

ARISE!, INC.

ANNUAL FINANCIAL AND
COMPLIANCE REPORTS

FOR THE YEAR ENDED AUGUST 31, 2013

ARISE!, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

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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, 2013**

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, 2013, at a meeting of the governing body of said charter holder on the _____ day of January, 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.
Garland, 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, 2013 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, 2013, 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.

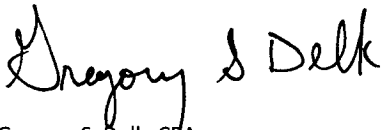
Other Matters

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 January 9, 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.



Gregory S. Delk, CPA
January 9, 2014

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

ARISE!, INC.
Statement of Financial Position
August 31, 2013

Exhibit A-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$	67,312.18
Due from State		12,993.00
Prepaid Expenses		17,800.00
Total Current Assets		98,105.18

Property and Equipment

Building and Improvements		166,659.14
Furniture and Equipment		223,132.71
Accumulated Depreciation		(148,924.85)
Total Property and Equipment		240,867.00

TOTAL ASSETS	\$	338,972.18
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	44,914.90
Payroll Taxes Payable		38,527.41
Accrued Wages Payable		96,969.34
Total Current Liabilities		180,411.65

Net Assets

Unrestricted Net Assets (Deficiency)		(65,719.03)
Temporarily Restricted Net Assets (Deficiency)		224,279.56
Total Net Assets		158,560.53

TOTAL LIABILITIES AND NET ASSETS	\$	338,972.18
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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, 2013

Exhibit A-2

	Unrestricted	Temporarily Restricted	Totals
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Earnings from Investments	\$	\$ 368.61	\$ 368.61
Gifts and Bequests		323.57	323.57
Enterprising Services Revenue		7,101.99	7,101.99
Total Local Support	0.00	7,794.17	7,794.17
State Program Revenues--			
Foundation School Program-Per Capita		91,775.00	91,775.00
Foundation School Program		1,040,663.00	1,040,663.00
Technology Lending Program		41,451.00	41,451.00
Read to Succeed		46.46	46.46
Supplemental Visually Impaired		90.00	90.00
Total State Program Revenues	0.00	1,174,025.46	1,174,025.46
Federal Program Revenues--			
Title I, Part A		27,180.68	27,180.68
IDEA-Part B Formula		37,854.66	37,854.66
Title II, Part A TPTR		9,299.99	9,299.99
Title III, LEP		795.00	795.00
Total Federal Program Revenues	0.00	75,130.33	75,130.33
Net Assets Released from Restrictions	1,746,062.58	(1,746,062.58)	0.00
Total Revenue and Other Support	1,746,062.58	(489,112.62)	1,256,949.96
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	804,914.47	----	804,914.47
Instructional and School Leadership	46,000.73	----	46,000.73
Support Services:			
Administrative Support Services	318,825.71	----	318,825.71
Support Services-Non-Student Based	520,755.76	----	520,755.76
Support Services-Student (Pupil)	54,419.34	----	54,419.34
Community Services	1,146.57	----	1,146.57
Total Expenses	1,746,062.58	0.00	1,746,062.58
Change in Net Assets	0.00	(489,112.62)	(489,112.62)
Net Assets (Deficiency), Beginning of Year	(65,719.03)	713,392.18	647,673.15
Net Assets (Deficiency), End of Year	\$ (65,719.03)	\$ 224,279.56	\$ 158,560.53

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

ARISE!, INC.
Statement of Cash Flows
For the Year Ended August 31, 2013

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 1,256,768.79
Cash Received from Local Sources	7,794.17
Cash Paid to Suppliers for Goods and Services	(750,657.84)
Cash Paid to Employees for Services	(932,798.08)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Used By Operating Activities	<u>(418,892.96)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(42,317.44)
Net Cash Used By Investing Activities	<u>(42,317.44)</u>

Net Decrease in Cash (461,210.40)

Cash at Beginning of Year 528,522.58

Cash at End of Year \$ 67,312.18

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

Change in Net Assets	\$ (489,112.62)
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities:	
Depreciation	28,482.72
(Increase) Decrease in Operating Assets--	
Due from State	7,613.00
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(19,811.03)
Payroll Taxes Payable	15,859.42
Accrued Wages Payable	38,075.55
Net Adjustments	<u>70,219.66</u>
Net Cash Used By Operating Activities	<u><u>\$ (418,892.96)</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, 2013

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, 2013

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, 2013

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, 2013, is presented as follows:

Asset		Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Building and Improvements	\$	166,659.14	19,289.91	147,369.23	2.5%-6.67%
Furniture & Equipment		223,132.71	129,634.94	93,497.77	14.29%
Total	\$	389,791.85	148,924.85	240,867.00	

Depreciation expense for the year ended August 31, 2013 was \$28,482.72.

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 and the State of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's employees' contributions to the System for the year ending August 31, 2013 were \$45,153.60 and were equal to the required contributions for each year. The State of Texas' contributions should approximate \$42,300.00.

Additional Plans

Certain employees of the organization are also 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 6.2% Social Security and matches the Medicare amount.

ARISE!, INC.
Notes To Financial Statements
For the Year Ended August 31, 2013

4. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$460.00 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, 2013, the School was to receive additional State Foundation Program entitlements of \$12,993.00. This amount will be received from the State during the 2013-2014 school year.

6. OPERATING LEASES

On August 1, 2010 the Organization entered into a lease agreement for office space with Alfa Y Omega Asambleas De Dios for the period ending August 31, 2011 at a lease rate of \$500.00 per month. The lease renews annually.

On August 1, 2012 the Organization entered into a lease agreement for office and 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 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:

8/31/2014	303,500.00
8/31/2015	126,000.00
8/31/2016	126,000.00
8/31/2017	126,000.00
8/31/2018	126,000.00

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, 2013

9. CASH DEPOSIT RISK

At August 31, 2013 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, 2013 the School had temporarily restricted net assets of \$224,279.56 that consisted of the following:

Local Revenues	\$ 16,230.36
State Foundation Program	203,051.88
Federal IDEA-B Program	<u>4,997.32</u>
	<u>\$ 224,279.56</u>

11. GOING CONCERN

The inherent presumption in preparing financial statements under U.S. generally accepted accounting principles that an entity will be able to continue as a going concern; that is, the entity will continue to operate such that it will be able to realize its assets and meet its obligations in the ordinary course of business. Substantial doubt about an entity's ability to continue as a going concern (**going concern presumption**) exists when information about existing conditions and events, after considering the mitigating effect of all of management's plans (including those outside the ordinary course of business), indicates that it is known or probable that an entity will be unable to meet its obligations as they become due within 24 months after the financial statement date.

The Organization has sustained a significant loss for the year ended August 31, 2013 and will not be able to continue without management taking steps to mitigate the continuation of future losses. Management's response to the situation is presented below and if the plans are successful should mitigate the effects of the prior losses.

Education Center International Academy (ECIA) opened a new campus in Rowlett for the school year 2013-2014. ECIA began paying expenses for the new campus in June of 2013 to secure the lease on the location, purchase needed furniture and equipment, textbooks that were not covered by the state textbook fund, salaries and benefits for new staff members. ECIA did not receive the first foundation school payment from TEA until September 2013.

Since the start of the 2013-2014 academic year, ECIA has been able to begin making monthly deposits into the reserve money market account. ECIA is also in the process of requesting an amendment to the charter to increase the number of students served. ECIA is preparing a 3 year proposal to increase the enrollment from the current 380 students to 688 in 2014, 836 in 2015 and 1,010 in 2016. The only proposed new staff required by ECIA is teachers; an additional 9 in 2014, 6 in 2015 and 5 in 2016. As a result of the proposed increase in enrollment, the additional Foundation school funding will make it possible to add substantially to the reserve money market funds.

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Statement of Financial Position
August 31, 2013

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$	67,312.18
Due from State		12,993.00
Prepaid Expenses		17,800.00
Total Current Assets		98,105.18

Property and Equipment

Building and Improvements		166,659.14
Furniture and Equipment		223,132.71
Accumulated Depreciation		(148,924.85)
Total Property and Equipment		240,867.00

TOTAL ASSETS	\$	338,972.18
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	44,914.90
Payroll Taxes Payable		38,527.41
Accrued Wages Payable		96,969.34
Total Current Liabilities		180,411.65

Net Assets

Unrestricted Net Assets (Deficiency)		(65,719.03)
Temporarily Restricted Net Assets (Deficiency)		224,279.56
Total Net Assets		158,560.53

TOTAL LIABILITIES AND NET ASSETS	\$	338,972.18
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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, 2013**

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
5742 Earnings from Investments	\$	\$ 368.61	\$ 368.61
5744 Gifts and Bequests		323.57	323.57
5755 Enterprising Services Revenue		7,101.99	7,101.99
Total Local Support	<u>0.00</u>	<u>7,794.17</u>	<u>7,794.17</u>
State Program Revenues--			
5811 Foundation School Program-Per Capita		91,775.00	91,775.00
5812 Foundation School Program		1,040,663.00	1,040,663.00
5829 Technology Lending Program		41,451.00	41,451.00
5829 Read to Succeed		46.46	46.46
5839 Supplemental Visually Impaired		90.00	90.00
Total State Program Revenues	<u>0.00</u>	<u>1,174,025.46</u>	<u>1,174,025.46</u>
Federal Program Revenues--			
5929 Title I, Part A		27,180.68	27,180.68
5929 IDEA-Part B Formula		37,854.66	37,854.66
5929 Title II, Part A TPTR		9,299.99	9,299.99
5929 Title III, LEP		795.00	795.00
Total Federal Program Revenues	<u>0.00</u>	<u>75,130.33</u>	<u>75,130.33</u>
Net Assets Released from Restrictions	<u>1,746,062.58</u>	<u>(1,746,062.58)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>1,746,062.58</u>	<u>(489,112.62)</u>	<u>1,256,949.96</u>
<u>EXPENSES</u>			
11 Instruction	774,603.21	----	774,603.21
13 Curriculum Dev. & Instructional Staff Dev.	30,311.26	----	30,311.26
21 Instructional Leadership	16,327.64	----	16,327.64
23 School Leadership	29,673.09	----	29,673.09
31 Guidance, Counseling and Evaluation Svcs.	45,053.84	----	45,053.84
33 Health Services	2,736.91	----	2,736.91
35 Food Services	460.00	----	460.00
36 Cocurricular/Extracurricular Activities	6,168.59	----	6,168.59
41 General Administration	318,825.71	----	318,825.71
51 Plant Maintenance and Operations	300,680.96	----	300,680.96
53 Data Processing Services	220,074.80	----	220,074.80
61 Community Services	1,146.57	----	1,146.57
Total Expenses	<u>1,746,062.58</u>	<u>0.00</u>	<u>1,746,062.58</u>
Change in Net Assets	0.00	(489,112.62)	(489,112.62)
Net Assets (Deficiency), Beginning of Year	<u>(65,719.03)</u>	<u>713,392.18</u>	<u>647,673.15</u>
Net Assets (Deficiency), End of Year	<u>\$ (65,719.03) \$</u>	<u>224,279.56</u>	<u>\$ 158,560.53</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, 2013**

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 1,256,768.79
Cash Received from Local Sources	7,794.17
Cash Paid to Suppliers for Goods and Services	(750,657.84)
Cash Paid to Employees for Services	(932,798.08)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Used By Operating Activities	<u>(418,892.96)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	<u>(42,317.44)</u>
Net Cash Used By Investing Activities	<u>(42,317.44)</u>

Net Decrease in Cash (461,210.40)

Cash at Beginning of Year 528,522.58

Cash at End of Year \$ 67,312.18

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

Change in Net Assets	\$ (489,112.62)
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities:	
Depreciation	28,482.72
(Increase) Decrease in Operating Assets--	
Due from State	7,613.00
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(19,811.03)
Payroll Taxes Payable	15,859.42
Accrued Wages Payable	38,075.55
Net Adjustments	<u>70,219.66</u>
Net Cash Used By Operating Activities	\$ <u><u>(418,892.96)</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, 2013**

Exhibit C-1

<u>EXPENSES</u>	<u>Totals</u>
6100 Payroll Costs	\$ 1,152,352.50
6200 Professional and Contracted Services	418,569.03
6300 Supplies and Materials	117,348.83
6400 Other Operating Costs	57,792.22
Total Expenses and Other Losses	\$ <u>1,746,062.58</u>

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

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Schedule of Capital Assets
August 31, 2013

Exhibit D-1

<u>CAPITAL ASSETS</u>	Ownership Interest			Total
	Local	State	Federal	
1110 Cash	\$ 16,230.36	\$ 46,084.50	\$ 4,997.32	\$ 67,312.18
1520 Buildings and Improvements		166,659.14		166,659.14
1549 Furniture and Equipment	44,280.00	107,333.09	71,519.62	223,132.71
Total Capital Assets	<u>\$ 60,510.36</u>	<u>\$ 320,076.73</u>	<u>\$ 76,516.94</u>	<u>\$ 457,104.03</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, 2013

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUE AND OTHER SUPPORT</u>				
Local Support--				
5742 Earnings from Temporary Investments	\$ 1,049.00	\$ 458.00	\$ 368.61	\$ (89.39)
5744 Gifts and Bequests		324.00	323.57	(0.43)
5755 Enterprising Services Revenue	8,219.00	7,102.00	7,101.99	(0.01)
Total Local Support	<u>9,268.00</u>	<u>7,884.00</u>	<u>7,794.17</u>	<u>(89.83)</u>
State Program Revenues--				
5811 Foundation School Program-Per Capita		87,654.00	91,775.00	4,121.00
5812 Foundation School Program	1,574,199.00	1,032,655.00	1,040,663.00	8,008.00
5829 Student Success Initiative		772.00		(772.00)
5829 Technology Lending Program		50,000.00	41,451.00	(8,549.00)
5829 Read to Succeed		46.00	46.46	0.46
5839 Supplemental Visually Impaired		90.00	90.00	0.00
Total State Program Revenues	<u>1,574,199.00</u>	<u>1,171,217.00</u>	<u>1,174,025.46</u>	<u>2,808.46</u>
Federal Program Revenues--				
5929 Title I, Part A	46,690.00	60,569.00	27,180.68	(33,388.32)
5929 IDEA-Part B Formula	46,934.00	52,061.00	37,854.66	(14,206.34)
5929 IDEA-Part B Preschool	1,490.00	1,508.00	0.00	(1,508.00)
5929 Title II, Part A TPTR	9,117.00	9,300.00	9,299.99	(0.01)
5929 Title III, LEP	776.00	795.00	795.00	0.00
Total Federal Program Revenues	<u>105,007.00</u>	<u>124,233.00</u>	<u>75,130.33</u>	<u>(49,102.67)</u>
Total Revenue and Other Support	1,688,474.00	1,303,334.00	1,256,949.96	(46,384.04)
<u>EXPENSES</u>				
11 Instruction	828,775.00	837,860.00	774,603.21	(63,256.79)
13 Curriculum Dev. & Instructional Staff Dev.	27,533.00	17,262.00	30,311.26	13,049.26
21 Instructional Leadership	5,818.00	17,118.00	16,327.64	(790.36)
23 School Leadership	20,029.00	22,169.00	29,673.09	7,504.09
31 Guidance, Counseling and Evaluation Svcs.	16,686.00	17,109.00	45,053.84	27,944.84
33 Health Services	529.00	2,506.00	2,736.91	230.91
35 Food Services		200.00	460.00	260.00
36 Cocurricular/Extracurricular Activities	4,910.00	6,144.00	6,168.59	24.59
41 General Administration	306,820.00	316,273.00	318,825.71	2,552.71
51 Plant Maintenance and Operations	277,959.00	294,784.00	300,680.96	5,896.96
53 Data Processing Services	193,462.00	213,532.00	220,074.80	6,542.80
61 Community Services	0.00	1,175.00	1,146.57	(28.43)
81 Fundraising	2,027.00	0.00	0.00	0.00
Total Expenses	<u>1,684,548.00</u>	<u>1,746,132.00</u>	<u>1,746,062.58</u>	<u>(69.42)</u>
Change in Net Assets	3,926.00	(442,798.00)	(489,112.62)	(46,314.62)
Net Assets (Deficiency), Beginning of Year	<u>647,673.15</u>	<u>647,673.15</u>	<u>647,673.15</u>	<u>----</u>
Net Assets (Deficiency), End of Year	<u>\$ 651,599.15</u>	<u>\$ 204,875.15</u>	<u>\$ 158,560.53</u>	<u>\$ (46,314.62)</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.
Garland, 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, 2013, and the related notes to the financial statements, and have issued my report thereon dated January 9, 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 & Delk

Gregory S. Delk, CPA
January 9, 2014

ARISE!, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2013

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, 2013**

No Prior Year Findings

ARISE!, INC.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013**

Exhibit G-1

No Corrective Action Plan Necessary