

# ARISE SCHOOLS

## FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013



**CRI** CARR  
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Carr, Riggs & Ingram, LLC  
3501 North Causeway Boulevard  
Suite 810  
Metairie, Louisiana 70002

(504) 837-9116  
(504) 837-0123 (fax)  
[www.CRIcpa.com](http://www.CRIcpa.com)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
ARISE Schools  
New Orleans, Louisiana

We have audited the accompanying financial statements of ARISE Schools ("ARISE") (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School), which comprise the Statements of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activities, Cash Flows, and Functional Expenses for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 Controller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of ARISE as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 December 9, 2014, on our consideration of ARISE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ARISE's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, LLC*

December 9, 2014

## **FINANCIAL STATEMENTS**

**ARISE Schools**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 820,872	\$ 448,165
Accounts receivable	1,138,915	401,455
Prepaid expenses	25,659	18,068
<b>Total current assets</b>	<b>1,985,446</b>	<b>867,688</b>
Property and equipment, net	239,753	9,510
<b>Total Assets</b>	<b>\$ 2,225,199</b>	<b>\$ 877,198</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 638,837	\$ 601,373
Note payable - current	71,487	-
<b>Total current liabilities</b>	<b>710,324</b>	<b>601,373</b>
<b>Noncurrent Liabilities</b>		
Note payable - long-term	114,653	-
<b>Total Liabilities</b>	<b>824,977</b>	<b>601,373</b>
<b>Net Assets</b>		
Unrestricted	1,400,222	275,825
<b>Total Net Assets</b>	<b>1,400,222</b>	<b>275,825</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,225,199</b>	<b>\$ 877,198</b>

*The accompanying footnotes are an integral part of these financial statements.*

**ARISE Schools**  
**Statements of Activities**

<i>For the years ended June 30,</i>	<b>2014</b>	<b>2013</b>
<b>Unrestricted Net Assets</b>		
<b>Revenues and Support</b>		
Local per pupil aid	\$ 4,660,541	\$ 1,651,991
State public school funds	3,841,603	1,710,451
Federal sources	1,859,957	889,512
Donations and contributions	1,100,399	116,849
Other state and local sources	250,152	248,421
<b>Total Revenues and Support</b>	<b>11,712,652</b>	<b>4,617,224</b>
<b>Expenses</b>		
Program services:		
Instructional	5,113,348	2,489,015
Supporting services:		
Management and general	5,474,907	2,122,434
<b>Total Expenses</b>	<b>10,588,255</b>	<b>4,611,449</b>
<b>Increase in Unrestricted Net Assets</b>	<b>1,124,397</b>	<b>5,775</b>
Unrestricted net assets at beginning of year	275,825	270,050
Unrestricted net assets at end of year	\$ 1,400,222	\$ 275,825

*The accompanying footnotes are an integral part of these financial statements.*

**ARISE Schools**  
**Statements of Cash Flows**

<i>For the years ended June 30,</i>	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	\$ 1,124,397	\$ 5,775
Depreciation expense	84,757	6,007
(Increase) decrease in operating assets:		
Accounts receivable	(737,460)	17,255
Prepaid expenses	(7,591)	(8,918)
Increase in operating liabilities:		
Accounts payable and accrued expenses	37,464	200,279
<b>Net cash provided by operating activities:</b>	<b>501,567</b>	<b>220,398</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of vehicles	(315,000)	-
<b>Net cash used in investing activities</b>	<b>(315,000)</b>	<b>-</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of notes payable	220,500	-
Principal payments on notes payable	(34,360)	-
<b>Net cash provided by financing activities</b>	<b>186,140</b>	<b>-</b>
Net increase in cash and cash equivalents	372,707	220,398
Cash and cash equivalents, beginning of year	448,165	227,767
<b>Cash and cash equivalents, end of year</b>	<b>\$ 820,872</b>	<b>\$ 448,165</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ 7,674	\$ -

*The accompanying footnotes are an integral part of these financial statements.*

**ARISE Schools**  
**Statement of Functional Expenses - 2014**

	Program Services	Support Services Management and General	Total
<i>For the year ended June 30, 2014</i>	Instructional	General	Total
Salaries and benefits	\$ 3,950,357	\$ 1,860,653	\$ 5,811,010
Supplies	858,402	212,648	1,071,050
Food service	-	781,426	781,426
Professional services	299,600	313,943	613,543
Bus service	-	519,580	519,580
Purchased property services	-	489,360	489,360
Rent	-	310,250	310,250
Dues and fees	3,985	365,825	369,810
Utilities	-	302,155	302,155
Insurance	-	179,672	179,672
Depreciation	-	84,757	84,757
Travel	-	28,577	28,577
Telephone and postage	587	10,694	11,281
Interest	-	7,674	7,674
Advertising	-	7,643	7,643
Books and periodicals	417	50	467
<b>Total Expenses</b>	<b>\$ 5,113,348</b>	<b>\$ 5,474,907</b>	<b>\$ 10,588,255</b>

*The accompanying footnotes are an integral part of these financial statements.*

**ARISE Schools**  
**Statement of Functional Expenses - 2013**

	Program Services	Support Services Management and	
<i>For the year ended June 30, 2013</i>	Instructional	General	Total
Salaries and benefits	\$ 2,403,045	\$ 534,129	\$ 2,937,174
Bus service	-	334,748	334,748
Food service	-	310,767	310,767
Purchased property services	22,225	281,750	303,975
Professional services	-	244,842	244,842
Supplies	61,814	72,500	134,314
Rent	-	102,200	102,200
Utilities	-	96,308	96,308
Dues and fees	-	83,724	83,724
Insurance	-	33,419	33,419
Telephone and postage	-	13,006	13,006
Depreciation	-	6,007	6,007
Travel	-	5,529	5,529
Advertising	-	3,505	3,505
Books and periodicals	1,931	-	1,931
<b>Total Expenses</b>	<b>\$ 2,489,015</b>	<b>\$ 2,122,434</b>	<b>\$ 4,611,449</b>

*The accompanying footnotes are an integral part of these financial statements.*

**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.

On December 5, 2012, BESE granted ARISE an additional Type 5 charter to operate Mildred Osborn Charter School (“MOCS”) beginning on July 1, 2013. In its first year of operations, MOCS taught students from Pre-K through the sixth grade.

The financial statements for the year ended June 30, 2014 present the financial performance of both ARISE Academy and Mildred Osbourne Charter School. The financial statements for the year ended June 30, 2013 only present financial statements of ARISE Academy.

Basis of Accounting

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

Functional Expenses

The cost of program and supporting services has been reported on a functional basis. This requires the allocation of certain costs based on total program costs and estimates made by management. The allocation between functions is compiled based on the Louisiana Accounting and Uniform Governmental Handbook (LAUGH).

Property and Equipment

Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. 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:

Office and classroom equipment	5-7 years
Vehicles	4 years

Assets acquired with Department of Education funds are owned by ARISE while used in the purpose for which it was purchased. The Department of Education, however, has a reversionary interest in these

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency.

***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 503(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 a standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the 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 financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the 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 financial statements. ARISE is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before 2010.

***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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 Statements of Activities as net assets released from restrictions.

Grants receivable make up a significant portion of ARISE's assets. Management has determined that these receivables are fully collectible, and therefore no allowance for doubtful accounts has been recorded.

***Estimates***

The preparation of financial statements in conformity with 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 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.

***Basis of Presentation***

ARISE follows the provisions of *Not-For-Profit Entities* Topic of FASB ASC (FASB ASC 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

***Subsequent Events***

Subsequent events have been evaluated through December 9, 2014, the date the financial statements were available to be issued.

**NOTE 2: CASH AND CASH EQUIVALENTS**

ARISE maintains its cash balances at a national financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ending June 30, 2014 and 2013. At times, the balance may exceed the federally insured amount.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 and 2013, consisted of the following:

	2014	2013
Office and classroom equipment	\$ 20,023	\$ 20,023
Vehicles	315,000	-
Less: Accumulated Depreciation	(95,270)	(10,513)
	\$ 239,753	\$ 9,510

Depreciation expense was \$84,757 and \$6,007 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 4: RETIREMENT PLAN**

Substantially all employees of ARISE are members of an employer sponsored simple IRA retirement plan. Covered employees may elect to contribute a portion of their salaries to the Plan. ARISE's matching contribution to the Plan is 100% of the participant's contributions not to exceed 3% of the participant's compensation. ARISE made contributions to the Plan of \$95,060 and \$60,850 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 5: 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.

**Funding Policy:**

School Support Center staff 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 6: LEASE AGREEMENT**

ARISE has 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 may be extended for an additional two (2) years ending June 30, 2014 in the event the Louisiana Board of Elementary and Secondary Education extends ARISE's contract.

The RSD terminated the existing 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 is for the period from July 1, 2013 through June 30, 2014 for the use of Douglass's main buildings, cafeteria, and grounds as school facilities.

Additionally, ARISE signed another rent-free lease with RSD for the use of the Mildred Osbourne Charter School Building 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.

ARISE is responsible for the payment of shared services with the RSD such as utilities, janitorial and sanitation, disposal services, nursing services and property taxes 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,

**NOTE 6: LEASE AGREEMENT (Continued)**

and community needs. ARISE may terminate this agreement upon a 30 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 amount of the rent-free leases has been valued based on a schedule included in the signed lease agreements indicating fees that would be charged to nonprofit organizations for rental of the buildings totaling \$310,250 and \$102,200 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 7: OPERATING LEASE AGREEMENT**

ARISE has entered into nine (9) operating leases for the rental of nine (9) copiers. Terms on the leases range over a period of thirty-two (32) to forty-eight (48) months. Rental payments under these leases were \$43,714 and \$17,714 for the years ended June 30, 2014 and 2013, respectively.

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

2015		\$	28,966
2016			20,325
2017			10,699
2018			3,396
			63,386
			\$ 63,386

**NOTE 8: NOTE PAYABLE**

ARISE entered into a note payable on December 31, 2014 for the purchase of a bus fleet. See details of the note below. The note payable consists of the following at June 30, 2014:

Payable to a local bank, interest rate fixed at 5.25%, collateralized by the ARISE bus fleet, principal and interest payable at \$6,640 per month through December 2016.	\$	186,140
Less current maturities		(71,487)
Total note payable, less current maturities	\$	114,653

**NOTE 8: NOTE PAYABLE (Continued)**

Future maturity of the note payable is as follows:

<i>For the year ending June 30,</i>	
2015	\$ 71,487
2016	75,382
2017	39,271
	\$ 186,140

Interest expense for this note for the year ending June 30, 2014 was \$7,674.

**NOTE 9: CONCENTRATIONS**

For the years ended June 30, 2014 and 2013, ARISE received 16% and 19%, respectively, of its total revenue from federal sources, 33% and 37%, respectively, of its total revenue from state public school funds, and 40% and 36%, respectively, of its total revenue from local public school funding.

**NOTE 10: 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.

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

## INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
ARISE Schools  
New Orleans, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of ARISE Schools (“ARISE”) (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management’s assertions about the performance and statistical data accompanying the annual financial statements of the School 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. The School is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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.

Our procedures and findings are as follows:

### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule K-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 the schedule:
  - 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, and
  - Nonpublic Transportation Revenue.

#### Education Levels of Public School Staff (Schedule K-2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total number of full-time classroom teachers per this schedule and to ARISE supporting payroll records as of October 1, 2013.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule K-4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2013 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's education level was properly classified on the schedule.

#### Number and Type of Public Schools (Schedule K-3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application).

#### Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2013 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined that the individual's experience was properly classified on the schedule.

#### Public Staff Data: Average Salaries (Schedule K-5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined that the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule K-6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule K-3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2013 roll books for those classes and determined that the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) (Schedule K-7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by ARISE.

iLEAP Tests (Schedule K-9)

11. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by ARISE.

We noted the following exceptions as a result of applying the above procedures:

Education Levels of Public School Staff (Schedule K-2)

**Finding:**

We noted one (1) instance where the employee's education level did not agree to the reported level on the October 1, 2013 PEP report.

**Corrective Action Plan:**

ARISE agrees with the finding. The employee earned a master's degree in 2014 and this information was not updated in the school's HR system. ARISE will emphasize in its employee handbook that all demographic changes should be reported immediately to the school's operations director. The operations director will coordinate the change in the school's HR system.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule K-4)

**Finding:**

We noted one (1) instance where the employee's experience level did not agree to the reported level on the October 1, 2013 PEP report.

**Corrective Action Plan:**

ARISE considered the employee's prior education experience in a summer institute, summer mentoring and one-on-one student coaching positions as part of her education experience. In the future, ARISE will not consider this type of experience.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of ARISE, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr. Riggs & Ingram, LLC*

December 9, 2014

**ARISE Schools**  
**Schedule K-1**

**GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND  
CERTAIN LOCAL REVENUE SOURCES  
FOR THE YEAR ENDED JUNE 30, 2014**

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$	2,886,034	
Other instructional staff activities		53,333	
Instructional Staff Employee benefits		690,935	
Purchased professional and technical services		202,900	
Instructional materials and supplies		590,761	
Less instructional equipment		-	
Total teacher and student interaction activities		-	\$ 4,423,963

Other instructional activities

-

Pupil support activities	\$	511,249	
Less equipment for pupil support activities		-	
Net pupil support activities		-	511,249

Instructional Staff Services	\$	107,897	
Less equipment for instructional staff services		-	
Net instructional staff services		-	107,897

School Administration	\$	740,223	
Less: Equipment for School Administration		-	
Net School Administration		-	740,223

Total general fund instructional expenditures		\$ 5,783,332	
---	--	--------------	--

Total general fund equipment expenditures		-	
---	--	---	--

Certain Local Revenue Sources

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		-	

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		-	

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		-	

Nonpublic textbook revenue		-	
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Nonpublic transportation revenue		-	
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EDUCATION LEVELS OF PUBLIC SCHOOL STAFF  
AS OF OCTOBER 1, 2013

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	0%	-	0%	-	0.0%	-	0%
Bachelor's Degree	22	81%	28	74%	1	100%	1	100%
Master's Degree	4	15%	10	26%	-	0.0%	-	0%
Master's Degree +30	1	4%	-	0%	-	0.0%	-	0%
Specialist in Education	-	0%	-	0%	-	0.0%	-	0%
Ph. D. or Ed. D.	-	0%	-	0%	-	0.0%	-	0%
<b>Total</b>	<b>27</b>	<b>100%</b>	<b>38</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>1</b>	<b>100%</b>

**NUMBER AND TYPE OF PUBLIC SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014**

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Type	2014
	Number
Elementary	2
Middle/Jr. High	-
Secondary	-
Combination	-
Total	2

Note: Schools opened or closed during the fiscal year are included in this schedule.

**EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS, AND  
FULL-TIME CLASSROOM TEACHERS  
AS OF OCTOBER 1, 2013**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	-	-	-	-	-	-	-	-
Classroom Teachers	26	14	23	1	-	-	1	65
Principals	-	1	1		-	-	-	2
Total	26	15	24	1	-	-	1	67

**PUBLIC SCHOOL STAFF DATA: AVERAGE SALARIES  
AS OF JUNE 30, 2014**

2015	All Classroom Teachers	Classroom Teachers Excluding ROTC And Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$43,973	\$43,989
Average Classroom Teacher's Salary Excluding Extra Compensation	\$43,973	\$43,989
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	62.03	61.03

Note: Figures reported include all sources of funding (i.e. federal, state and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

**CLASS SIZE CHARACTERISTICS  
AS OF OCTOBER 1, 2013**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	6%	10	62%	110	32%	56	-	-
Elementary Activity Classes	7%	5	72%	49	21%	14	-	-
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 Educational Assessment Program (LEAP)**

**For the Year Ended June 30, 2014, 2013, and 2012**

District Achievement Level Results	English			Mathematics		
	2014	2013	2012	2014	2013	2012
<b>Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 4</b>						
Advanced	0%	0%	0%	2%	3%	3%
Mastery	16%	4%	9%	13%	14%	17%
Basic	47%	58%	64%	32%	45%	38%
Approaching Basic	23%	22%	21%	23%	20%	31%
Unsatisfactory	14%	16%	6%	30%	18%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

District Achievement Level Results	Science			Social Studies		
	2014	2013	2012	2014	2013	2012
<b>Students</b>	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 4</b>						
Advanced	0%	1%	0%	0%	0%	0%
Mastery	3%	1%	9%	3%	1%	0%
Basic	34%	34%	57%	37%	44%	57%
Approaching Basic	39%	46%	23%	27%	33%	29%
Unsatisfactory	24%	18%	11%	33%	22%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

/ LEAP TESTS

For the Year Ended June 30, 2014, 2013, and 2012

District Achievement Level Results	English			Mathematics			Science			Social Studies		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Students	Percent	Percent	Percent									
<b>Grade 3</b>												
Advanced	1%	0%	0%	4%	1%	10%	1%	1%	0%	1%	1%	0%
Mastery	16%	6%	16%	14%	18%	16%	8%	11%	15%	4%	11%	6%
Basic	35%	59%	53%	55%	59%	50%	42%	50%	47%	53%	50%	36%
Approaching Basic	26%	21%	21%	18%	10%	10%	28%	28%	26%	30%	28%	37%
Unsatisfactory	22%	14%	10%	9%	12%	14%	21%	10%	12%	12%	10%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>									

District Achievement Level Results	English			Mathematics			Science			Social Studies		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 5</b>												
Advanced	0%	0%	N/A	0%	7%	N/A	0%	0%	N/A	0%	0%	N/A
Mastery	9%	21%	N/A	4%	15%	N/A	0%	15%	N/A	0%	10%	N/A
Basic	32%	51%	N/A	36%	43%	N/A	35%	45%	N/A	43%	53%	N/A
Approaching Basic	25%	21%	N/A	29%	24%	N/A	29%	27%	N/A	33%	29%	N/A
Unsatisfactory	34%	7%	N/A	31%	11%	N/A	36%	13%	N/A	24%	8%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	

District Achievement Level Results	English			Mathematics			Science			Social Studies		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Students	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
<b>Grade 6</b>												
Advanced	0%	N/A	N/A	2%	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Mastery	19%	N/A	N/A	9%	N/A	N/A	5%	N/A	N/A	3%	N/A	N/A
Basic	38%	N/A	N/A	35%	N/A	N/A	36%	N/A	N/A	41%	N/A	N/A
Approaching Basic	26%	N/A	N/A	26%	N/A	N/A	46%	N/A	N/A	38%	N/A	N/A
Unsatisfactory	17%	N/A	N/A	28%	N/A	N/A	13%	N/A	N/A	18%	N/A	N/A
<b>Total</b>	<b>100%</b>			<b>100%</b>			<b>100%</b>			<b>100%</b>		

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
AND OMB CIRCULAR A-133 COMPLIANCE**

**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***

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 financial statements of ARISE Schools (“ARISE”) (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School), which comprise the Statement of financial position as of June 30, 2014, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ARISE’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ARISE’s internal control. Accordingly, we do not express an opinion on the effectiveness of ARISE’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 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'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **2014-001**.

### **ARISE's response to Finding**

ARISE's response to the finding identified in our audit is described in the accompanying corrective action plan. ARISE's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

### **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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, LLC*

December 9, 2014

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
ARISE Schools  
New Orleans, Louisiana

We have audited ARISE Schools’ (“ARISE”) (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ARISE’s major federal programs for the year ended June 30, 2014. ARISE’s 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of ARISE’s 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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’s 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’s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, ARISE 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, 2014.

### **Report on Internal Control Over Compliance**

Management of ARISE 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's 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 OMB Circular A-133, 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's 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, LLC*

December 9, 2014

**ARISE Schools**  
**Schedule of Expenditures of Federal Awards**

<b>Grantor/Program Title/Pass-Through Grantor</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<u>U.S. Department of Education:</u>		
<i>Passed-through Louisiana Department of Education:</i>		
Title I Grants to Local Educational Agencies (LEAs)	84.010	\$ 616,264
Title II Improving Teacher Quality State Grants	84.367	97,309
Special Education - Grants to States (IDEA, Part B)	84.027	185,239
Special Education - Grants to States		
Preschool (IDEA, Preschool)	84.173	6,394
Race to the Top	84.395	100,000
Charter Schools Program	84.282	37,800
<b>Total U.S. Department of Education</b>		<b>1,043,006</b>
<u>U.S. Department of Agriculture:</u>		
<i>Passed-through KIPP New Orleans Schools:</i>		
Child Nutrition Cluster:		
National School Lunch Program	10.555	548,945
National Breakfast Program	10.553	225,292
<b>Total U.S. Department of Agriculture</b>		<b>774,237</b>
<b>Total federal assistance</b>		<b>\$ 1,817,243</b>

*The accompanying footnote is an integral part of this schedule.*



**ARISE Schools**

**Note to the Schedule of Expenditures of Federal Awards**

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ARISE and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

## ARISE Schools Schedule of Findings and Questioned Costs

### A. SUMMARY OF AUDITOR'S RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements of ARISE Schools ("ARISE") (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School).
- An instance of noncompliance material to the financial statements of ARISE was disclosed and identified during the audit.
- No material weaknesses were noted relating to the audit 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*.
- The *Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133* expresses an unmodified opinion on all major federal programs.
- There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- A management letter was issued for the year ended June 30, 2014.
- The programs tested as a major program for the year ended June 30, 2014 were:

<u>Program Title</u>	<u>CFDA No.</u>
Title I Grants to Local Educational Agencies (LEAs)	84.010
Child Nutrition Cluster	10.553/10.555
- The threshold for distinguishing between Type A and Type B programs was \$300,000.
- ARISE qualified as a low-risk auditee.

### B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

#### 2014-001: FRAUD INCIDENT – DEBIT CARD THEFT

Condition: From March 2014 through June 2014, ARISE experienced theft in the amount of approximately \$9,341. In June 2014, ARISE was able to recover nearly all of the stolen funds through insurance claims less its deductible, resulting in a net loss to ARISE of approximately \$1,000. In December 2014, ARISE notified the legislative auditor of the misappropriation of assets.



## **ARISE Schools** **Schedule of Findings and Questioned Costs**

Criteria: As required by Louisiana Revised Statute 24:523, “An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.”

Cause: ARISE did not immediately notify the legislative auditor of the theft.

Effect: ARISE was not in compliance with Louisiana Revised Statute 24:523.



**ARISE Schools**  
**Summary Schedule of Prior Audit Findings**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None.

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS**

None.

**SECTION III – MANAGEMENT LETTER**

None.

**2014-001: FRAUD INCIDENT – DEBIT CARD THEFT**

ARISE agrees with the finding. Although ARISE did not report the incident to the legislative auditor within the time frame stated by Louisiana Revised Statute 24:523, ARISE: 1) terminated the employee immediately, 2) contacted the fraud department at the school's bank to de-activate and re-issue the school's debit card, 3) alerted the Board of Directors, 4) filed a report with the New Orleans Police Department (NOPD) and 5) filed a claim with the school's insurance company.

ARISE was prepared to disclose the incident to its auditors during its annual audit. ARISE has since submitted a full description of the incident and supporting documents to the legislative auditor. ARISE has received full reimbursement from its insurer less the required deductible. Also, upon issuance of a warrant by the NOPD, the terminated employee was arrested. The insurer, who is seeking restitution, as well as the NOPD have actions pending against the terminated employee.

# ARISE SCHOOLS

## Memorandum of Advisory Comments

For the Year Ended June 30, 2014



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**ARISE Schools  
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June 30, 2014**

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Carr, Riggs & Ingram, LLC  
3501 North Causeway Boulevard  
Suite 810  
Metairie, Louisiana 70002

(504) 837-9116  
(504) 837-0123 (fax)  
www.cricpa.com

December 9, 2014

To the Board of Directors  
ARISE Schools

In planning and performing our audit of the financial statements of ARISE Schools ("ARISE") (a nonprofit organization) (dba ARISE Academy at Charles Drew Elementary School and Mildred Osborne Charter School) June 30, 2014, 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 controller of the United States, we considered ARISE's internal control over financial reporting (internal control) as a basis for designing auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of ARISE's internal control.

However, during our audit we became aware of a deficiency in internal control other than a significant deficiency or a material weakness that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our observation and recommendation regarding this matter. This letter does not affect our report dated December 9, 2014, on the consolidated financial statements of ARISE.

We will review the status of our observation during our next audit engagement. We have already discussed this observation and recommendation with various ARISE personnel, and we will be pleased to discuss in further detail at your convenience or to perform any additional study of this matter.

Sincerely,

*Carr, Riggs & Ingram, LLC*

**1. Food Service Accruals**

Observation:

During our testing of ARISE's food service accruals, we noted that food service expenses and reimbursement revenues were not properly accrued at the beginning and end of the period. The net effect was not material to the financial statements.

Recommendation:

We recommend that ARISE accrue food service expenses in the period they are incurred and revenues in the period they are earned.

Corrective Action Plan:

ARISE has a policy in place to estimate accruals in the event that actual invoices and bills have not been received. As a result, there may be differences between the estimated balances and the actual amounts. Such differences are often immaterial as in the case here. We do agree with the finding and are working to develop a better method to estimate expenses throughout the year.