

ARISE SCHOOLS
NEW ORLEANS, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of ARISE Schools (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARISE Schools as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of ARISE Schools as of June 30, 2020 were audited by other auditors whose report dated December 21, 2020 expressed an unmodified opinion on those statements.

Other Matters

Other Information

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



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ARISE Schools' 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.

April 15, 2022
New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants

FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 2,039,955	\$ 2,399,867
Grant receivables	1,527,297	1,069,329
Other receivables	6,543	6,804
Prepaid expenses	<u>143,889</u>	<u>97,588</u>
 Total current assets	 <u>3,717,684</u>	 <u>3,573,588</u>
<u>PROPERTY AND EQUIPMENT, NET</u>		
	<u>66,606</u>	<u>86,481</u>
 Total assets	 <u>\$ 3,784,290</u>	 <u>\$ 3,660,069</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 522,978	\$ 116,498
Accrued expenses	252,788	214,826
Current portion of long-term debt	<u>-</u>	<u>656,538</u>
 Total current liabilities	 <u>775,766</u>	 <u>987,862</u>
<u>NON-CURRENT LIABILITIES:</u>		
Long-term debt	<u>-</u>	<u>826,850</u>
 Total non-current liabilities	 <u>-</u>	 <u>826,850</u>
 Total liabilities	 <u>775,766</u>	 <u>1,814,712</u>
<u>NET ASSETS:</u>		
Without donor restrictions	<u>3,008,524</u>	<u>1,845,357</u>
 Total net assets	 <u>3,008,524</u>	 <u>1,845,357</u>
 Total liabilities and net assets	 <u>\$ 3,784,290</u>	 <u>\$ 3,660,069</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 9,260,959	\$ -	\$ 9,260,959
Federal grants	2,754,395	-	2,754,395
Donations and contributions	33,071	-	33,071
Other state funds	214,809	-	214,809
Investment income	864	-	864
Other income	113,427	-	113,427
Paycheck Protection Program loan forgiveness	1,483,388	-	1,483,388
Net assets released from restrictions	-	-	-
Total revenue	13,860,913	-	13,860,913
<u>EXPENSES:</u>			
Program services:			
General instructional	6,655,597	-	6,655,597
General non-instructional	1,409,643	-	1,409,643
Special education	2,211,141	-	2,211,141
Administration	2,421,365	-	2,421,365
Total expenses	12,697,746	-	12,697,746
Change in net assets	1,163,167	-	1,163,167
Net assets, beginning of year	1,845,357	-	1,845,357
Net assets, end of year	\$ 3,008,524	\$ -	\$ 3,008,524

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE:</u>			
State/Local per pupil aid	\$ 11,211,885	\$ -	\$ 11,211,885
Federal grants	2,893,741	-	2,893,741
Donations and contributions	59,738	-	59,738
Other state funds	51,140	-	51,140
Investment income	4,283	-	4,283
Other income	58,498	-	58,498
Paycheck Protection Program loan forgiveness	-	-	-
Net assets released from restrictions	-	-	-
	<u>14,279,285</u>	<u>-</u>	<u>14,279,285</u>
<u>EXPENSES:</u>			
Program services:			
General instructional	7,061,198	-	7,061,198
General non-instructional	2,100,177	-	2,100,177
Special education	2,427,111	-	2,427,111
Administration	<u>2,384,903</u>	<u>-</u>	<u>2,384,903</u>
	<u>13,973,389</u>	<u>-</u>	<u>13,973,389</u>
Change in net assets	305,896	-	305,896
Net assets, beginning of year	<u>1,539,461</u>	<u>-</u>	<u>1,539,461</u>
Net assets, end of year	<u>\$ 1,845,357</u>	<u>\$ -</u>	<u>\$ 1,845,357</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Total
	General	General	Special	Administration	
	Instructional	Non-Instructional	Education		
Salaries	\$ 4,238,706	\$ 591,909	\$ 1,471,660	\$ 663,765	\$ 6,966,040
Employee benefits	659,825	109,729	211,749	125,064	1,106,367
Retirement	99,739	16,669	42,225	12,619	171,252
Payroll Taxes	80,372	8,087	19,824	10,813	119,096
Purchased educational services	807,467	-	277,242	-	1,084,709
Other purchased professional services	-	390	33,024	186,220	219,634
Purchased technical services	-	-	-	35,553	35,553
Utilities	-	-	-	207,676	207,676
Repairs and maintenance	-	-	-	284,141	284,141
Rentals	-	-	-	37,499	37,499
Student transportation	-	326,217	132,786	-	459,003
Insurance	-	-	-	266,207	266,207
Communications	157,033	-	8,700	79,905	245,638
Advertising, printing, and binding	-	-	-	22,158	22,158
Food service	-	334,503	-	-	334,503
Travel	13,264	1,111	8,000	-	22,375
Materials and supplies	592,597	21,028	5,931	278,871	898,427
Dues and fees	6,594	-	-	190,999	197,593
Depreciation	-	-	-	19,875	19,875
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 6,655,597</u>	<u>\$ 1,409,643</u>	<u>\$ 2,211,141</u>	<u>\$ 2,421,365</u>	<u>\$ 12,697,746</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Total
	General Instructional	General Non-Instructional	Special Education	Administration	
Salaries	\$ 4,318,034	\$ 641,471	\$ 1,665,064	\$ 697,670	\$ 7,322,239
Employee benefits	681,131	116,634	245,682	118,064	1,161,511
Retirement	93,398	16,848	47,191	16,230	173,667
Payroll Taxes	81,003	8,787	22,920	13,018	125,728
Purchased educational services	1,141,913	-	271,138	158	1,413,209
Other purchased professional services	33,890	-	36,581	119,399	189,870
Purchased technical services	-	-	-	31,857	31,857
Utilities	-	-	-	174,092	174,092
Repairs and maintenance	-	-	-	288,824	288,824
Rentals	-	310,934	-	28,850	339,784
Student transportation	-	301,974	96,035	-	398,009
Insurance	-	-	-	259,963	259,963
Communications	112,849	-	7,315	66,581	186,745
Advertising, printing, and binding	-	-	-	15,592	15,592
Food service	-	695,248	-	-	695,248
Travel	18,394	1,338	12,500	363	32,595
Materials and supplies	535,455	6,943	22,685	308,051	873,134
Dues and fees	45,131	-	-	221,727	266,858
Depreciation	-	-	-	24,464	24,464
Total expenses	<u>\$ 7,061,198</u>	<u>\$ 2,100,177</u>	<u>\$ 2,427,111</u>	<u>\$ 2,384,903</u>	<u>\$ 13,973,389</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ARISE SCHOOLS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,163,167	\$ 305,896
Adjustments to reconcile change in net assets to cash and cash equivalents from (used for) operating activities:		
Depreciation expense	19,875	24,464
Paycheck Protection Program loan forgiveness	(1,483,388)	-
(Increase) decrease in:		
Grant receivables	(457,968)	(487,764)
Other receivables	261	(2,686)
Prepaid expenses	(46,301)	94,979
Increase (decrease) in:		
Accounts payable	406,480	(235,555)
Accrued expenses	<u>37,962</u>	<u>214,826</u>
Net cash (used for) operating activities	<u>(359,912)</u>	<u>(85,840)</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	<u>-</u>	<u>(81,725)</u>
Net cash (used for) investing activities	<u>-</u>	<u>(81,725)</u>
<u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u>		
Proceeds from issuance of long-term debt	<u>-</u>	<u>1,483,388</u>
Net cash from financing activities	<u>-</u>	<u>1,483,388</u>
Net (decrease) increase in cash and cash equivalents	(359,912)	1,315,823
Cash and cash equivalents, beginning of year	<u>2,399,867</u>	<u>1,084,044</u>
Cash and cash equivalents, end of year	<u>\$ 2,039,955</u>	<u>\$ 2,399,867</u>

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Nature of Activities

ARISE Schools (ARISE) is a nonprofit corporation organized under the laws of the State of Louisiana. ARISE was incorporated in the Fall of 2008 for the purpose of operating charter schools in New Orleans, Louisiana to offer extended academic time, rigorous college preparatory curriculum and instruction in a foreign language to all students daily. The Board of Elementary and Secondary Education (BESE) approved the granting of a Type 5 charter to operate ARISE Academy (AA). Effective July 1, 2019, AA became a Type 3B charter under the jurisdiction of 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 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 financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

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

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

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

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

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

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2021 and 2020, no allowance is recorded as management considers all receivables to be fully collectible.

Property and Equipment

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

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

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

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

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

Compensated Absences

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

Revenue Recognition

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

Revenues from federal and state grants are recorded when ARISE has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by ARISE, or when otherwise earned under the terms of the grants.

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

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

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

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

Functional Expenses

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

Income Tax Status

ARISE has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to income tax unless it has unrelated trade or business income. Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2021 and 2020, ARISE believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2018 and later remain subject to examination by the taxing authorities.

New Accounting Pronouncement

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. ARISE has adjusted the presentation of these statements accordingly. The ASU have been applied retrospectively to all periods presented. The adoption had no material impact on ARISE's financial statements.

Date of Management Review

Subsequent events have been evaluated through April 15, 2022, which is the date the financial statements were available to be issued.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets as of June 30, 2021 and 2020 were \$3,573,795 and \$3,476,000, respectively. None of the financial assets were subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial date for each of the years ended June 30, 2021 and 2020.

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

(3) GRANTS RECEIVABLES

Grants receivable consists of the following at June 30th:

	2021	2020
Due from State of Louisiana	\$ 1,527,297	\$ 1,069,329
	\$ 1,527,279	\$ 1,069,329

(4) PROPERTY AND EQUIPMENT

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

	2021	2020
Bus fleet	\$ 491,854	\$ 491,854
Leasehold improvements	133,092	133,092
Office and classroom equipment	26,123	26,123
	651,069	651,069
Less: accumulated depreciation	(584,463)	(564,588)
Property and equipment, net	\$ 66,606	\$ 86,481

Depreciation expense for the years ended June 30, 2021 and 2020 was \$19,875 and \$24,464, respectively.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(5) LONG-TERM DEBT

ARISE was granted a \$1,483,388 loan under the Paycheck Protection Program “PPP”, first draw, administered by a Small Business Administration (SBA) approved partner in April 2020. The loan is uncollateralized and is fully guaranteed by the Federal government. ARISE is eligible for loan forgiveness of up to 100% of the loan upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if ARISE maintains employment levels during its 10-month covered period and uses the funds for certain payroll, rent, and utility expenses. ARISE initially recorded a note payable as of June 30, 2020 and subsequently recorded forgiveness when the loan obligation was legally released. ARISE has recognized \$1,483,388 of loan forgiveness in the statement of activities for the year ended June 30, 2021.

(6) RETIREMENT PLAN

Eligible employees of ARISE may elect to participate in ARISE’s administered 403(b) defined contributed plan. Covered employees may elect to contribute a portion of their salaries as allowable. ARISE has elected to match 3% of covered employees' salaries. ARISE's contributions were \$171,252 and \$173,667 for the years ended June 30, 2021 and 2020, respectively.

(7) CONCENTRATIONS OF CREDIT RISK

ARISE maintains cash in bank accounts in excess of insured limits periodically. ARISE has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. All of ARISE's cash is maintained in collateralized bank accounts.

(8) LEASE COMMITMENTS

Buildings and Facilities

Effective July 1, 2020, ARISE entered into a lease agreement with the Orleans Parish School Board (OPSB) for the use of school facilities. The lease will terminate on July 31, 2021 and in consideration of the use of the facilities, ARISE will pay OPSB a use fee and participate in OPSB's Per Pupil Unit Cost Program. The use fee for participants in OPSB’s Per Pupil Unit Cost Program shall be the per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management and flood insurance of all OPSB controlled school facilities participating in the Unit Cost Program, including any insurance brokerage fee, unrelated to recovery of capital costs or depreciation that would be recovered in a traditional lease relationship. The use fee shall be paid through deduction from ARISE’s monthly MFP allocation. For the year ended June 30, 2021, the annualized use fee deduction of \$66,815 is calculated per the average of the student counts on October 1, 2020 and February 1, 2021 at a rate of \$160.23 per pupil. For the year ended June 30, 2020, the annualized use fee deduction of \$60,086 is calculated per the average of the student counts on October 1, 2019 and February 1, 2020 at a rate of \$124.66 per pupil.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(8) LEASE COMMITMENTS (CONTINUED)

Buildings and Facilities (continued)

During the year ended June 30, 2018, ARISE entered into a lease with OPSB for the use of the Mildred Osborne Charter School Building. The lease term was effective beginning July 1, 2018 and expires on June 30, 2021. During the year ended June 30, 2021, the lease was renewed through June 20, 2026. As defined in the lease agreement, ARISE pays a use fee and participates in OPSB's Per Pupil Unit Cost Program for the use of MOCS. For the year ended June 30, 2021, the annualized use fee deduction of \$70,900.45 is calculated per the average of the student counts on October 1, 2020 and February 1, 2021 at a rate of \$160.23 per pupil. For the year ended June 30, 2020, the annualized use fee deduction of \$67,005 is calculated per the average of the student counts on October 1, 2019 and February 1, 2020 at a rate of \$124.66 per pupil.

Buses

As of June 30, 2021 ARISE has an operating lease agreement with Ross Bus for four 71-passenger and one 77-passenger buses. The lease is effective July 1, 2019 through June 30, 2024. The lease requires an annual payment of \$18,300 per bus. For the years ended June 30, 2021 and 2020, rental payments under this leases were \$119,928 and \$20,181, respectively.

Copiers

As of June 30, 2021, ARISE has 4 operating leases for the rental of 10 copiers. The length of each lease is for 48 months with beginning dates starting from January 2019 and July 2020 and ending dates ranging from through January 2023 and July 2024. The leases require monthly payments ranging from \$220 and \$1,150 per month. For the years ended June 30, 2021 and 2020, rental payments under these leases were \$31,743 and \$28,850, respectively.

Future minimum lease payments under the operating leases for the next five years and thereafter are as follows:

2022	\$	234,243
2023		102,094
2024		<u>100,209</u>
	\$	<u><u>436,546</u></u>

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(9) GRANT PROGRAM CONTINGENCIES

ARISE participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that ARISE has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of June 30, 2021 and 2020 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying combining financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and ARISE.

(10) ECONOMIC DEPENDENCY

ARISE receives the majority of its revenue from the State of Louisiana. Minimum Foundation Program (MFP) funding for the years ended June 30, 2021 and 2020 totaled \$9,260,959 and \$11,211,885, respectively. Funding was from various federal grants passed through the State of Louisiana for the years ended June 30, 2021 and 2020 totaled \$2,754,395 and \$2,893,741, respectively. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds ARISE receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds ARISE will receive in fiscal year 2022 relating to its grant awards.

(11) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. ARISE plans to adopt this Update as applicable by the effective date.

ARISE SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(11) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2020-07, “*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP’s programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. ARISE plans to adopt this Update as applicable by the effective date.

(12) CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2021, ARISE updated its functional expense methodology to reflect changes in its account and reporting structure. The effect of the change was to increase administration functional expenses by \$1,557,483 and decrease program expenses by \$1,557,483 for the year ended June 30, 2020.

(13) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year’s financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.

(14) SUBSEQUENT EVENTS

In July 2021, ARISE entered into another operating lease agreement for the use of four 77-passenger buses. The lease term is effective July 1, 2021 through June 30, 2024. Annual payments are \$18,300 per bus for a total commitment of \$219,600.

In November 2021, it was announced that ARISE Academy will close at the end of the 2021-2022 school year after its charter was not renewed.

SUPPLEMENTARY INFORMATION

ARISE SCHOOLS
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
 FOR THE YEAR ENDED JUNE 30, 2021

	Kiril Johnson Executive Director of Finance and Operations	Krista Patrick-Brown Executive Director of ARISE Academy	Jolene Galpin Executive Director of Mildred Osborne Charter Schools
Time served	07/01/20 through 06/30/21	07/01/20 through 06/30/21	07/01/20 through 06/30/21
Salary	\$ 131,037	\$ 126,678	\$ 83,005
Benefits - insurance	1,200	3,361	2,599
Benefits - retirement	3,445	3,800	2,490
Benefits - cellphone	679	662	1,453
Total compensation, benefits, and other payments	<u>\$ 136,361</u>	<u>\$ 134,501</u>	<u>\$ 89,547</u>

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ARISE Schools (a non-profit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ARISE Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ARISE Schools internal control. Accordingly, we do not express an opinion on the effectiveness of the ARISE Schools' 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.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARISE Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 ARISE Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ARISE Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

April 15, 2022
New Orleans, Louisiana

Certified Public Accountants

SINGLE AUDIT SECTION



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

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

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, 2021. ARISE Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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.



To the Board of Directors
ARISE Schools
New Orleans, Louisiana

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, 2021.

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.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors
ARISE Schools
New Orleans, Louisiana

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

April 15, 2022
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

ARISE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal AL Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 709,691
School Redesign 1003a	84.010	<u>62,341</u>
Total AL 84.010		\$ 772,032
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	291,046
Special Education - Preschool Grants	84.173	<u>2,667</u>
Total Special Education Cluster		293,713
Twenty-First Community Learning Centers	84.287	464,588
Supporting Effective Instruction State Grants (Title II)	84.367	36,767
Comprehensive Literacy Development	84.371	30,035
Student Support and Academic Enrichment Program (Title IV)	84.424	49,776
Education Stabilization Fund		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425C	34,530
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	<u>659,884</u>
Total Education Stabilization Fund		<u>694,414</u>
Total U.S. Department of Education		<u>2,341,325</u>
<u>U.S. Department of Agriculture</u>		
<i>Pass-through program from Louisiana Department of Education</i>		
Child Nutrition Cluster		
School Breakfast Program	10.553	140,184
National School Lunch Program	10.555	<u>280,957</u>
Total Child Nutrition Cluster		421,141
Fresh Fruit and Vegetable Program	10.582	<u>4,471</u>
Total U.S. Department of Agriculture		<u>425,612</u>
Total expenditures of federal awards		<u>\$ 2,766,937</u>

(See Independent Auditors' Report)

ARISE SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SCOPE OF AUDIT PURSUANT TO *GOVERNMENT AUDITING STANDARDS* AND TITLE 2 *U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)*

All federal grant operations of ARISE Schools are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Education Stabilization Fund (AL Nos. 84.425C and 84.425D)

NOTE 2 – FISCAL PERIOD AUDIT

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 2021.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when ARISE Schools has met the qualifications for the respective grants.

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended June 30, 2021.

NOTE 4 – INDIRECT COST RATE

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

ARISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of ARISE Schools.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of ARISE Schools were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for ARISE Schools expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were Education Stabilization Fund (AL Nos. 84.425C and 84.425D).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. ARISE Schools was determined to be a low-risk auditee.
10. A management letter was not issued for the year ended June 30, 2021.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statements for the year ended June 30, 2021.

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

There were no findings related to major federal awards programs for the year ended June 30, 2021.

ARISE SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

**I. INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS**

Not applicable

**II. INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FEDERAL AWARDS**

Not applicable

III. MANAGEMENT LETTER

Not applicable

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



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below on the performance and statistical data accompanying the annual statements of ARISE Schools for the fiscal year ended June 30, 2021. Management of ARISE Schools is responsible for its performance and statistical data.

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

The procedures and associated findings are as follows:

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

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

Exceptions: None



To the Board of Directors
ARISE Schools
New Orleans, Louisiana

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.

Exceptions: None

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

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

Exceptions: One individual's education level on the PEP report does not match the individual's education level per the personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

Exceptions: None

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



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors
ARISE Schools
New Orleans, Louisiana

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

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

April 15, 2022
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ARISE SCHOOLS
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2021

GENERAL FUND INSTRUCTIONAL AND EQUIPMENT EXPENDITURES

	Column A	Column B
General fund instructional expenditures:		
Teacher and student interaction activities:		
Classroom teacher salaries	\$ 3,680,027	
Other instructional staff salaries	583,097	
Instructional staff employee benefits	838,693	
Purchased professional and technical services	754,059	
Instructional materials and supplies	582,234	
Instructional equipment	-	
Total teacher and students interaction activities		\$ 6,438,110
Other instructional activities		194,038
Pupil support services	600,106	
Less: equipment for pupil support services	-	
Net pupil support services		600,106
Instructional staff services	821,504	
Less: equipment for instructional staff services	-	
Net instructional staff services		821,504
School administration	1,995,966	
Less: equipment for school administration	-	
Net school administration		1,995,966
Total general fund instructional expenditures (total of column B)		\$ 10,049,724
Total general fund equipment expenditures		\$ 32,651
 <u>CERTAIN LOCAL REVENUE SOURCES</u>		
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		\$ -

(See Independent Accountants' Report on Applying Agreed-Upon Procedures)

ARISE SCHOOLS
CLASS SIZE CHARACTERISTICS
FOR THE YEAR ENDED JUNE 30, 2021
AS OF OCTOBER 1, 2020

	CLASS SIZE RANGE							
	1-20		21-26		27-33		34+	
SCHOOL TYPE:	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	39%	108	18%	49	17%	47	27%	76
Elementary/Activity Classes	51%	22	19%	8	16%	7	14%	6
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.



MANAGEMENT'S CORRECTIVE ACTION PLAN – BESE AUP
JUNE 30, 2021

April 15, 2022

Dear Louisiana Legislative Auditor,

ARISE Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 07/01/2020 to 06/30/2021

The exception from the June 30, 2021 Agreed-Upon Procedures Report is discussed below.

Education Levels/Experience of Public School Staff

Recommendation: We recommend that Management revise its procedures/controls in compiling the PEP data submitted to the Department of Education to ensure the data's accuracy and completeness.

Response: In addition to verifying and collecting documentation of all certifications and degrees for new hires, our HR Coordinator will have all employees confirm their certification and degree status annually during summer PD. From here, the HR Coordinator will ensure all HR paper and electronic files are updated according. For SY22-23, we will be contracting with 4th Sector Solutions to provide assistance with our HR procedures and state reporting. Therefore, they will be providing an additional layer of support and oversight with our PEP data.

If there are any questions regarding this plan, please call Jolene Galpin, CEO, at (504) 250-3906.

Kind regards,

Jolene Galpin, CEO