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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).

We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.

9. For each location selected under #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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

We obtained a listing of those employees involved with non-payroll purchasing and payment functions and obtained written policies and procedures relating to employee job duties and observed 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/making the purchase.

We observed that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- a) At least two employees are involved in processing and approving payments to vendors.

We observed that at least two employees are involved in processing and approving payments to vendors.

- b) 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.

This procedure is not applicable as the Entity does not maintain an approved vendor list.

- 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.

We observed that 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.

10. For each location selected under #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:

We obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete.

- a) Observe that the disbursement matched the related original invoice/billing statement.

We observed that the selected disbursements matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable

We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. 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, 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:

We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

This procedure is not applicable as reimbursements are based on actual costs.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

We observed that the selected reimbursements were 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).

We observed that each selected reimbursement is supported by documentation of the business/public purpose, for meal charges, we observed that the documentation includes the names of those individuals participating and other documentation required by written policy.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We observed that each selected reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Other

23. 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.

This procedure is not applicable as no misappropriations of public funds and assets during the fiscal period were noted.

24. 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.

The procedures listed above were performed as indicated and no exceptions were noted.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Hienz & Macaluso, LLC
Metairie, Louisiana
December 17, 2018