

**ARISE SCHOOLS**  
**COMBINING FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2019

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## 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, 2019, and the related combining statements of activities, functional expenses 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, 2019, 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.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) No. 2016-14-*Presentation of Financial Statements of Not-for-Profit Entities*: this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

## ***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 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 January 13, 2020 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  
January 13, 2020

**ARISE SCHOOLS**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 1,084,044
Grant receivables	581,565
Other receivables	4,118
Prepaid expenses	192,567
Total current assets	<u>1,862,294</u>
Property and Equipment:	
Bus fleet	491,854
Leasehold improvements	51,367
Office and classroom equipment	26,123
Less: accumulated depreciation	(540,124)
Total property & equipment, net	<u>29,220</u>
Total assets	<u><u>1,891,514</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable and accrued expenses	352,053
Total current liabilities	<u>352,053</u>
Total liabilities	<u><u>352,053</u></u>
Net Assets:	
Without Donor Restrictions	1,539,461
Total net assets	<u>1,539,461</u>
Total liabilities and net assets	<u><u>\$ 1,891,514</u></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, 2019**

Revenues:	Without Donor Restrictions	With Donor Restrictions	Total
State public school funding	\$ 10,334,010	\$ -	\$ 10,334,010
Federal grants	2,331,958	-	2,331,958
Donations and contributions	751,991	-	751,991
Interest income	535	-	535
Gain on disposal of property	16,780	-	16,780
Net assets released from restrictions:			
Time and purpose restrictions satisfied	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>13,435,274</u>	<u>-</u>	<u>13,435,274</u>
Program services:			
Regular educational programs	3,032,978	-	3,032,978
Special educational programs	2,885,099	-	2,885,099
Other instructional programs	48,144	-	48,144
Pupil support services	746,774	-	746,774
Instructional staff services	797,754	-	797,754
School administration	2,237,057	-	2,237,057
Student transportation services	925,208	-	925,208
Operation and maintenance of plant services	978,167	-	978,167
Food service operations	718,365	-	718,365
Management and general:			
Business administration	123,215	-	123,215
Central services	90,200	-	90,200
General administration	326,127	-	326,127
Other use of funds	399,050	-	399,050
	<hr/>	<hr/>	<hr/>
Total expenses	<u>13,308,138</u>	<u>-</u>	<u>13,308,138</u>
Change in net assets	127,136	-	127,136
Net assets, beginning of year	<u>1,412,325</u>	<u>-</u>	<u>1,412,325</u>
Net assets, end of year	<u>\$ 1,539,461</u>	<u>\$ -</u>	<u>\$ 1,539,461</u>

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

**ARISE SCHOOLS**  
**COMBINING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>Total Expenses</u>
	<u>Instructional</u>	<u>Management and General</u>	
<b>Expenses:</b>			
Salaries	\$ 6,504,057	\$ 265,469	\$ 6,769,526
Retirement	155,737	4,942	160,679
Other Employee Benefits	668,647	12,355	681,002
Payroll Taxes	516,408	9,382	525,790
Legal	6,696	-	6,696
Other Services	1,417,700	113,133	1,530,833
Advertising	-	16,797	16,797
Travel	15,498	1,888	17,386
Interest	-	1,427	1,427
Depreciation	18,212	-	18,212
Insurance	60,914	111,741	172,655
Supplies	923,508	1,092	924,600
Food Service Management	358,239	-	358,239
Bus Service	505,790	-	505,790
Dues and Fees	395,467	-	395,467
Purchased Property Services	490,845	400,366	891,211
Other Expenses	331,828	-	331,828
	<u>\$ 12,369,546</u>	<u>\$ 938,592</u>	<u>\$ 13,308,138</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, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 127,136
Adjustments to reconcile change in net assets to to net cash provided by operating activities:	
Depreciation	18,212
Decrease in grant receivable	524,000
Increase in other receivable	(3,101)
Decrease in prepaid expense	32,908
Decrease in accounts payable and accrued expenses	(59,731)
Net cash provided by operating activities	639,424

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Draws and (payments) on line of credit, net	(196,000)
Net cash used by financing activities	(196,000)

Net increase in cash and cash equivalents	443,424
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Cash and cash equivalents, beginning of year	640,620
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Cash and cash equivalents, end of year	\$ 1,084,044
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Supplemental Disclosure of Cash Flow Information:

Cash paid for interest	\$ 535
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The accompanying notes are an integral part of these combining financial statements.

**ARISE SCHOOLS**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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"). Effective July 1, 2019, AA became a Type 3B charter under the jurisdiction of the Orleans Parish School Board.

On December 5, 2012, BESE granted ARISE an additional Type 5 charter to operate Mildred Osborne Charter School ("MOCS") beginning on July 1, 2013. Effective July 1, 2018, MOCS became a Type 3B charter under the jurisdiction of the Orleans Parish School Board.

***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 classification of resources into two separate classes of net assets, as follows:

- Net assets without donor restrictions – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors, and others entered into by the organization in the course of its business.
- Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At June 30, 2019, there were no net assets with donor restrictions.

***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.

**ARISE SCHOOLS**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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, 2019, depreciation expense was \$18,212.

Assets acquired with Louisiana Department of Education (“DOE”) or Orleans Parish School Board (“OPSB”) funds are owned by ARISE while used in the purpose for which it was purchased. These entities; however, have 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 Orleans Parish School Board. 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 net assets with donor restrictions in the year the commitment is received. Contributions whose donor restrictions are met in the same reporting period are reported as net assets without donor restrictions.

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 use without restriction 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, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

*Public Support and Revenue (continued)*

purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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. As of the date of this report, an extension has been filed for the 2018 Form 990, which is for the fiscal year ended June 30, 2019.

*Change in Accounting Principle*

Effective July 1, 2018, ARISE adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any

**ARISE SCHOOLS**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

*Change in Accounting Principle (continued)*

opening balances related to the period presented. ARISE's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

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, 2019. At times during the year, the ARISE's balances may exceed the FDIC insured amount.

For the year ended June 30, 2019, 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, 2019, ARISE made employer contributions of \$160,679.

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, 2014 for the use of Dr. Charles Drew Elementary ("Drew") main buildings, cafeteria, and grounds as school facilities. RSD renovated the school facilities during the year ended June 30, 2015.

**ARISE SCHOOLS**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 5 LEASE AGREEMENTS (continued):

On February 27, 2015, ARISE, entered into a new lease agreement with RSD for the use of the renovated school facilities. The lease term commenced 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. The new lease set forth monthly rent payments of \$92,497 commencing on July 1, 2015 and on the first day of each month thereafter during the terms of the lease.

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

<u>Year</u>	<u>Amount</u>
2020	<u>\$739,976</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, 2019, ARISE received \$710,476 through the local revenue allocation to partially offset the cost of the rental payments. For the year ended June 30, 2019, rental expense net of the allocation was \$399,050.

Additionally, ARISE entered into a lease with RSD for the use of the Mildred Osborne Charter School Building (“MOCS”) located at 6701 Curran Blvd in New Orleans beginning July 1, 2013 through June 30, 2017 for the use of the main buildings, cafeteria, and grounds as school facilities. During the year ended June 30, 2018, ARISE entered into a new lease with the Orleans Parish School Board (“OPSB”) for the use of the Mildred Osborne Charter School Building. The lease term was effective beginning July 1, 2018 and expires on June 30, 2021. As defined in the lease agreement, ARISE pays a use fee and participates in OPSB’s Per Pupil Unit Cost Program for the use of MOCS. As of June 30, 2019, the annualized use fee deduction of \$58,823, is calculated per the student count on February 1, 2018 at a rate of \$118 per pupil.

At June 30, 2019, ARISE has entered into six (6) operating leases for the rental of twelve (19) copiers. Terms on the leases are twenty-six (26) to forty-eight (48) months. For the year ended June 30, 2019, rental payments under these leases was \$55,680.

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

<u>Year</u>	<u>Amount</u>
2020	26,853
2021	9,660
2022	2,631
2023	<u>1,534</u>
	<u>\$ 40,678</u>

NOTE 6 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 Orleans Parish School Board. 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

**ARISE SCHOOLS**  
**NOTES TO COMBINING FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

NOTE 6 CONTINGENCIES (continued):

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 7 DATE OF MANAGEMENT'S REVIEW:

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 13, 2020, 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.

NOTE 8 AVAILABILITY AND LIQUIDITY:

At June 30, 2019, ARISE has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of the following:

Cash and cash equivalents	\$ 1,084,044
Grant receivables	581,565
Other receivables	4,118
	<u>\$ 1,669,727</u>

None of the financial assets above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. ARISE's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 60 days of operating expenses. ARISE regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources of ARISE. In addition, ARISE operates with a budget and monitors sources and uses of funds throughout the year by comparing budget to actual operating expenses.

NOTE 9 FUNCTIONAL EXPENSES:

As required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) — Presentation of Financial Statements of Not-for-Profit Entities, ARISE has presented a combining statement of functional expenses as part of its financial statements. Any costs related to activities that constitute direct conduct or direct supervision of program services are classified as program expenses. Any costs related to administration are functionally classified as supporting service expenses. The financial statements of ARISE report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries and employee benefits have been allocated based on time and effort. Other services, travel, insurance, supplies and purchased property services have been allocated based on actual expenses.

**SUPPLEMENTARY INFORMATION**

**ARISE SCHOOLS**  
**SCHEDULE OF COMPENSATION, BENEFITS**  
**AND OTHER PAYMENTS TO THE AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 121,000	\$ 121,000
FICA	9,165	8,859
Health insurance	5,384	10,342
Retirement	3,630	3,630
Reimbursed expenses	<u>96</u>	<u>454</u>
Total	<u>\$ 139,275</u>	<u>\$ 144,285</u>

See the accompanying independent auditor's report.

**ARISE SCHOOLS**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	<u>ARISE</u>	<u>CMO</u>	<u>MOCS</u>	<u>Interfund Eliminations</u>	<u>Total</u>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 661,085	\$ 11,710	\$ 411,249	\$ -	\$ 1,084,044
Grant receivables	297,596	-	283,969	-	581,565
Other receivables	1,505	-	2,613	-	4,118
Due from other entity	631	122,387	227,102	(350,120)	-
Prepaid expenses	144,909	-	47,658	-	192,567
<b>Total current assets</b>	<u>1,105,726</u>	<u>134,097</u>	<u>972,591</u>	<u>(350,120)</u>	<u>1,862,294</u>
<b>Property and Equipment:</b>					
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	(260,513)	-	(279,611)	-	(540,124)
<b>Total property &amp; equipment, net</b>	<u>5,437</u>	<u>-</u>	<u>23,783</u>	<u>-</u>	<u>29,220</u>
<b>Total assets</b>	<u>1,111,163</u>	<u>134,097</u>	<u>996,374</u>	<u>(350,120)</u>	<u>1,891,514</u>
<b>Liabilities and Net Assets:</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	273,377	458	78,218	-	352,053
Due to other entity	227,102	79	122,939	(350,120)	-
<b>Total current liabilities</b>	<u>500,479</u>	<u>537</u>	<u>201,157</u>	<u>(350,120)</u>	<u>352,053</u>
<b>Total liabilities</b>	<u>500,479</u>	<u>537</u>	<u>201,157</u>	<u>(350,120)</u>	<u>352,053</u>
<b>Net Assets:</b>					
Without Donor Restrictions	610,684	133,560	795,217	-	1,539,461
With Donor Restrictions	-	-	-	-	-
<b>Total net assets</b>	<u>610,684</u>	<u>133,560</u>	<u>795,217</u>	<u>-</u>	<u>1,539,461</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,111,163</u>	<u>\$ 134,097</u>	<u>\$ 996,374</u>	<u>\$ -</u>	<u>\$ 1,891,514</u>

See the accompanying independent auditor's report.

**ARISE SCHOOLS**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	AA			CMO	MOCS			Interfund Eliminations	Combined Totals
	Without Donor	With Donor	Total		Without Donor	With Donor	Total		
	Restrictions	Restrictions			Restrictions	Restrictions			
State public school funding	\$ 5,419,148	\$ -	\$ 5,419,148	\$ -	\$ 4,914,862	\$ -	\$ 4,914,862	\$ -	\$ 10,334,010
Federal grants	1,204,418	-	1,204,418	-	1,127,540	-	1,127,540	-	2,331,958
Donations and contributions	109,680	-	109,680	546,712	95,599	-	95,599	-	751,991
Interest income	276	-	276	-	259	-	259	-	535
Gain on disposal of property	8,390	-	8,390	-	8,390	-	8,390	-	16,780
Net assets released from restrictions:									
Time and purpose restrictions satisfied	-	-	-	-	-	-	-	-	-
Total revenues	6,741,912	-	6,741,912	546,712	6,146,650	-	6,146,650	-	13,435,274
Program services:									
Regular educational programs	784,568	-	784,568	-	2,248,410	-	2,248,410	-	3,032,978
Special educational programs	2,178,504	-	2,178,504	-	706,595	-	706,595	-	2,885,099
Other instructional programs	34,440	-	34,440	-	13,704	-	13,704	-	48,144
Pupil support services	292,087	-	292,087	41,446	413,241	-	413,241	-	746,774
Instructional staff services	245,769	-	245,769	201,361	350,624	-	350,624	-	797,754
School administration	1,054,184	-	1,054,184	186,409	996,464	-	996,464	-	2,237,057
Student transportation services	473,325	-	473,325	80	451,803	-	451,803	-	925,208
Operation and maintenance									
of plant services	536,742	-	536,742	-	441,425	-	441,425	-	978,167
Food service operations	358,239	-	358,239	-	360,126	-	360,126	-	718,365
Management and general:									
Business administration	24,248	-	24,248	86,770	12,197	-	12,197	-	123,215
Central services	36,610	-	36,610	10,660	42,930	-	42,930	-	90,200
General administration	285,559	-	285,559	13,304	27,264	-	27,264	-	326,127
Other Use of Funds	399,050	-	399,050	-	-	-	-	-	399,050
Total expenses	6,703,325	-	6,703,325	540,030	6,064,783	-	6,064,783	-	13,308,138
Change in Net Assets	38,587	-	38,587	6,682	81,867	-	81,867	-	127,136
Net Assets, Beginning of Period	572,097	-	572,097	126,878	713,350	-	713,350	-	1,412,325
Net Assets, End of Period	610,684	-	610,684	133,560	795,217	-	795,217	-	1,539,461

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, 2019, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combining financial statements, and have issued our report thereon dated January 13, 2020.

**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

January 13, 2020



**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, 2019. 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 statues, 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, 2019.

## **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  
January 13, 2020

**ARISE SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<hr/>			
United States Department of Agriculture			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	LA Dept of Education	\$ 250,662
Total School Breakfast Program			<u>250,662</u>
National School Lunch Program	10.555	LA Dept of Education	487,153
Total National School Lunch Program			<u>487,153</u>
Summer Food Service Program for Children	10.559	LA Dept of Education	5,820
Total Summer Food Service Program for Children			<u>5,820</u>
<i>Total United States Department of Agriculture</i>			
<b>Total Child Nutrition Cluster-Cluster</b>			<u>743,635</u>
<hr/>			
United States Department of Education			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education Grants to States	84.027	LA Dept of Education	255,901
Total Special Education Grants to States			<u>255,901</u>
Special Education Preschool Grants	84.173	LA Dept of Education	7,126
Total Special Education Preschool Grants			<u>7,126</u>
<i>Total United States Department of Education</i>			
<b>Total Special Education Cluster (IDEA)-Cluster</b>			<u>263,027</u>
<hr/>			
<i>Other Programs</i>			
United States Department of Education			
Title I Grants to Local Educational Agencies	84.010	LA Dept of Education	963,610
Total Title I Grants to Local Educational Agencies			<u>963,610</u>
Improving Teacher Quality State Grants	84.367	LA Dept of Education	55,690
Total Improving Teacher Quality State Grants			<u>55,690</u>
Striving Readers/Comprehensive Literacy Development	84.371	LA Dept of Education	153,341
Total Striving Readers/Comprehensive Literacy			<u>153,341</u>
Student Support and Academic Enrichment Program	84.424	LA Dept of Education	53,851
Total Student Support and Academic Enrichment Program			<u>53,851</u>
<i>Total U.S. Department of Education</i>			<u>1,226,492</u>
<hr/>			
United States Department of Agriculture			
Child and Adult Care Food Program	10.558	LA Dept of Education	59,063
Total Child and Adult Care Food Program			<u>59,063</u>
<i>Total United States Department of Agriculture</i>			<u>59,063</u>
<b>Total Other Programs</b>			<u>1,285,555</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,292,217</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, 2019**

**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, 2019. 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, 2019.

**NOTE D – De Minimis Cost Rate**

During the year ended June 30, 2019, ARISE Schools did not elect to use the 10% De Minimis cost rate covered in §200.414 of the Uniform Guidance.

**ARISE SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
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, 2019.

**C. Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the fiscal year ended June 30, 2019.

**D. Management Letter**

A management letter was not issued in connection with the audit for the fiscal year ended June 30, 2019.

**ARISE SCHOOLS.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

*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, 2019; 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

January 13, 2020

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2019**

	<b>Column A</b>	<b>Column B</b>
<b><u>General Fund Instructional and Equipment Expenditures</u></b>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$3,589,920	
Other Instructional Staff Activities	\$194,957	
Instructional Staff Employee Benefits	\$809,267	
Purchased Professional and Technical Services	\$464,537	
Instructional Materials and Supplies	\$193,044	
Instructional Equipment	<u>\$0</u>	
Total Teacher and Student Interaction Activities	\$0	\$5,251,726
Other Instructional Activities		\$59,763
Pupil Support Activities	\$786,658	
Less: Equipment for Pupil Support Activities	<u>\$0</u>	
Net Pupil Support Activities		\$786,658
Instructional Staff Services	\$359,607	
Less: Equipment for Instructional Staff Services	<u>\$0</u>	
Net Instructional Staff Services		<u>\$359,607</u>
School Administration	\$1,400,124	
Less: Equipment for School Administration	<u>\$0</u>	
Net School Administration		<u>\$1,400,124</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u><u>\$7,857,878</u></u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u><u>\$18,211</u></u>
<b><u>Certain Local Revenue Sources</u></b>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		0
Renewable Ad Valorem Tax		0
Debt Service Ad Valorem Tax		0
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		0
Sales and Use Taxes		<u>0</u>
Total Local Taxation Revenue		<u><u>0</u></u>
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		0
Earnings from Other Real Property		<u>0</u>
Total Local Earnings on Investment in Real Property		<u><u>0</u></u>
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		0
Revenue Sharing - Other Taxes		0
Revenue Sharing - Excess Portion		0
Other Revenue in Lieu of Taxes		<u>0</u>
Total State Revenue in Lieu of Taxes		<u><u>0</u></u>
Nonpublic Textbook Revenue		<u>0</u>
Nonpublic Transportation Revenue		<u><u>0</u></u>

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

**Class Size Characteristics**  
**As of October 1, 2018**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	34.4%	96	38.7%	108	26.9%	75	0.0%	0
Elementary Activity Classes	31.6%	6	36.8%	7	31.6%	6	0.0%	0
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

LOUISIANA LEGISLATIVE AUDITOR  
STATEWIDE AGREED-UPON PROCEDURES



## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING 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, 2018 through June 30, 2019. 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.
- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions were noted.

### Bank Reconciliations

2. 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);

No exceptions were noted.

- 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

No exceptions were noted.

- 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 reconciling items older than one year.

#### Management's Response:

Management will research these items and resolve them.

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  
January 13, 2020