

ARISE ACADEMY

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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GOVERNMENT AUDITING STANDARDS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ARISE Academy
New Orleans, Louisiana

We have audited the accompanying Statements of Financial Position of ARISE Academy ("ARISE") (a nonprofit organization) as of June 30, 2012 and 2011 and the related Statements of Activities, Cash Flows, and Functional Expenses as of and for the years then ended. These financial statements are the responsibility of the ARISE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARISE Academy as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of ARISE Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, LLC

October 22, 2012

FINANCIAL STATEMENTS

ARISE ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

| | 2012 | 2011 |
|-----------------------------|------------|------------|
| Cash and cash equivalents | \$ 227,767 | \$ 202,325 |
| Grants receivable | 418,710 | 242,000 |
| Prepaid expenses | 9,150 | 11,892 |
| Property and equipment, net | 15,517 | - |
| Total Assets | \$ 671,144 | \$ 456,217 |

LIABILITIES AND NET ASSETS

Liabilities:

| | | |
|---------------------------------------|------------|------------|
| Accounts payable and accrued expenses | \$ 401,094 | \$ 245,114 |
| Total Liabilities | 401,094 | 245,114 |

Net Assets:

| | | |
|----------------------------------|------------|------------|
| Unrestricted | 270,050 | 211,103 |
| Total Net Assets | 270,050 | 211,103 |
| Total Liabilities and Net Assets | \$ 671,144 | \$ 456,217 |

See accompanying notes to financial statements.

ARISE ACADEMY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|--------------|--------------|
| UNRESTRICTED NET ASSETS | | |
| Public Support Revenues and Other Support: | | |
| Local per pupil aid | \$ 1,304,879 | \$ 1,008,056 |
| Federal sources | 922,538 | 881,086 |
| State public school funds | 1,179,675 | 805,933 |
| Donations and contributions | 108,095 | 106,508 |
| Other state and local sources | 204,336 | 746 |
| Total Public Support and Other Revenues | 3,719,523 | 2,802,329 |
| | | |
| Expenses: | | |
| Program services: | | |
| Instructional | 1,818,810 | 1,346,848 |
| Supporting services: | | |
| Management and general | 1,841,766 | 1,404,515 |
| Total Expenses | 3,660,576 | 2,751,363 |
| Increase in Unrestricted Net Assets | 58,947 | 50,966 |
| Net assets at beginning of fiscal year | 211,103 | 160,137 |
| Net assets at end of fiscal year | \$ 270,050 | \$ 211,103 |

See accompanying notes to financial statements.

ARISE ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Increase in net assets | \$ 58,947 | \$ 50,966 |
| Depreciation expense | 4,506 | - |
| (Increase) decrease in operating assets: | | |
| Accounts and grants receivable | (176,710) | (61,176) |
| Prepaid expenses | 2,742 | (8,935) |
| Increase in operating liabilities: | | |
| Accounts payable | 155,980 | 83,305 |
| Net cash provided by operating activities: | 45,465 | 64,160 |
| Cash Flows from Financing Activities: | | |
| Purchase of property and equipment | (20,023) | - |
| Repayment of note payable | - | (149,000) |
| Net cash used in financing activities | (20,023) | (149,000) |
| Net increase (decrease) in cash and cash equivalents | 25,442 | (84,840) |
| Cash and Cash Equivalents, Beginning of Fiscal Year | 202,325 | 287,165 |
| Cash and Cash Equivalents, End of Fiscal Year | \$ 227,767 | \$ 202,325 |
| Supplemental Data: | | |
| Cash paid for interest | \$ - | \$ 497 |

See accompanying notes to financial statements.

ARISE ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

| Expenses: | <u>Instructional</u> | <u>Management and General</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------------------------|---------------------|
| Salaries and benefits | \$ 1,689,167 | \$ 469,361 | \$ 2,158,528 |
| Professional services | - | 339,586 | 339,586 |
| Food service | - | 271,077 | 271,077 |
| Supplies | 66,142 | 141,390 | 207,532 |
| Bus service | - | 207,050 | 207,050 |
| Purchased property services | - | 162,393 | 162,393 |
| Rent | - | 98,550 | 98,550 |
| Books and periodicals | 63,501 | 323 | 63,824 |
| Dues and fees | - | 55,011 | 55,011 |
| Insurance | - | 36,317 | 36,317 |
| Utilities | - | 33,860 | 33,860 |
| Telephone and postage | - | 17,287 | 17,287 |
| Depreciation | - | 4,506 | 4,506 |
| Travel | - | 3,106 | 3,106 |
| Advertising | - | 1,949 | 1,949 |
| Total Expenses | <u>\$ 1,818,810</u> | <u>\$ 1,841,766</u> | <u>\$ 3,660,576</u> |

See accompanying notes to financial statements.

ARISE ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

| Expenses: | <u>Instructional</u> | <u>Management and General</u> | <u>Total</u> |
|-----------------------------|-----------------------------|--|----------------------------|
| Salaries and benefits | \$ 1,142,654 | \$ 411,697 | \$ 1,554,351 |
| Supplies | 203,428 | 42,951 | 246,379 |
| Bus service | - | 212,800 | 212,800 |
| Food service | - | 188,238 | 188,238 |
| Professional services | - | 185,347 | 185,347 |
| Rent | - | 102,000 | 102,000 |
| Purchased property services | - | 100,504 | 100,504 |
| Dues and fees | - | 60,555 | 60,555 |
| Utilities | - | 51,987 | 51,987 |
| Telephone and postage | - | 20,057 | 20,057 |
| Insurance | - | 14,030 | 14,030 |
| Advertising | - | 8,493 | 8,493 |
| Travel | - | 5,307 | 5,307 |
| Books and periodicals | 766 | 52 | 818 |
| Interest expense | - | 497 | 497 |
| Total Expenses | <u><u>\$ 1,346,848</u></u> | <u><u>\$ 1,404,515</u></u> | <u><u>\$ 2,751,363</u></u> |

See accompanying notes to financial statements.

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ARISE Academy (“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 granted ARISE a Type 5 charter to operate ARISE Academy.

Basis of Accounting

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

Functional Expenses

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

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related depreciable assets, which is 3 years.

Income Tax Status

ARISE is a Louisiana nonprofit organization under Section 509(a)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 503(c)(3) and has been determined to be other than a private foundation. ARISE’s management believes that ARISE continues to operate in a manner that preserves its tax exempt status.

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

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

positions for which the statute of limitations remained open. ARISE did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard.

Based on its evaluation, ARISE has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. ARISE is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before 2009.

Public Support and Revenue

ARISE receives its support primarily from the Louisiana State Department of Education and the United States Department of Education.

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

ARISE receives grant revenues in order to provide food services to its students. The grant proceeds are received by the Louisiana Recovery School District ("RSD"), which handles all the food services at ARISE.

The RSD sends monthly invoices to ARISE showing the amount the grant revenue covered and the difference that ARISE is obligated to pay. The revenue and expense incurred by this grant was \$220,392 and \$173,472 for the years ended June 30, 2012 and 2011, respectively.

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimates

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

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, ARISE considers all unrestricted, highly liquid investments with an initial maturity of less than three months as cash and cash equivalents.

Basis of Presentation

ARISE follows the provisions of *Not-For-Profit Entities* Topic of FASB ASC (FASB ASC 958), which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and classification of resources into three separate classes of net assets, as follows:

- Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- Temporarily Restricted - Net assets whose use by ARISE is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the organization pursuant to such stipulations.
- Permanently Restricted - Net assets whose use by ARISE is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the organization.

Subsequent Events

Subsequent events have been evaluated through October 22, 2012, the date the financial statements were available to be issued.

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2011 financial statement presentation to conform to the current year's format. Total net assets and change in net assets are unchanged due to the reclassifications.

NOTE 2 - CASH AND CASH EQUIVALENTS

ARISE maintains its cash balance at a single financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ending June 30, 2012. At times during the year, the balance may exceed the federally insured amount. Additionally, in accordance with Dodd-Frank Insurance Provision, non-interest bearing transaction accounts are fully insured by the FDIC. This provision is effective from December 31, 2010 through December 31, 2012.

NOTE 3 - RETIREMENT PLANS

Substantially all employees of ARISE are members of an employer sponsored simple IRA retirement plan. Covered employees may elect to contribute a portion of their salaries to the plan. ARISE's matching contribution to the Plan is 100% of the participant's contributions not to exceed 3% of the participant's compensation. ARISE made contributions to the IRA of \$49,593 and \$35,736 for the years ended June 30, 2012 and 2011, respectively.

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.

Funding Policy:

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

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 - CONTINGENCIES

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

At June 30, 2012 and 2011, ARISE was not a defendant or co-defendant in any lawsuits arising from the normal course of operations.

Facility Operating Costs - As disclosed in Note 7, ARISE leased space at Dr. Charles Drew Elementary from the Louisiana State Department of Education through its Recovery School District (“RSD”). As disclosed in Note 7, the RSD and ARISE reached an agreement as to what costs will be charged to ARISE.

NOTE 7 - LEASE AGREEMENT

ARISE has entered into a rent-free lease agreement with the State of Louisiana Department of Education, Recovery School District (the “RSD”) for the period from July 1, 2009 through June 30, 2012 for the use of Dr. Charles Drew Elementary main buildings, cafeteria, and grounds as school facilities. This lease may be extended for an additional two (2) years ending June 30, 2014 in the event the Louisiana Board of Elementary and Secondary Education extends ARISE’s contract. The RSD has reserved the right to impose rent in subsequent years. The amount of the rent-free leases has been valued based on a schedule included in the signed lease agreement indicating fees that would be charged to nonprofit organizations for rental of the building totaling \$98,550 and \$102,000 for the years ended June 30, 2012 and 2011, respectively.

ARISE is responsible for the payment of shared services with the RSD such as utilities, janitorial and sanitation, disposal services, nursing services and property taxes at a pro-rata calculation based upon student enrollment at the school.

The lease agreement states the RSD may move ARISE at any time as long as the RSD provides another facility deemed reasonable, taking into consideration such factors as building capacity, design alignment with grade levels served by ARISE, projected enrollment, program specific needs, and community needs. ARISE may terminate this agreement upon 30 days notice to relocate its school to a non-RSD facility. The RSD may terminate this agreement with cause prior to the end of the specified term in the event ARISE fails to remedy a material breach within a period reasonable under the circumstances, but not less than 15 days after notice from the RSD.

ARISE ACADEMY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 8 – OPERATING LEASE AGREEMENT

ARISE entered into three (3) operating leases for the rental of four (4) copiers. All leases are for thirty-six (36) months. Rental payments under these leases were \$16,472 and \$11,045 for the years ended June 30, 2012 and 2011, respectively.

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

| | |
|-----------------|------------------|
| <u>June 30,</u> | |
| 2012 | \$ 13,370 |
| 2013 | <u>1,561</u> |
| | <u>\$ 14,931</u> |

NOTE 9 – CONCENTRATIONS

For the years ended June 30, 2012 and 2011, ARISE received 25% and 31%, respectively, of its total revenue from federal sources, 32% and 29%, respectively, of its total revenue from state public school funds, and 35% and 36%, respectively, of its total revenue from local public school funding.

PERFORMANCE STATISTICAL DATA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
ARISE Academy
New Orleans, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of ARISE Academy ("ARISE") and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of ARISE 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. ARISE is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

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

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

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

2. We reconciled the total number of full-time classroom teachers per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule K-4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1, 2011.
3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers” (Schedule K-4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2011 and as reported on the schedule. We traced a random sample of 25 teachers to the individual’s personnel file and determined that the individual’s education level was properly classified on the schedule.

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

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

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

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2011 and as reported on the schedule and traced the same sample used in procedure 4 to the individual’s personnel file and determined that the individual’s experience was properly classified on the schedule.

Public Staff Data (Schedule K-5)

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

Class Size Characteristics (Schedule K-6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule K-3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2011 roll books for those classes and determined that the class was properly classified on the schedule.

Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule K-9)

10. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in the schedule by ARISE. In 2011 – 2012 school year, ARISE was kindergarten through third grade. Therefore, Schedules K-7, K-8, and K-9 are not applicable.

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

Public School Staff Data (Schedule K-5)

Finding:

We noted one (1) instance where the employee was not included in the June 30, 2012 PEP report. The employee's hire date per the offer of employment was October 31, 2011.

Corrective Action Plan:

ARISE Academy will incorporate an additional staff member in the verification of end of year reporting to ensure that PEP reporting includes all appropriate personnel. This verification will specifically include a focused review on personnel changes made in the current year.

Public School Staff Data (Schedule K-5)

Finding:

We noted nine (9) instances where teachers' reported salary did not include all extra compensation per the June 30, 2012 PEP report. Any amount of salary paid on the current fiscal year for the completion of assigned additional duties is considered extra compensation. Extra compensation should be included in the June 30, 2012 PEP report with a Type 2 designation. Also, bonuses should be included with the base salary amount and be reported on the June 30, 2012 PEP report as a Type 1 designation.

Corrective Action Plan:

Although the total salary variances equated to .0016 (.16%), ARISE does understand the importance of having the exact earnings reported appropriately. Future end of year PEP reporting will be based upon customized payroll reports which will correspond to the ARISE school year, July 16 to July 1, and not a calendar year. These custom reports will use coding which equates to Type 1 and Type 2 designations in order to reduce the level of manual calculation and manipulation of canned reports.

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

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

Carr, Riggs & Ingram, LLC

October 22, 2012

**ARISE ACADEMY
NEW ORLEANS, LOUISIANA**

Schedule K-1

**General Fund Instructional and Support Expenditures
Certain Local Revenue Sources
For the Year Ended June 30, 2012**

General Fund Instructional and Equipment Expenditures

| | |
|--|---------------------|
| Teacher and Student Interaction Activities | |
| Classroom Teacher Salaries | \$ 1,060,264 |
| Other Instructional Staff Activities | 25,033 |
| Instructional Staff Employee Benefits | 199,875 |
| Purchased Professional and Technical Services | 114,001 |
| Instructional Materials and Supplies | 96,946 |
| Less: Instructional Equipment | - |
| Total Teacher and Student Interaction Activities | <u>\$ 1,496,119</u> |
| Other Instructional Activities | <u>\$ 6,990</u> |
| Pupil Support Activities | \$ 86,018 |
| Less: Equipment for Pupil Support Activities | - |
| Net Pupil Support Activities | <u>\$ 86,018</u> |
| Instructional Staff Services | \$ 23,843 |
| Less: Equipment for Instructional Staff Services | - |
| Net Instructional Staff Services | <u>\$ 23,843</u> |
| School Administration | \$ 347,171 |
| Less: Equipment for School Administration | - |
| Net School Administration | <u>\$ 347,171</u> |
| Total General Fund Expenditures | <u>\$ 1,960,141</u> |
| Total General Fund Equipment Expenditures | <u>\$ -</u> |

Certain Local Revenue Sources:

This section is not applicable.

**Education Level of Public Principals, Assistant Principals, and Full-Time Classroom Teachers
As of October 1, 2011**

| Category | Full-time Classroom Teachers | | | | Principals and Assistant Principals | | | |
|-------------------------------|------------------------------|-------------|----------------|-------------|-------------------------------------|-------------|----------------|-------------|
| | Certificated | | Uncertificated | | Certificated | | Uncertificated | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than a Bachelor's Degree | - | 0% | - | 0% | - | 0.0% | - | 0% |
| Bachelor's Degree | 13.0 | 76% | 5.0 | 62% | - | 0.0% | - | 0% |
| Master's Degree | 4.0 | 24% | 3.0 | 38% | - | 0.0% | 1.0 | 100% |
| Master's Degree +30 | - | 0% | - | 0% | - | 0.0% | - | 0% |
| Specialist in Education | - | 0% | - | 0% | - | 0.0% | - | 0% |
| Ph. D. or Ed. D. | - | 0% | - | 0% | - | 0.0% | - | 0% |
| Total | 17.0 | 100% | 8.0 | 100% | - | 0.0% | 1.0 | 100% |

**Number and Type of Public Schools
For the Year Ended June 30, 2012**

| Type | 2012 |
|-----------------|---------------|
| | Number |
| Elementary | 1 |
| Middle/Jr. High | - |
| Secondary | - |
| Combination | - |
| Total | 1 |

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

**Experience of Public Principals, Assistant Principals, and Full-Time Classroom Teachers
As of October 1, 2011**

| | 0-1 Yr. | 2-3 Yrs. | 4-10 Yrs. | 11-14 Yrs. | 15-19 Yrs. | 20-24 Yrs. | 25+ Yrs. | Total |
|----------------------|---------|----------|-----------|------------|------------|------------|----------|-------|
| Assistant Principals | - | - | - | - | - | - | - | - |
| Classroom Teachers | 6.0 | 10.0 | 6.0 | 3.0 | - | - | - | 25.0 |
| Principals | - | - | 1.0 | - | - | - | - | 1.0 |
| Total | 6.0 | 10.0 | 7.0 | 3.0 | - | - | - | 26.0 |

**ARISE ACADEMY
NEW ORLEANS, LOUISIANA**

Schedule K-5

**Public School Staff Data
For the Year Ended June 30, 2012**

| 2012 | All Classroom Teachers | Classroom Teachers Excluding ROTC And Rehired Retirees |
|---|------------------------|--|
| Average Classroom Teachers' Salary Including Extra Compensation | \$45,281 | \$45,281 |
| Average Classroom Teacher's Salary Excluding Extra Compensation | \$44,801 | \$44,801 |
| Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries | 26 | 26 |

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

**Class Size Characteristics
As of October 1, 2011**

| School Type | Class Size Range | | | | | | | |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 33% | 24 | 66% | 49 | - | - | 1% | 1 |
| Elementary Activity Classes | 33% | 8 | 67% | 16 | - | - | - | - |
| Middle/Jr. High | - | - | - | - | - | - | - | - |
| Middle/Jr. High Activity Classes | - | - | - | - | - | - | - | - |
| High | - | - | - | - | - | - | - | - |
| High Activity Classes | - | - | - | - | - | - | - | - |
| Combination | - | - | - | - | - | - | - | - |
| Combination Activity Classes | - | - | - | - | - | - | - | - |

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

**Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2012**

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|---|----------------|-------------|--------------------|-------------|----------------|-------------|-----------------------|-------------|
| | 2012 | | 2012 | | 2012 | | 2012 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 4 | | | | | | | | |
| Advanced | - | 0% | 1 | 3% | - | 0% | - | 0% |
| Mastery | 3 | 9% | 6 | 17% | 3 | 9% | - | 0% |
| Basic | 22 | 65% | 13 | 37% | 20 | 57% | 20 | 57% |
| Approaching Basic | 7 | 20% | 11 | 31% | 8 | 23% | 10 | 29% |
| Unsatisfactory | 2 | 6% | 4 | 12% | 4 | 11% | 5 | 14% |
| Total | 34 | 100% | 35 | 100% | 35 | 100% | 35 | 100% |

**Integrated Louisiana Educational Assessment Program (iLEAP)
For the Years Ended June 30, 2012, 2011 and 2010**

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|----------|-----------|-------------|-----------|----------|-----------|----------------|-----------|
| | 2010 | | 2010 | | 2010 | | 2010 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | - | - | - | - | - | - | - | - |
| Mastery | - | - | - | - | - | - | - | - |
| Basic | - | - | - | - | - | - | - | - |
| Approaching Basic | - | - | - | - | - | - | - | - |
| Unsatisfactory | - | - | - | - | - | - | - | - |
| Total | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2011 | | 2011 | | 2011 | | 2011 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | 1 | 2% | 3 | 8% | - | 0% | - | 0% |
| Mastery | 3 | 8% | 4 | 10% | - | 0% | 1 | 3% |
| Basic | 15 | 37% | 14 | 35% | 18 | 45% | 19 | 47% |
| Approaching Basic | 17 | 43% | 8 | 20% | 14 | 35% | 15 | 37% |
| Unsatisfactory | 4 | 10% | 11 | 27% | 8 | 20% | 5 | 13% |
| Total | 40 | 100% | 40 | 100% | 40 | 100% | 40 | 100% |

| District Achievement Level Results | English | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2012 | | 2012 | | 2012 | | 2012 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | - | 0% | 7 | 11% | - | 0% | - | 0% |
| Mastery | 11 | 17% | 11 | 17% | 10 | 16% | 4 | 6% |
| Basic | 34 | 52% | 32 | 49% | 30 | 46% | 23 | 35% |
| Approaching Basic | 14 | 22% | 6 | 9% | 17 | 26% | 24 | 37% |
| Unsatisfactory | 6 | 9% | 9 | 14% | 8 | 12% | 14 | 22% |
| Total | 65 | 100% | 65 | 100% | 65 | 100% | 65 | 100% |

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

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

Board of Directors
ARISE Academy
New Orleans, Louisiana

We have audited the financial statements of ARISE Academy (“ARISE”) (a nonprofit organization), as of and for the year ended June 30, 2012 and have issued our report thereon dated October 22, 2012. 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.

Internal Control Over Financial Reporting

Management of ARISE is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ARISE’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ARISE’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ARISE’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, finding 2012-01, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARISE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

October 22, 2012

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
ARISE Academy
New Orleans, Louisiana

Compliance

We have audited the compliance of ARISE Academy (“ARISE”) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. ARISE’s major federal programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of ARISE’s management. Our responsibility is to express an opinion on ARISE’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ARISE’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ARISE’s compliance with those requirements.

In our opinion, ARISE complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of ARISE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ARISE's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ARISE's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

October 22, 2012

ARISE ACADEMY
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2012

| <u>Federal Grantor/ Program Title/ Pass-Through Grantor</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| <u>U.S. Department of Education:</u> | | |
| <i>Passed-through Louisiana Department of Education:</i> | | |
| Title I Grants to Local Educational Agencies (LEAs)* | 84.010 | \$ 225,921 |
| Title I Grants to Local Educational Agencies (LEAs) (ARRA)* | 84.389 | 1,495 |
| Title II, Improving Teacher Quality State Grants | 84.367 | 17,093 |
| Education Jobs Fund | 84.410 | 755 |
| Special Education - Grants to States (IDEA Part B) | 84.027 | 59,497 |
| Special Education - Grants to States Preschool (IDEA Preschool) | 84.173 | 3,348 |
| Special Education - Grants to States ARRA (IDEA Part B ARRA) | 84.391 | 602 |
| School Improvement Grants (ARRA)* | 84.388 | 275,102 |
| Public Charter Schools Federal Grant Program | 84.282 | <u>118,333</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>702,146</u> |
| <u>U.S. Department of Agriculture:</u> | | |
| <i>Passed-through Louisiana Department of Education</i> | | |
| National School Lunch Program | 10.555 | 125,251 |
| School Breakfast Program | 10.553 | 59,942 |
| Child and Adult Care Food Program | 10.558 | <u>35,199</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>220,392</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$ 922,538</u> |

*Identified as a major program.
See accompanying Notes to the Schedule of Expenditures of Federal Awards.

ARISE ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2012

NOTE 1 - BASIS OF ACCOUNTING

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

ARISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

- The auditor's report expresses an unqualified opinion on the financial statements of ARISE Academy ("ARISE") (a nonprofit organization).
- No instances of noncompliance material to the financial statements of ARISE were disclosed and identified during the audit.
- No significant deficiencies relating to the audit of the major federal award programs is reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
- The *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133* expresses an unqualified opinion on all major federal programs.
- There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- A management letter was not issued for the year ended June 30, 2012.
- The programs tested as a major program for the year ended June 30, 2012 were:

| <u>Program Title</u> | <u>CFDA No.</u> |
|--|-----------------|
| Title I Grants to Local Educational Agencies (LEA) | 84.010, 84.389 |
| School Improvement Grants (ARRA) | 84.388 |

- The threshold for distinguishing between Type A and Type B programs was \$300,000.
- ARISE did not qualify as a low-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2012-01 Check Signing Policy

Observation:

During the audit, we noted that all checks written for equal to or more than \$5,000 require two (2) signatures, one (1) of which must be a board member. We noted one (1) instance of a check written for more than \$5,000 that did not have two (2) signatures.

ARISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2012

Recommendation:

We recommend that all checks written for over \$5,000 be signed by both the Principal of ARISE as well as a board member in adherence with ARISE policies and procedures.

Corrective Action Plan:

All checks written for over \$5,000 will be signed by both the Principal of ARISE as well as a Board member in adherence with ARISE's policies and procedures.

ARISE ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
For the Year Ended June 30, 2012

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Not applicable.

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

Not applicable.

SECTION III – MANAGEMENT LETTER

Not applicable.