

**ARISE!, INC.**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORTS**

**FOR THE YEAR ENDED AUGUST 31, 2014**

ARISE!, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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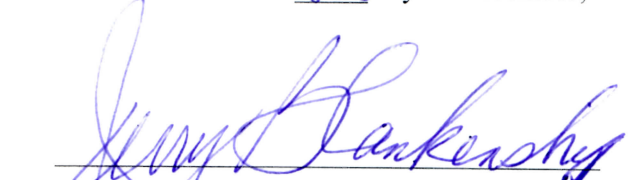
ARISE!, INC.  
COUNTY-DISTRICT NO. 057833  
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 31-1581048

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

CERTIFICATE OF BOARD OF DIRECTORS

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Arise!, Inc. was reviewed and (check one)  approved  disapproved for the year ended August 31, 2014, at a meeting of the governing body of said charter holder on the 18th day of December, 2014.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

**NOTE:** If the governing body of the charter school does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

# GREGORY S. DELK



**CERTIFIED PUBLIC ACCOUNTANT**

## **INDEPENDENT AUDITOR'S REPORT**

Unmodified Opinion on Financial Statements

Board of Directors  
Arise!, Inc.  
Rowlett, Texas

Members of the Board of Directors:

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Arise!, Inc. listed in the table of contents as of and for the year ended August 31, 2014 and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arise!, Inc. as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

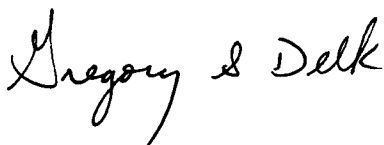
### ***Other Matters***

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2014 on my consideration of Arise!, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls 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* in considering Arise!, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gregory S. Delk". The signature is written in a cursive, flowing style.

Gregory S. Delk, CPA  
December 2, 2014

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

**ARISE!, INC.**  
**Statement of Financial Position**  
**August 31, 2014**

Exhibit A-1

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$	334,288.09
Due from State		1,896.00
Prepaid Expenses		17,800.00
Total Current Assets		353,984.09

**Property and Equipment**

Building and Improvements		166,659.14
Furniture and Equipment		236,386.36
Accumulated Depreciation		(181,689.08)
Total Property and Equipment		221,356.42

TOTAL ASSETS	\$	575,340.51
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$	10,494.14
Payroll Taxes Payable		56,358.11
Accrued Wages Payable		101,116.72
Total Current Liabilities		167,968.97

**Net Assets**

Unrestricted Net Assets (Deficiency)		(65,719.03)
Temporarily Restricted Net Assets (Deficiency)		473,090.57
Total Net Assets		407,371.54

TOTAL LIABILITIES AND NET ASSETS	\$	575,340.51
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The accompanying notes are an integral part of these financial statements.

**ARISE!, INC.**  
**Statement of Activities**  
**For the Year Ended August 31, 2014**

Exhibit A-2

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Totals</b>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
Earnings from Investments	\$	\$ 143.47	\$ 143.47
Other Local Revenue		64.60	64.60
Enterprising Services Revenue		27,359.64	27,359.64
Total Local Support	0.00	27,567.71	27,567.71
State Program Revenues--			
Foundation School Program-Per Capita		35,082.00	35,082.00
Foundation School Program		2,672,615.00	2,672,615.00
Student Success Initiative		772.00	772.00
Technology Lending Program		8,549.00	8,549.00
State Instructional Materials Fund		8,638.18	8,638.18
Supplemental Visually Impaired		140.00	140.00
Total State Program Revenues	0.00	2,725,796.18	2,725,796.18
Federal Program Revenues--			
Title I, Part A		65,384.32	65,384.32
IDEA-Part B Formula		65,712.31	65,712.31
IDEA-Part B Preschool		1,751.46	1,751.46
Title II, Part A TPTR		6,761.00	6,761.00
Title III, LEP		1,533.00	1,533.00
Total Federal Program Revenues	0.00	141,142.09	141,142.09
Net Assets Released from Restrictions	2,645,694.97	(2,645,694.97)	0.00
Total Revenue and Other Support	2,645,694.97	248,811.01	2,894,505.98
<b><u>EXPENSES</u></b>			
Program Services:			
Instructional and Instructional Related Services	1,333,134.37	----	1,333,134.37
Instructional and School Leadership	132,052.56	----	132,052.56
Support Services:			
Administrative Support Services	349,961.46	----	349,961.46
Support Services-Non-Student Based	717,866.68	----	717,866.68
Support Services-Student (Pupil)	98,259.49	----	98,259.49
Community Services	2,340.49	----	2,340.49
Fund Raising	12,079.92	----	12,079.92
Total Expenses	2,645,694.97	0.00	2,645,694.97
<b>Change in Net Assets</b>	<b>0.00</b>	<b>248,811.01</b>	<b>248,811.01</b>
Net Assets (Deficiency), Beginning of Year	(65,719.03)	224,279.56	158,560.53
Net Assets (Deficiency), End of Year	\$ (65,719.03)	\$ 473,090.57	\$ 407,371.54

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



**ARISE!, INC.**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2014**

Exhibit A-3

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 2,878,035.27
Cash Received from Local Sources	27,567.71
Cash Paid to Suppliers for Goods and Services	(1,070,594.74)
Cash Paid to Employees for Services	(1,554,778.68)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Provided By Operating Activities	<u>280,229.56</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	<u>(13,253.65)</u>
Net Cash Used By Investing Activities	<u>(13,253.65)</u>

Net Increase in Cash 266,975.91

Cash at Beginning of Year 67,312.18

Cash at End of Year \$ 334,288.09

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 248,811.01
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	32,764.23
(Increase) Decrease in Operating Assets-- Due from State	11,097.00
Increase (Decrease) in Operating Liabilities-- Accounts Payable	(34,420.76)
Payroll Taxes Payable	17,830.70
Accrued Wages Payable	4,147.38
Net Adjustments	<u>31,418.55</u>
Net Cash Provided By Operating Activities	<u><u>\$ 280,229.56</u></u>

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

**NOTES TO  
FINANCIAL STATEMENTS**

**ARISE!, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization and Nature of Activities –

Arise!, Inc. d/b/a Education Center International Academy provides an alternative learning environment for students. The School operates under an open enrollment charter granted by the State of Texas Board of Education. This charter was issued for a period of five years starting August 2001 and is subject to review and renewal periodically. The organization's charter was renewed until July 31, 2016. The School is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The School does not have the authority to impose ad valorem taxes or to charge tuition. The organization does business as Education Center International Academy and there is not currently any additional financial activity outside of the charter school.

The Organization was incorporated in 1997 and has been recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Accounting Policies –

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To insure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with Financial Accounting Standards Board Statement No. 117.

The statement of financial position reports the amounts of each of three classes of net assets: temporarily restricted, unrestricted net assets and permanently restricted net assets (currently zero).

- ❖ Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor imposed stipulations that can be fulfilled and removed by actions of the School pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- ❖ Unrestricted net assets are the remaining part of the School's net assets that is neither permanently restricted nor temporarily restricted by donor imposed stipulations. Property and equipment are included in unrestricted net assets.
- ❖ Permanently restricted net assets result from contributions and other inflows of assets that are required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

**ARISE!, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Cash and Cash Equivalents –

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks.

D. Fixed Assets and Depreciation –

All assets acquired with a value of \$5,000.00 (1,500.00 for computers) or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets which range from five to forty years on a straight line basis.

E. Revenues –

Revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support, in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*.

- ❖ Contributions with donor imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- ❖ Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

F. Donated Goods and Services –

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

G. Personal Leave –

All employees earn five days of paid local and five days of paid state personal leave per year. However, unused balances do not accumulate; therefore, there is no liability accrued on the financial statements.

H. Estimates –

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

**ARISE!, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

I. Functional Allocation of Expenses –

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

**2. BUILDING IMPROVEMENTS AND EQUIPMENT**

An analysis of building improvements and equipment at August 31, 2014, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Building and Improvements	\$ 166,659.14	27,043.55	139,615.59	2.5%-6.67%
Furniture & Equipment	236,386.36	154,645.53	81,740.83	14.29%
Total	\$ 403,045.50	181,689.08	221,356.42	

Depreciation expense for the year ended August 31, 2014 was \$32,764.23.

**3. PENSION PLAN**

Plan Description

The School contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the State of Texas. The System provides service retirement and disability benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the School. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary (6.7% starting September 1, 2014) and the State of Texas contributes an amount equal to 6.0% of the School's covered payroll. Starting September 2014 The School also must contribute 1.5% of the covered salaries of employees. The School's employees' contributions to the System for the year ending August 31, 2014 were \$87,448.68 and were equal to the required contributions for each year. The State of Texas' contributions should approximate \$82,000.00.

**ARISE!, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2014**

**3. PENSION PLAN (continued)**

Additional Plans

Certain employees of the organization are covered under Federal Social Security and Medicare. Under the provisions of that law, covered employees contribute 6.2% for Social Security and 1.45% for Medicare of their covered annual earnings and the Organization pays the matching Social Security and Medicare amounts.

**4. HEALTH CARE COVERAGE**

Employees of the School are covered by a group insurance plan. The School pays \$529.00 towards the employee's premium and the employee pays the balance due plus premiums for dependent coverage through payroll deductions. All premiums were paid to licensed insurers.

**5. DUE FROM STATE**

At August 31, 2014, the School was to receive additional State Foundation Program entitlements of \$1,896.00. This amount will be received from the State during the 2014-2015 school year.

**6. OPERATING LEASES**

On August 1, 2012 the Organization entered into a lease agreement for classroom space with Berean Baptist Church, 302 N. Town East Blvd, Sunnyvale, Texas. The agreement covered the ten months and 15 days ending June 15, 2014 at \$15,000.00 per month lease payments, plus a monthly maintenance payment of \$2,800.00 and utilities. On July 1, 2013 the Organization entered into a lease agreement for office and classroom space at 8200 Schrade Road, Rowlett, Texas at \$10,500.00 per month until August 31, 2018.

Future minimum lease payments are as follows:

8/31/2015	339,600.00
8/31/2016	339,600.00
8/31/2017	339,600.00
8/31/2018	339,600.00
8/31/2019	178,000.00

**7. COMMITMENTS AND CONTINGENCIES**

The School receives funds through state and federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, aside from the temporary restrictions on net assets as explained below, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

**8. ECONOMIC DEPENDENCY**

During the year the School received the majority of its revenues from the Texas Education Agency through a Charter Agreement and through federal grants available to charter schools. The loss of this Charter Agreement would have a material effect on the ability of the School to continue to provide the current level of services to its students.

**ARISE!, INC.**  
**Notes To Financial Statements**  
**For the Year Ended August 31, 2014**

**9. CASH DEPOSIT RISK**

At August 31, 2014 and throughout the school year, the School's cash in bank accounts were entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance. The first \$250,000.00 of interest bearing accounts are covered by FDIC insurance and combined balances reached well below that so there were no risks assumed.

**10. TEMPORARILY RESTRICTED NET ASSETS**

At August 31, 2014 the School had temporarily restricted net assets of \$473,090.57 that consisted of the following:

Local Revenues	\$ 23,757.83
State Foundation Program	440,622.90
State Gifted and Talented Program	1,593.21
Federal IDEA-B Program	<u>7,116.63</u>
	<u>\$ 473,090.57</u>

**11. SUBSEQUENT EVENTS**

Management has reviewed subsequent events through December 2, 2014 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

**SPECIFIC-PURPOSE  
FINANCIAL STATEMENTS**



**EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL**  
**Statement of Financial Position**  
**August 31, 2014**

Exhibit B-1

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$	334,288.09
Due from State		1,896.00
Prepaid Expenses		17,800.00
Total Current Assets		353,984.09

**Property and Equipment**

Building and Improvements		166,659.14
Furniture and Equipment		236,386.36
Accumulated Depreciation		(181,689.08)
Total Property and Equipment		221,356.42

TOTAL ASSETS	\$	575,340.51
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$	10,494.14
Payroll Taxes Payable		56,358.11
Accrued Wages Payable		101,116.72
Total Current Liabilities		167,968.97

**Net Assets**

Unrestricted Net Assets (Deficiency)		(65,719.03)
Temporarily Restricted Net Assets (Deficiency)		473,090.57
Total Net Assets		407,371.54

TOTAL LIABILITIES AND NET ASSETS	\$	575,340.51
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The accompanying notes are an integral part of these financial statements.

**EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL**

**Statement of Activities**

**For the Year Ended August 31, 2014**

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
5742 Earnings from Investments	\$	\$ 143.47	\$ 143.47
5749 Other Local Revenue		64.60	64.60
5755 Enterprising Services Revenue		27,359.64	27,359.64
Total Local Support	<u>0.00</u>	<u>27,567.71</u>	<u>27,567.71</u>
State Program Revenues--			
5811 Foundation School Program-Per Capita		35,082.00	35,082.00
5812 Foundation School Program		2,672,615.00	2,672,615.00
5829 Student Success Initiative		772.00	772.00
5829 Technology Lending Program		8,549.00	8,549.00
5829 State Instructional Materials Fund		8,638.18	8,638.18
5839 Supplemental Visually Impaired		140.00	140.00
Total State Program Revenues	<u>0.00</u>	<u>2,725,796.18</u>	<u>2,725,796.18</u>
Federal Program Revenues--			
5929 Title I, Part A		65,384.32	65,384.32
5929 IDEA-Part B Formula		65,712.31	65,712.31
5929 IDEA-Part B Preschool		1,751.46	1,751.46
5929 Title II, Part A TPTR		6,761.00	6,761.00
5929 Title III, LEP		1,533.00	1,533.00
Total Federal Program Revenues	<u>0.00</u>	<u>141,142.09</u>	<u>141,142.09</u>
Net Assets Released from Restrictions	<u>2,645,694.97</u>	<u>(2,645,694.97)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>2,645,694.97</u>	<u>248,811.01</u>	<u>2,894,505.98</u>
<b><u>EXPENSES</u></b>			
11 Instruction	1,323,736.66	----	1,323,736.66
13 Curriculum Dev. & Instructional Staff Dev.	9,397.71	----	9,397.71
21 Instructional Leadership	11,389.59	----	11,389.59
23 School Leadership	120,662.97	----	120,662.97
31 Guidance, Counseling and Evaluation Svcs.	86,847.45	----	86,847.45
33 Health Services	2,251.72	----	2,251.72
36 Cocurricular/Extracurricular Activities	9,160.32	----	9,160.32
41 General Administration	349,961.46	----	349,961.46
51 Plant Maintenance and Operations	461,828.20	----	461,828.20
53 Data Processing Services	256,038.48	----	256,038.48
61 Community Services	2,340.49	----	2,340.49
81 Fund Raising	12,079.92	----	12,079.92
Total Expenses	<u>2,645,694.97</u>	<u>0.00</u>	<u>2,645,694.97</u>
<b>Change in Net Assets</b>	<b>0.00</b>	<b>248,811.01</b>	<b>248,811.01</b>
Net Assets (Deficiency), Beginning of Year	<u>(65,719.03)</u>	<u>224,279.56</u>	<u>158,560.53</u>
Net Assets (Deficiency), End of Year	\$ <u>(65,719.03)</u>	\$ <u>473,090.57</u>	\$ <u>407,371.54</u>

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

**EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2014**

Exhibit B-3

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 2,878,035.27
Cash Received from Local Sources	27,567.71
Cash Paid to Suppliers for Goods and Services	(1,070,594.74)
Cash Paid to Employees for Services	(1,554,778.68)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Provided By Operating Activities	<u>280,229.56</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	<u>(13,253.65)</u>
Net Cash Used By Investing Activities	(13,253.65)

Net Increase in Cash	266,975.91
Cash at Beginning of Year	<u>67,312.18</u>
Cash at End of Year	<u><u>\$ 334,288.09</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 248,811.01
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	32,764.23
(Increase) Decrease in Operating Assets-- Due from State	11,097.00
Increase (Decrease) in Operating Liabilities-- Accounts Payable	(34,420.76)
Payroll Taxes Payable	17,830.70
Accrued Wages Payable	4,147.38
Net Adjustments	<u>31,418.55</u>
Net Cash Provided By Operating Activities	<u><u>\$ 280,229.56</u></u>

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

**SUPPLEMENTARY  
SCHEDULES**

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL

Schedule of Expenses

For the Year Ended August 31, 2014

Exhibit C-1

**EXPENSES**

6100 Payroll Costs  
6200 Professional and Contracted Services  
6300 Supplies and Materials  
6400 Other Operating Costs  
Total Expenses and Other Losses

**Totals**

\$	1,901,433.04
	582,946.29
	101,715.00
	59,600.64
\$	<u>2,645,694.97</u>

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

**EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL**  
**Schedule of Capital Assets**  
**August 31, 2014**

Exhibit D-1

<b><u>CAPITAL ASSETS</u></b>	<b><u>Ownership Interest</u></b>			<b><u>Total</u></b>
	<b><u>Local</u></b>	<b><u>State</u></b>	<b><u>Federal</u></b>	
1110 Cash	\$ 23,757.83	\$ 303,413.63	\$ 7,116.63	\$ 334,288.09
1520 Buildings and Improvements		166,659.14		166,659.14
1549 Furniture and Equipment	44,280.00	116,586.74	75,519.62	236,386.36
Total Capital Assets	<u>\$ 68,037.83</u>	<u>\$ 586,659.51</u>	<u>\$ 82,636.25</u>	<u>\$ 737,333.59</u>

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

**EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**For the Year Ended August 31, 2014**

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUE AND OTHER SUPPORT</u></b>				
Local Support--				
5742 Earnings from Temporary Investments	\$ 458.00	\$ 144.00	\$ 143.47	\$ (0.53)
5744 Gifts and Bequests	324.00			0.00
5749 Other Local Revenue		15.00	64.60	49.60
5755 Enterprising Services Revenue	5,395.00	26,600.00	27,359.64	759.64
Total Local Support	<u>6,177.00</u>	<u>26,759.00</u>	<u>27,567.71</u>	<u>808.71</u>
State Program Revenues--				
5811 Foundation School Program-Per Capita	34,776.00	35,082.00	35,082.00	0.00
5812 Foundation School Program	2,768,400.00	2,671,024.00	2,672,615.00	1,591.00
5829 Student Success Initiative	772.00		772.00	772.00
5829 Technology Lending Program			8,549.00	8,549.00
5829 State Instructional Materials Fund		8,638.00	8,638.18	0.18
5829 Read to Succeed	46.00			0.00
5839 Supplemental Visually Impaired	103.00	140.00	140.00	0.00
Total State Program Revenues	<u>2,804,097.00</u>	<u>2,714,884.00</u>	<u>2,725,796.18</u>	<u>10,912.18</u>
Federal Program Revenues--				
5929 Title I, Part A	56,496.00	56,831.00	65,384.32	8,553.32
5929 IDEA-Part B Formula	23,698.00	63,593.00	65,712.31	2,119.31
5929 IDEA-Part B Preschool	969.00	970.00	1,751.46	781.46
5929 Title II, Part A TPTR	6,421.00	6,761.00	6,761.00	0.00
5929 Title III, LEP	1,774.00	1,807.00	1,533.00	(274.00)
Total Federal Program Revenues	<u>89,358.00</u>	<u>129,962.00</u>	<u>141,142.09</u>	<u>11,180.09</u>
Total Revenue and Other Support	2,899,632.00	2,871,605.00	2,894,505.98	22,900.98
<b><u>EXPENSES</u></b>				
11 Instruction	1,314,921.00	1,332,690.00	1,323,736.66	(8,953.34)
13 Curriculum Dev. & Instructional Staff Dev.	16,468.00	14,759.00	9,397.71	(5,361.29)
21 Instructional Leadership	12,023.00	12,136.00	11,389.59	(746.41)
23 School Leadership	117,061.00	118,748.00	120,662.97	1,914.97
31 Guidance, Counseling and Evaluation Svcs.	37,551.00	87,147.00	86,847.45	(299.55)
33 Health Services	768.00	1,507.00	2,251.72	744.72
35 Food Services			0.00	0.00
36 Cocurricular/Extracurricular Activities	5,976.00	9,165.00	9,160.32	(4.68)
41 General Administration	339,048.00	377,250.00	349,961.46	(27,288.54)
51 Plant Maintenance and Operations	444,633.00	461,298.00	461,828.20	530.20
53 Data Processing Services	235,593.00	260,438.00	256,038.48	(4,399.52)
61 Community Services	1,147.00	2,563.00	2,340.49	(222.51)
81 Fundraising		12,105.00	12,079.92	(25.08)
Total Expenses	<u>2,525,189.00</u>	<u>2,689,806.00</u>	<u>2,645,694.97</u>	<u>(44,111.03)</u>
<b>Change in Net Assets</b>	<b>374,443.00</b>	<b>181,799.00</b>	<b>248,811.01</b>	<b>67,012.01</b>
Net Assets (Deficiency), Beginning of Year	<u>158,560.53</u>	<u>158,560.53</u>	<u>158,560.53</u>	<u>----</u>
Net Assets (Deficiency), End of Year	<u>\$ 533,003.53</u>	<u>\$ 340,359.53</u>	<u>\$ 407,371.54</u>	<u>\$ 67,012.01</u>

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

# **COMPLIANCE AND INTERNAL CONTROL**



# GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

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!, Inc.  
Rowlett, Texas

Members of the Board of Directors:

I have audited, 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, the financial statements of Arise!, Inc. as of and for the year ended August 31, 2014, and the related notes to the financial statements, and have issued my report thereon dated December 2, 2014.

### ***Internal Control Over Financial Reporting***

In planning and performing my audit of the financial statements, I considered Arise!, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arise!, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Arise!, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Arise!, Inc.'s financial statements are free from material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gregory S Delk*

Gregory S. Delk, CPA  
December 2, 2014

ARISE!, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Exhibit F-1

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**FEDERAL AWARDS**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes  X  No

Identification of major programs: None

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None Identified

**SECTION III – STATE AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Identified

**ARISE!, INC.**

**STATUS OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2014**

**No Prior Year Findings**

**ARISE!, INC.**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2014**

Exhibit G-1

**No Corrective Action Plan Necessary**