

ARISE! INC.

ANNUAL FINANCIAL AND
COMPLIANCE REPORTS

FOR THE YEAR ENDED AUGUST 31, 2022

ARISE! INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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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, 2022

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, 2022, at a meeting of the governing body of said charter holder on the 26th day of January, 2023.

Dr. Beverly Bern, Acting Secretary
Signature of Board Secretary

Phil Seaf
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

Board of Directors
Arise! Inc.
Sunnyvale, Texas

Opinion

We have audited the accompanying financial statements of Arise! Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arise! Inc. as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arise! Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arise! Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arise! Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arise! Inc.'s ability to continue as a going concern for a reasonable period of time.

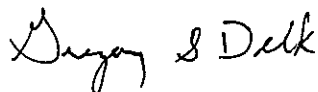
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was 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 purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The accompanying specific purpose financial statements and supplementary information including the Schedule of Expenses, Schedule of Capital Assets, Budgetary Comparison Schedule, Schedule of Real Property Ownership Interests, Schedule of Related Party Transactions and Compensation, and Compensatory and Bilingual Education Programs Compliance Responses are presented for purposes of additional analysis as required by the Texas Education Agency and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2023, on our consideration of Arise! Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arise! Inc.'s internal control over financial reporting and compliance.



Gregory S. Delk, CPA
January 15, 2023

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

ARISE!, INC.
Statement of Financial Position
August 31, 2022

Exhibit A-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 584,740.60
Due from State	65,045.00
Due from Federal Agencies	227,784.72
Prepaid Expenses	98,111.52
Total Current Assets	975,681.84

Property and Equipment

Land	766,295.00
Building and Improvements	5,959,600.29
Furniture and Equipment	471,227.53
Furniture and Equipment-Capital Leases	282,142.20
Accumulated Depreciation	(1,405,108.08)
Total Property and Equipment	6,074,156.94

Other Assets

Escrowed & Reserved Cash Accounts	487,996.00
Total Other Assets	487,996.00

TOTAL ASSETS	\$ 7,537,834.78
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LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable-Current Portion	\$ 110,000.00
Loans Payable-Current Portion	166,000.00
Capital Lease Payable-Current Portion	17,182.00
Accrued Interest Payable	41,514.33
Payroll Taxes & Related Payables	82,338.65
Accrued Wages Payable	463,325.68
Other Accrued Expenses	10,306.07
Total Current Liabilities	890,666.73

Long-Term Liabilities

Bonds Payable-Less Current Portion Net of Unamortized Issuance Costs (\$105,000.00)	2,336,000.00
Notes Payable Less Current Portion	3,049,000.00
Capital Lease Payable Less Current Portion	18,463.28
Total Long-Term Liabilities	5,403,463.28

Net Assets

Without Donor Restrictions	(65,719.03)
With Donor Restrictions	1,309,423.80
Total Net Assets	1,243,704.77

TOTAL LIABILITIES AND NET ASSETS	\$ 7,537,834.78
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The accompanying notes are an integral part of these financial statements.

ARISE!, INC.

Exhibit A-2

Statement of Activities
For the Year Ended August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Rental Income	\$	\$ 6,000.00	\$ 6,000.00
Earnings from Investments		122.77	122.77
Donations & Gifts		725.00	725.00
Other Local Revenues		1,538.88	1,538.88
Enterprising Services Revenue		47,853.88	47,853.88
Total Local Support	<u>0.00</u>	<u>56,240.53</u>	<u>56,240.53</u>
State Program Revenues--			
Foundation School Program-Per Capita		304,710.00	304,710.00
Foundation School Program		3,871,284.00	3,871,284.00
Total State Program Revenues	<u>0.00</u>	<u>4,175,994.00</u>	<u>4,175,994.00</u>
Federal Program Revenues--			
School Breakfast Matching		106,347.21	106,347.21
Title I, Part A		98,659.54	98,659.54
IDEA-Part B Formula		117,842.64	117,842.64
IDEA-Part B Preschool		1,614.87	1,614.87
Title II, Part A		12,581.27	12,581.27
Title III, Part A		1,868.56	1,868.56
ESSER II Grant		336,256.35	336,256.35
ESSER III Grant		125,983.34	125,983.34
ARP IDEA-B Formula		23,884.00	23,884.00
ARP IDEA-B Preschool		2,639.00	2,639.00
Title IV, Part A		14,858.48	14,858.48
Total Federal Program Revenues	<u>0.00</u>	<u>842,535.26</u>	<u>842,535.26</u>
Net Assets Released from Restrictions	<u>5,372,288.26</u>	<u>(5,372,288.26)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>5,372,288.26</u>	<u>(297,518.47)</u>	<u>5,074,769.79</u>
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	2,603,195.10	----	2,603,195.10
Instructional and School Leadership	427,362.64	----	427,362.64
Support Services:			
Administrative Support Services	944,219.11	----	944,219.11
Support Services-Non-Student Based	825,282.08	----	825,282.08
Support Services-Student (Pupil)	245,752.78	----	245,752.78
Debt Services	270,589.01	----	270,589.01
Fund Raising	55,887.54	----	55,887.54
Total Expenses	<u>5,372,288.26</u>	<u>0.00</u>	<u>5,372,288.26</u>
Change in Net Assets	0.00	(297,518.47)	(297,518.47)
Net Assets Beginning of Year	<u>(65,719.03)</u>	<u>1,606,942.27</u>	<u>1,541,223.24</u>
Net Assets End of Year	<u>\$ (65,719.03)</u>	<u>\$ 1,309,423.80</u>	<u>\$ 1,243,704.77</u>

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

**Statement of Functional Expenses
For the Year Ended August 31, 2022**

EXPENSES	Program Services	Management and General	Fundraising	Totals
Payroll Expenses:				
Salaries and Wages	\$ 2,615,622.44	\$ 479,822.69	\$	\$ 3,095,445.13
Benefits	229,718.10	60,219.48		289,937.58
Payroll Taxes	38,038.13	6,712.59		44,750.72
Total Payroll Expenses	<u>2,883,378.67</u>	<u>546,754.76</u>	0.00	<u>3,430,133.43</u>
Non Payroll Expenses before Depreciation				
Professional Services	37,830.80	22,835.25		60,666.05
Contracted Services	136,893.75	99,501.49	51,699.40	288,094.64
Repairs & Maintenance	223,021.22	25,224.47	3,999.02	252,244.71
Utilities	133,176.58	14,797.40		147,973.98
Rentals	181,642.34	20,182.48		201,824.82
General Supplies	186,732.11	4,417.17	189.12	191,338.40
Maintenance Supplies	38,473.96	4,274.89		42,748.85
Store Supplies	9,869.89			9,869.89
Food Service	106,498.23			106,498.23
Travel	3,200.00	1,829.32		5,029.32
Insurance		52,586.66		52,586.66
Miscellaneous	17,865.11	11,140.16		29,005.27
Debt Service Costs	243,530.11	27,058.90		270,589.01
Total Non Payroll Expenses before Depreciation	<u>1,318,734.10</u>	<u>283,848.19</u>	<u>55,887.54</u>	<u>1,658,469.83</u>
Total Expenses before Depreciation	<u>4,202,112.77</u>	<u>830,602.95</u>	<u>55,887.54</u>	<u>5,088,603.26</u>
Depreciation	255,316.50	28,368.50		283,685.00
Total Expenses	<u>\$ 4,457,429.27</u>	<u>\$ 858,971.45</u>	<u>\$ 55,887.54</u>	<u>\$ 5,372,288.26</u>

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

ARISE!, INC.
Statement of Cash Flows
For the Year Ended August 31, 2022

Exhibit A-4

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 5,692,847.48
Cash Received from Local Sources	56,240.53
Cash Paid to Suppliers for Goods and Services	(1,723,626.56)
Cash Paid to Employees for Services	(3,001,908.48)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(264,289.01)
Net Cash Provided By Operating Activities	<u>759,263.96</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	<u>(109,511.44)</u>
Net Cash Used By Investing Activities	(109,511.44)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Indebtedness	<u>(285,743.06)</u>
Net Cash Used By Financing Activities	(285,743.06)

Net Increase in Cash	364,009.46
Cash at Beginning of Year	<u>220,731.14</u>
Cash at End of Year	<u><u>\$ 584,740.60</u></u>

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

Change in Net Assets	\$ (297,518.47)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation & Amortization	283,685.00
Amortization of Debt Issuance Costs	6,300.00
(Increase) Decrease in Operating Assets--	
Due from State	506,702.00
Due from Federal Agencies	167,616.22
Other Receivables	14,455.15
Prepaid Expenses	(24,925.40)
Increase (Decrease) in Operating Liabilities--	
Accrued Interest Payable	3,452.29
Payroll Taxes Payable	3,931.63
Accrued Wages Payable	93,536.65
Other Accrued Expenses	2,028.89
Net Adjustments	<u>1,056,782.43</u>
Net Cash Provided By Operating Activities	<u><u>\$ 759,263.96</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, 2022

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 originally 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, 2026. 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 ensure 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must expend state aid for the benefit of its students consistent with TEC, §45.105(c).

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

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 or greater (\$1,500.00 for computers) and an estimated useful life of three years or more 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 on a straight line basis. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

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 support either with or without donor imposed restrictions, in accordance with FASB ASU 2016-14. 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 in accordance with the accrual method.

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.

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.

J. Pension –

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Recent Accounting Pronouncements –

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective for fiscal years beginning after December 15, 2019 and adopted by the Organization. Under this new standard, revenue is recognized in the amount expected to be entitled to receive for the transfer of promised goods and services to customers. The Organization’s contract with the State of Texas calls for payments to the school based upon daily attendance records and the State’s available school funds with an after the year settle up payment or refund once all the factors are known. Disaggregation of revenues is not necessary since the contract is consistently adjusted by the State based upon average daily attendance and paid in accordance with that formula. There is no remaining unpaid balance on the contract that is waiting on a performance obligation to be satisfied.

The FASB has issued ASU No. 2016-02, *Leases (Topic 842)* to be effective for fiscal years beginning after December 15, 2021. Under this new standard, lessees are required to recognize on the balance sheet a lease asset and a lease liability for all leases with terms exceeding 12 months. In the case of operating leases previously only disclosed in the footnotes, this will represent a major change in presentation in the financial statements. The Organization is currently evaluating the effect this new accounting pronouncement will have on the financial statements.

2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of property and equipment at August 31, 2022, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 766,295.00	-0-	766,295.00	N/A
Building and Improvements	5,959,600.29	848,907.35	5,110,692.94	2.5%-6.67%
Furniture & Equipment	471,227.53	312,371.59	158,855.94	14.29%
Furn & Eqmt-Capital Leases	282,142.20	243,829.14	38,313.06	14.29%
Total	\$ 7,479,265.02	1,405,108.08	6,074,156.94	

Depreciation expense for the year ended August 31, 2022 was \$283,685.00.

3. PENSION PLAN

Plan Description

The Organization participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms. No part of the plan is subject to a collective bargaining agreement.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

3. PENSION PLAN (continued)

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Charter Schools are legally separate entities from the State and each other. Funds contributed by any one Charter School or ISD may be used to satisfy the obligations of all the Charter Schools and ISDs in the System. The unfunded obligations are shared by the other Charter Schools and ISDs. There are no withdrawal penalties for leaving the TRS System.

Detailed information about the Teacher Retirement System is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 86th Texas Legislature, TRS Pension Reform Bill increased employee and employer contribution rates for fiscal years 2020 through 2025.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

3. PENSION PLAN (continued)

including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the applicable salary.

Statutorily Determined Contribution Rates

	FYE 8/31	
	<u>2022</u>	<u>2021</u>
Member	8.0%	7.7%
Non-Employer Contributing Entity (State)	7.75%	7.5%
Employers	7.75%	7.5%

The Organization's FYE 8/31/2022 Contributions to the Plan were \$211,095.90 and did not represent more than 5% of the total contributions to the plan. There have been no changes which would affect the comparison of employer contributions from year to year.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

3. PENSION PLAN (continued)

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2022 are as follows:

Total Plan Assets	\$ 207,621,897,538
Total Pension Liability	\$ 243,553,045,455
Total Plan Fiduciary Net Position	\$ 184,185,617,196

Net Position as a percentage of Total Pension Liability is 75.62%.

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. OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

The Organization participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). TRS-Care is a cost-sharing multiple-employer defined Other Post Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. TRS-Care is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Detailed information about the TRS-Care plan is available in the TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage at low cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional premium.

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2022 are as follows:

Total Plan Assets	\$ 3,308,391,215
Total Accumulated Benefit Obligations	\$ 27,061,942,520
Total Plan Fiduciary Net Position	\$ 3,117,937,218

Net Position as a percentage of Total OPEB Liability is 11.52%.

5. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$555.00 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.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

6. SECTION 125 CAFETERIA PLAN

The organization has adopted a “cafeteria plan” within the meaning of Section 125(a) of the Internal Revenue Code which allows employees to choose among certain “tax free” benefits in lieu of taxable compensation. The choices include medical insurance premium, dental and vision insurance premium, cancer insurance premium. Employees may also select to have payments for unreimbursed medical expenses, unreimbursed orthodontia payments, and dependent care services deducted out of their paycheck each pay period on a pretax basis. The employees’ costs to provide any of these benefits are paid by the employees from payroll deductions.

7. DUE FROM STATE & DUE FROM FEDERAL AGENCIES

At August 31, 2022, the School was to receive additional Foundation Program funds of \$65,045.00, \$66,206.93 in Title I funds, \$100,243.55 in IDEA-B funds, \$18,239.16 in School Breakfast funds, \$1,868.56 in Title III funds, \$26,523.00 in ARP IDEA-B funds, \$14,673.73 in ESSER II Grant funds, and \$29.79 Title IV funds. These amounts will be received from the State and Federal Agencies during the 2022-2023 school year.

8. OPERATING LEASES

On February 1, 2018 the Organization entered into a lease agreement for office and classroom space at 201 N. Erby Campbell, Royce City, Texas at \$13,000.00 per month for the first year plus \$3,000.00 annually for maintenance, \$14,500.00 per month for the next year plus \$3,000.00 annually for maintenance, \$15,000.00 per month until July 31, 2023 plus \$3,000.00 annually for maintenance.

Future minimum lease payments are as follows:

8/31/2023	\$ 168,000.00
8/31/2024	\$ 0.00
8/31/2025	\$ 0.00
8/31/2026	\$ 0.00
8/31/2027	\$ 0.00
Thereafter	<u>\$ 0.00</u>
Total future minimum lease payments	<u>\$ 168,000.00</u>

9. ESCROWED ACCOUNTS

As part of the below described loan for the purchase of the Sunnyvale property the lender requires a reserve account held at the lender bank in the amount of \$280,275.00. The Organization cannot increase or decrease the account until the loan is paid in full. In relation to the loan for the Rowlett property, the Organization keeps a reserve account held at the lender bank in the amount of \$207,721.00.

10. NOTES PAYABLE & BONDS PAYABLE

The Organization purchased a building at 302 North Town East Blvd., Sunnyvale, Texas for the Sunnyvale school location and Organization’s administration offices on August 3, 2017. Previously they were leasing space at this location. The purchase was for \$3,100,000.00 plus \$860,000.00 renovation costs with a resulting note payable (lien on the building) of \$3,960,000.00 payable by varying annual principal payments starting with \$134,000.00 plus accrued interest on August 15th, 2018. In between principal payments on each February 15th interest only payments are due. The loan carries interest at an initial rate of 3.53% applicable to August 14th, 2022. Thereafter the interest rate is adjusted every 5 years to 80% of the 5 year Treasury Rate plus 2.5%, but never less than the initial rate of 3.53%.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

10. NOTES PAYABLE & BONDS PAYABLE (continued)

The future note payments on this note are scheduled as follows (interest beyond 2022 is assumed to be at 3.53%):

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	166,000.00	114,327.40	280,327.40
2024	172,000.00	108,424.34	280,424.34
2025	178,000.00	102,307.92	280,307.92
2026	185,000.00	95,978.12	280,978.12
2027	191,000.00	89,399.40	280,399.40
Thereafter	<u>2,323,000.00</u>	<u>477,863.62</u>	<u>2,800,863.62</u>
Totals	3,215,000.00	988,300.80	4,203,300.80

In April 2019, a non-profit organization, Rosebud Cultural Education Facilities Finance Corporation issued bonds for the purpose of loaning the proceeds to ARISE! Inc. to acquire, construct, renovate and equip the Campus located at 8200 Schrade Road, Rowlett, Texas. The following table of debt service requirements is the loan payments required of ARISE!, Inc. The loan is payable by varying annual principal payments starting with \$98,000.00 plus accrued interest on April 15th, 2020. In between principal payments on each October 15th interest only payments are due. The loan carries interest at an initial rate of 3.79% but thereafter the interest rate is adjusted every 5 years to 80% of the 5 year Treasury Rate plus 2.5%, but never less than the initial rate. The future note payments on this note are scheduled as follows (interest beyond 2023 is assumed to be at the initial rate of 3.79%):

<u>Period</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
8/31/23	\$110,000.00	\$97,449.52	\$207,449.52
8/31/24	114,000.00	93,247.46	207,247.46
8/31/25	118,000.00	88,892.60	206,892.60
8/31/26	123,000.00	84,384.94	207,384.94
8/31/27	127,000.00	79,686.28	206,686.28
8/31/28	132,000.00	74,834.80	206,834.80
8/31/29	137,000.00	69,792.34	206,792.34
8/31/30	142,000.00	64,558.88	206,558.88
8/31/31	148,000.00	59,134.40	207,134.40
8/31/32	153,000.00	53,480.72	206,480.72
8/31/33	159,000.00	47,636.04	206,636.04
8/31/34	165,000.00	41,562.16	206,562.16
8/31/35	171,000.00	35,259.08	206,259.08
8/31/36	178,000.00	28,726.78	206,726.78
8/31/37	184,000.00	21,927.10	205,927.10
8/31/38	191,000.00	14,898.20	205,898.20
8/31/39	199,000.00	7,601.90	206,601.90
Totals	2,551,000.00	\$963,073.20	\$3,514,073.20
Less Current	-110,000.00		
Less Issue Costs	<u>-105,000.00</u>		
Long-Term Portion	<u>\$2,336,000.00</u>		

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

11. CAPITAL LEASES PAYABLE

The Organization leased 240 Dell Chromebooks 11 from Dell Financial Services on June 20, 2017. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles. The Organization leased 60 Dell Chromebooks from Dell Financial Services on September 12, 2017. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles. The Organization leased 60 Dell Latitude Laptops from Dell Financial Services on June 15, 2018. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles. The Organization leased 20 65-inch Interactive Panels with web cameras and document cameras in September 2019. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles.

The future capital lease payments are scheduled as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	17,182.00	2,010.68	19,192.68
2024	18,463.28	729.40	19,192.68
2025	0.00	0.00	0.00
2026	0.00	0.00	0.00
2027	0.00	0.00	0.00
Thereafter	0.00	0.00	0.00
Totals	35,645.28	2,740.08	38,385.36

12. 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.

13. 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.

14. CASH DEPOSIT RISK COVERAGE

At August 31, 2022 and throughout the school year, the School's cash in bank accounts was not entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance. The first \$250,000.00 of accounts balances are covered by FDIC insurance at each institution and balances reached were in excess of that coverage. However, throughout the entire school year The Organization's custodial bank (Chase Bank) had pledged its own securities to cover the risk of loss of the balances in excess of the FDIC coverage.

15. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 15, 2023 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

ARISE! INC.
Notes To Financial Statements
For the Year Ended August 31, 2022

16. NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2022 the School had donor restricted net assets of \$1,309,423.80 that consisted of the following:

Local Revenues	\$ 98,443.98
State Foundation Program	1,020,194.60
State Gifted and Talented Program	2,983.00
State Special Education Program	42,171.46
State Compensatory Education	113,482.66
State Bilingual Education	11,101.20
State Early Education	11,966.09
State Dyslexia Allotment	4,728.53
Federal IDEA-B Program	<u>4,352.28</u>
	<u>\$ 1,309,423.80</u>

17. LIQUIDITY AND AVAILABILITY

Currently the organization has no financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position. The Local, State and Federal Program assets and revenues are classified as with donor restrictions and must be used for education purposes in accordance with State law and Grant restrictions. As such, there are cash and receivables that are due from the State and Federal Agencies and are available for use for educational purposes and are released from restrictions at the time they are spent for those purposes and under those restrictions and laws.

18. FEDERAL INCOME TAXES

The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent it has business income unrelated to its tax exempt purpose. The Organization has no unrelated business income and is not expecting to have any in the future, accordingly, there is no provision for federal income taxes in the financial statements. Generally Accepted Accounting Principles requires the evaluation of tax positions taken in the preparation of the tax returns and the recording of a tax liability if an uncertain tax position has been taken that is more likely than not sustainable upon audit by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and there have been no uncertain tax positions taken that would require the recognition or disclosure in the financial statements. The tax returns for the years ended 8/31/2019, 8/31/2020 and 8/31/2021 are still subject to possible IRS audit but management has not been notified of any pending examinations.

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL

Statement of Financial Position

August 31, 2022

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 584,740.60
Due from State	65,045.00
Due from Federal Agencies	227,784.72
Prepaid Expenses	98,111.52
Total Current Assets	<u>975,681.84</u>

Property and Equipment

Land	766,295.00
Building and Improvements	5,959,600.29
Furniture and Equipment	471,227.53
Furniture and Equipment-Capital Leases	282,142.20
Accumulated Depreciation	<u>(1,405,108.08)</u>
Total Property and Equipment	6,074,156.94

Other Assets

Escrowed & Reserved Cash Accounts	<u>487,996.00</u>
Total Other Assets	487,996.00

TOTAL ASSETS	\$ <u><u>7,537,834.78</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable-Current Portion	\$ 110,000.00
Loans Payable-Current Portion	166,000.00
Capital Lease Payable-Current Portion	17,182.00
Accrued Interest Payable	41,514.33
Payroll Taxes & Related Payables	82,338.65
Accrued Wages Payable	463,325.68
Other Accrued Expenses	10,306.07
Total Current Liabilities	<u>890,666.73</u>

Long-Term Liabilities

Bonds Payable-Less Current Portion Net of Unamortized Issuance Costs (\$105,000.00)	2,336,000.00
Notes Payable Less Current Portion	3,049,000.00
Capital Lease Payable Less Current Portion	18,463.28
Total Long-Term Liabilities	<u>5,403,463.28</u>

Net Assets

Without Donor Restrictions	(65,719.03)
With Donor Restrictions	1,309,423.80
Total Net Assets	<u>1,243,704.77</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>7,537,834.78</u></u>
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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, 2022

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT			
Local Support--			
5741 Rental Revenue	\$	\$ 6,000.00	\$ 6,000.00
5742 Earnings from Investments		122.77	122.77
5744 Donations & Gifts		725.00	725.00
5749 Other Local Revenues		1,538.88	1,538.88
5755 Enterprising Services Revenue		47,853.88	47,853.88
Total Local Support	<u>0.00</u>	<u>56,240.53</u>	<u>56,240.53</u>
State Program Revenues--			
5811 Foundation School Program-Per Capita		304,710.00	304,710.00
5812 Foundation School Program		3,871,284.00	3,871,284.00
Total State Program Revenues	<u>0.00</u>	<u>4,175,994.00</u>	<u>4,175,994.00</u>
Federal Program Revenues--			
5921 School Breakfast Program		106,347.21	106,347.21
5929 Title I, Part A		98,659.54	98,659.54
5929 IDEA-Part B Formula		117,842.64	117,842.64
5929 IDEA-Part B Preschool		1,614.87	1,614.87
5929 Title II, Part A		12,581.27	12,581.27
5929 Title III, Part A		1,868.56	1,868.56
5929 ESSER II Grant		336,256.35	336,256.35
5929 ESSER III Grant		125,983.34	125,983.34
5929 ARP IDEA-B Formula		23,884.00	23,884.00
5929 ARP IDEA-B Preschool		2,639.00	2,639.00
5929 Title IV, Part A		14,858.48	14,858.48
Total Federal Program Revenues	<u>0.00</u>	<u>842,535.26</u>	<u>842,535.26</u>
Net Assets Released from Restrictions	<u>5,372,288.26</u>	<u>(5,372,288.26)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>5,372,288.26</u>	<u>(297,518.47)</u>	<u>5,074,769.79</u>
EXPENSES			
11 Instruction	2,589,296.29	----	2,589,296.29
12 Instructional Resources and Media Services	2,000.00	----	2,000.00
13 Curriculum Dev. & Instructional Staff Dev.	11,898.81	----	11,898.81
23 School Leadership	427,362.64	----	427,362.64
31 Guidance, Counseling and Evaluation Svcs.	84,999.99	----	84,999.99
33 Health Services	483.00	----	483.00
35 Food Services	122,961.97	----	122,961.97
36 Cocurricular/Extracurricular Activities	37,307.82	----	37,307.82
41 General Administration	944,219.11	----	944,219.11
51 Plant Maintenance and Operations	714,687.21	----	714,687.21
52 Security and Monitoring Services	20,914.21	----	20,914.21
53 Data Processing Services	89,680.66	----	89,680.66
71 Debt Service	270,589.01	----	270,589.01
81 Fund Raising	55,887.54	----	55,887.54
Total Expenses	<u>5,372,288.26</u>	<u>0.00</u>	<u>5,372,288.26</u>
Change in Net Assets	0.00	(297,518.47)	(297,518.47)
Net Assets Beginning of Year	<u>(65,719.03)</u>	<u>1,606,942.27</u>	<u>1,541,223.24</u>
Net Assets End of Year	<u>\$ (65,719.03)</u>	<u>\$ 1,309,423.80</u>	<u>\$ 1,243,704.77</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, 2022**

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 5,692,847.48
Cash Received from Local Sources	56,240.53
Cash Paid to Suppliers for Goods and Services	(1,723,626.56)
Cash Paid to Employees for Services	(3,001,908.48)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	<u>(264,289.01)</u>
Net Cash Provided By Operating Activities	759,263.96

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	<u>(109,511.44)</u>
Net Cash Used By Investing Activities	(109,511.44)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Indebtedness	<u>(285,743.06)</u>
Net Cash Used By Financing Activities	(285,743.06)

Net Increase in Cash	364,009.46
Cash at Beginning of Year	<u>220,731.14</u>
Cash at End of Year	\$ <u><u>584,740.60</u></u>

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

Change in Net Assets	\$ (297,518.47)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation & Amortization	283,685.00
Amortization of Debt Issuance Costs	6,300.00
(Increase) Decrease in Operating Assets--	
Due from State	506,702.00
Due from Federal Agencies	167,616.22
Other Receivables	14,455.15
Prepaid Expenses	(24,925.40)
Increase (Decrease) in Operating Liabilities--	
Accrued Interest Payable	3,452.29
Payroll Taxes Payable	3,931.63
Accrued Wages Payable	93,536.65
Other Accrued Expenses	<u>2,028.89</u>
Net Adjustments	<u>1,056,782.43</u>
Net Cash Provided By Operating Activities	\$ <u><u>759,263.96</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, 2022

Exhibit C-1

<u>EXPENSES</u>	<u>Totals</u>
6100 Payroll Costs	\$ 3,430,133.43
6200 Professional and Contracted Services	950,804.20
6300 Supplies and Materials	350,455.37
6400 Other Operating Costs	370,306.25
6500 Debt Services	270,589.01
Total Expenses and Other Losses	\$ <u>5,372,288.26</u>

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

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Schedule of Capital Assets
August 31, 2022

Exhibit D-1

<u>CAPITAL ASSETS</u>	<u>Ownership Interest</u>			<u>Total</u>
	<u>Local</u>	<u>State</u>	<u>Federal</u>	
1110 Cash	\$ 98,443.98	\$ 481,944.34	\$ 4,352.28	\$ 584,740.60
1510 Land and Improvements		766,295.00		766,295.00
1520 Buildings and Improvements		5,959,600.29		5,959,600.29
1549 Furniture and Equipment	44,280.00	335,386.65	91,560.88	471,227.53
1559 Furniture and Equipment-Capital Leases		282,142.20		282,142.20
Total Capital Assets	<u>\$ 142,723.98</u>	<u>\$ 7,825,368.48</u>	<u>\$ 95,913.16</u>	<u>\$ 8,064,005.62</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, 2022**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support--				
5741 Rental Revenue	\$	\$ 2,958.00	\$ 6,000.00	\$ 3,042.00
5742 Earnings from Investments			122.77	122.77
5744 Donations & Gifts			725.00	725.00
5749 Other Local Revenues			1,538.88	1,538.88
5755 Enterprising Services Revenue		36,860.00	47,853.88	10,993.88
Total Local Support		<u>36,860.00</u>	<u>56,240.53</u>	<u>16,422.53</u>
State Program Revenues--				
5811 Foundation School Program-Per Capita		304,710.00	304,710.00	0.00
5812 Foundation School Program		3,967,335.00	3,871,284.00	(96,051.00)
5819 MFS SPED Offset		1,000.00	0.00	(1,000.00)
Total State Program Revenues		<u>4,616,322.00</u>	<u>4,175,994.00</u>	<u>(97,051.00)</u>
Federal Program Revenues--				
5921 School Breakfast		81,899.05	106,347.21	24,448.16
5929 Title I, Part A		98,659.54	98,659.54	0.00
5929 IDEA-Part B Formula		117,842.64	117,842.64	0.00
5929 IDEA-Part B Preschool		1,614.87	1,614.87	0.00
5929 Title II, Part A		12,580.17	12,581.27	1.10
5929 Title III, Part A		1,868.56	1,868.56	0.00
5929 ESSER II Grant		336,256.35	336,256.35	0.00
5929 ESSER III Grant		125,983.34	125,983.34	0.00
5929 ARP IDEA-B Formula		23,884.00	23,884.00	0.00
5929 ARP IDEA-B Preschool		2,639.00	2,639.00	0.00
5929 Title IV, Part A		14,858.48	14,858.48	0.00
Total Federal Program Revenues		<u>971,356.00</u>	<u>842,535.26</u>	<u>24,449.26</u>
Total Revenue and Other Support		<u>5,624,538.00</u>	<u>5,074,769.79</u>	<u>(56,179.21)</u>
EXPENSES				
11 Instruction		3,320,897.00	2,589,296.29	22,675.71
12 Instructional Resources and Media Services			2,000.00	0.00
13 Curriculum Dev. & Instructional Staff Dev.		16,761.00	11,898.81	(960.81)
23 School Leadership		354,532.00	427,362.64	(34,622.64)
31 Guidance, Counseling and Evaluation Svcs.		12,948.00	84,999.99	(4,169.99)
33 Health Services		1,433.00	483.00	0.00
35 Food Services		144,241.00	122,961.97	(10,701.97)
36 Cocurricular/Extracurricular Activities		26,591.00	37,307.82	(13,397.82)
41 General Administration		510,010.00	944,219.11	(320,760.11)
51 Plant Maintenance and Operations		717,202.00	714,687.21	(48,533.21)
52 Security and Monitoring Services		10,307.00	20,914.21	(3,924.21)
53 Data Processing Services		248,113.00	89,680.66	(4,249.66)
71 Debt Service		229,210.00	270,589.01	(50,715.01)
81 Fund Raising		32,293.00	55,887.54	(2,972.54)
Total Expenses		<u>5,624,538.00</u>	<u>5,372,288.26</u>	<u>(472,332.26)</u>
Change in Net Assets		<u>0.00</u>	<u>(297,518.47)</u>	<u>(528,511.47)</u>
Net Assets Beginning of Year		<u>1,541,223.24</u>	<u>1,541,223.24</u>	<u>0.00</u>
Net Assets End of Year		<u>\$ 1,541,223.24</u>	<u>\$ 1,243,704.77</u>	<u>\$ (528,511.47)</u>

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

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Schedule of Real Property Ownership Interest
For the Year Ended August 31, 2022

Description	Property Address	Assessed Value	Ownership Interest		
			Local	State	Federal
Land, Building, Building Improvements Land Improvements,	8200 Schrade Rd, Rowlett, TX 75088	2,400,000.00 \$	\$	2,850,332.96	\$
Land, Building, Building Improvements Land Improvements,	302 N Town East Blvd, Sunnyvale, TX 75182	3,100,000.00 \$	\$	3,860,839.92	\$
Leasehold Improvements on Leased Premises	201 N Erby Campbell, Royce City, TX 75189	2,500.00 \$	\$	14,722.41	\$

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

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Schedule of Related Party Transactions
For the Year Ended August 31, 2022

Related Party Transactions:

Related Party Name	Relationship	Type of Transaction	Terms and Conditions	Source of Funds	Total Paid For Year	Principal Balance Due
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None

Related Party Compensation and Benefits:

Related Party Name	Name of Relation to the Related Party	Relationship	Compensatio or Benefit	Payment Frequency	Description	Source of Funds	Total Paid For Year
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None

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

EDUCATION CENTER INTERNATIONAL ACADEMY CHARTER SCHOOL
Compensatory and Bilingual Education Programs Compliance Responses
For the Year Ended August 31, 2022

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$393,083.00
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24,26,28,29,30,34)	\$130,450.10
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$20,184.00
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$0.00

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 Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with The Uniform Guidance

To the Board of Directors
Arise! Inc.
Sunnyvale, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arise! Inc. (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arise! Inc.'s major federal programs for the year ended August 31, 2022. Arise! Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arise! Inc. 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 August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arise! Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Arise! Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules and provision of contract or grant agreements applicable to Arise! Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Arise! Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable

user of the report on compliance about Arise!, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Arise! Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arise!, Inc.'s internal control over compliance relevant to the audit in order to design procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Arise!, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

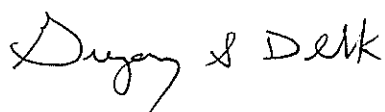
Report on Internal Control Over Compliance

A deficiency in internal control over compliance 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, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gregory S. Delk, CPA
January 15, 2023

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with The Uniform Guidance

To the Board of Directors
Arise! Inc.
Sunnyvale, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arise! Inc. (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arise! Inc.'s major federal programs for the year ended August 31, 2022. Arise! Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arise! Inc. 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 August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arise! Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Arise! Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules and provision of contract or grant agreements applicable to Arise! Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Arise! Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable

user of the report on compliance about Arise!, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Arise! Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain and understanding of Arise!, Inc.'s internal control over compliance relevant to the audit in order to design procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Arise!, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

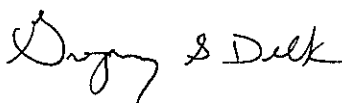
Report on Internal Control Over Compliance

A deficiency in internal control over compliance 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, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gregory S. Delk, CPA
January 15, 2023

ARISE!, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

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? None Reported

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? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs: COVID ESSER II & III
84.425D & 84.425U

Dollar threshold used to distinguish between type A and type B programs: \$750,000.00

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, 2022**

No Prior Year Findings

ARISE! , INC.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022**

Exhibit G-1

No Corrective Action Plan Necessary

ARISE!, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended August 31, 2022

	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Texas Education Agency Child Nutrition Cluster- School Breakfast Program	10.553	71402201	113,638.31
Passed through Texas Dept. of Agriculture Child Nutrition Cluster- School Breakfast Program	10.553	71402201	9,287.66
Total Child Nutrition Cluster			<u>122,925.97</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>122,925.97</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Texas Education Agency Title I, Part A Program	84.010A	22610101057950	115,360.12
Title II, Part A Program	84.367A	22694501057950	12,580.17
Title III, Part A Program	84.365A	22671001057950	1,868.56
Title IV, Part A Program	84.424A	22680101057950	14,858.48
IDEA-B Special Education Cluster Program Formula	84.027A	226600010578336600	117,842.64
ARP COVID 19 Program Formula	84.027X	225350010578335000	23,884.00
Total IDEA-B Program Formula			<u>141,726.64</u>
Preschool	84.173A	226610010578336610	1,614.87
ARP COVID 19 Preschool	84.173X	225360010578335000	2,639.00
Total IDEA-B Preschool			<u>4,253.87</u>
Total IDEA-B Special Education Cluster			145,980.51
Education Stabilization Fund ESSER II Grant-COVID 19	84.425D	20521001057833	336,256.35
ESSER III Grant-COVID 19	84.425U	21528001057950	97,843.34
Total Education Stabilization Fund			<u>434,099.69</u>
Total U.S. Department of Education passed through Texas Education Agency			724,747.53
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>724,747.53</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>847,673.50</u>

ARISE!, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2022

NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Donor restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in donor restricted net asset codes until expended appropriately under the guidelines.

NOTE 2 – BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information is presented in accordance with the requirements of Uniform Guidance, 2 CFR 200.516(a). Therefore, some amounts presented may differ from amounts presented in, or used in preparation of the basic financial statements.

NOTE 3 – INDIRECT COST RATE

The Organization did not elect to charge the 10% de minimis indirect cost rate to Federal Awards as allowed by the Uniform Guidance.

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal financial assistance per accompanying schedule of expenditures of federal awards included in total expenses	\$847,673.50
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