



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

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Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

**ARISE HIGH SCHOOL
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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ARISE HIGH SCHOOL
INTRODUCTORY SECTION
JUNE 30, 2014

**ARISE HIGH SCHOOL
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JUNE 30, 2014**

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ARISE HIGH SCHOOL

FINANCIAL SECTION

JUNE 30, 2014



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arise High School
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Arise High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arise High School as of June 30, 2014, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 2.J to the financial statements, the Organization has suffered recurring significant reductions in grant revenues and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2.J. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents 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 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 October 30, 2014, on our consideration of Arise High School'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 control over financial reporting and compliance and the results of that testing, and not to provide an 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 High School's internal control over financial reporting and compliance.

Hosaka, Rotherham & Company

San Diego, California
October 30, 2014

**ARISE HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

ASSETS

Current assets:		
Cash (Note 3)	\$	234,491
Accounts receivable (Note 4)		473,941
Total current assets		708,432
Fixed assets, net of depreciation (Note 5)		3,902
Noncurrent assets:		
Deposits		11,400
TOTAL ASSETS	\$	723,734

LIABILITIES AND NET DEFICITS

Current liabilities:		
Accounts payable	\$	95,549
Accrued expenses		273,588
Deferred revenue (Note 6)		199,770
Short-term notes payable (Note 7)		217,910
Short-term promissory notes payable (Note 7)		247,910
Current portion of long-term liabilities (Note 8)		50,000
Total current liabilities		1,084,727
Long-term liabilities:		
Notes payable, net of current portion (Note 8)		30,000
Total liabilities		1,114,727
Net assets:		
Temporarily restricted (Note 9)		60,778
Unrestricted		(451,771)
Total net deficits		(390,993)
TOTAL LIABILITIES AND NET DEFICITS	\$	723,734

The notes to the financial statements are an integral part of the statement.

**ARISE HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Revenue limit sources:			
State apportionments	\$ 1,086,208	\$ -	\$ 1,086,208
Education protection account	294,385	-	294,385
In-lieu of property taxes	384,566	-	384,566
Federal revenues	337,788	-	337,788
State revenues	257,769	60,778	318,547
Local revenues	193,066	-	193,066
Total revenues	<u>2,553,782</u>	<u>60,778</u>	<u>2,614,560</u>
EXPENSES			
Program services			
Education	1,832,417	-	1,832,417
Support services			
Management and general	761,730	-	761,730
Fundraising	8,472	-	8,472
Total expenses	<u>2,602,619</u>	<u>-</u>	<u>2,602,619</u>
CHANGE IN NET ASSETS	(48,837)	60,778	11,941
NET DEFICIT, BEGINNING OF YEAR	(286,196)	-	(286,196)
PRIOR PERIOD ADJUSTMENT	101,172	-	101,172
NET DEFICIT, END OF YEAR	<u>\$ (233,861)</u>	<u>\$ 60,778</u>	<u>\$ (173,083)</u>

The notes to the financial statements are an integral part of the statement.

**ARISE HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	11,941
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation		339
Prior period adjustment		101,172
Adjustments to change in net assets (Increase) decrease in operating assets:		
Accounts receivable		(382,951)
Deposits		(11,400)
Increase (decrease) in operating liabilities:		
Accounts payable		(36,885)
Accrued expenses		196,507
Deferred revenue		85,170
Net cash flows used in operating activities		(36,107)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Proceeds from issuance of promissory notes		30,000
Proceeds from issuance of notes payable		521,700
Payment on notes payable		(303,790)
Payment on loans		(50,000)
Net cash flows provided by financing activities		197,910

NET CHANGE IN CASH 161,803

CASH, BEGINNING OF YEAR 72,688

CASH, END OF YEAR \$ 234,491

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest \$ 774

The notes to the financial statements are an integral part of the statement.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - ORGANIZATION AND MISSION

Arise High School (the Organization) was incorporated on March 22, 2007, under the laws of the State of California as a Nonprofit Public Benefit Corporation. The mission of the Organization is to empower students with the skills and knowledge to pursue higher education and become leaders in the world. Arise High School will also provide an environment for training educators to become leaders in secondary school reform.

The Organization is a grade 9 through grade 12 charter school and was granted its charter under the Oakland Unified School District, pursuant to the terms of the Charter School Act (the Act) of 1992, as amended. The Act authorizes the formation of charter schools for the purpose among others, of developing new, innovative, and more flexible ways of educating children within the public school system. The Organization receives its funding in the same way as do traditional public schools and is open to all students in Oakland and contiguous counties.

The Organization is located at 3301 E. 12th Street in Oakland, California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Non-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets: Unrestricted net assets are available to support all activities of the Organization, and are not subject to donor-imposed stipulations. These generally result from revenues generated by providing services, receiving unrestricted contributions, and receiving interest from investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor restricted expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. There were temporarily restricted net assets of \$60,778 as of June 30, 2014.

Permanently restricted net assets: Net assets that are subject to donor-imposed stipulations that the restrictions be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes. There were no permanently restricted assets as of June 30, 2014.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Organization uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

C. Use of Estimates

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

D. Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section (IRC §) 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

E. Functional Allocation of Expenses

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources.

F. Cash

Cash is from time to time variously composed of cash on hand and cash in banks.

G. Fixed Assets

Fixed Assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 3 to 5 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Revenue

Deferred revenue represents federal and state contract funds and local donations received, but not expended. These funds must be expended in accordance with the provisions of the contract to which they apply or refund if not expended under the terms of the contract.

I. Revenue sources and recognition

The Organization receives federal, state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

The Organization primarily receives the funds from California Department of Education (CDE). Amounts received from the CDE are recognized by the Organization based on the average daily attendance (ADA) of students.

The Organization recognizes federal revenue to the extent that eligible expenditures have been incurred.

Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

J. Going concern

At fiscal year end the Organization had cash of \$234,491 and a net assets deficiency of \$173,083. The Organization will not be able to continue operations and fund its expenditures without any additional financing, and there can be no assurance it will be able to do so in the future year. During the subsequent year, the Organization dramatically cut expenses, allowing the Organization to continue operations in the 2013-2014 fiscal year.

NOTE 3 - CASH

Cash at June 30, 2014, consisted of the following:

Deposits:	
Cash in banks	<u>\$ 234,491</u>
Total cash	<u><u>\$ 234,491</u></u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. At June 30, 2014, the Organization did not have any uninsured funds.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of the following:

Revenue limit sources:	
State apportionments	\$ 250,925
In-lieu of property taxes	57,778
Federal revenues	56,725
State revenues	79,786
Local revenues	28,727
Total accounts receivable	<u>\$ 473,941</u>

NOTE 5 - FIXED ASSETS

Fixed assets at June 30, 2014, consisted of the following:

Buildings improvements	\$ 5,087
Leasehold improvements	10,000
Less: accumulated depreciation	<u>(11,185)</u>
Total fixed assets, net of depreciation	<u>\$ 3,902</u>

During the fiscal year ended June 30, 2014, \$339 was charged to depreciation expense.

NOTE 6 - DEFERRED REVENUE

Deferred revenue at June 30, 2014, consisted of the following:

Future receivable sales	\$ 199,770
Total deferred revenues	<u>\$ 199,770</u>

NOTE 7 - SHORT-TERM LIABILITIES

Short-term liabilities at June 30, 2014, consisted of the following:

	Balance 2013	Additions	Payments	Balance 2014
Charter School Capital	\$ -	\$ 521,700	\$ (303,790)	\$ 217,910
Promissory Note - Baldwin Trust	-	15,000	-	15,000
Promissory Note - Lance Thornswood	-	15,000	-	15,000
Total	<u>\$ -</u>	<u>\$ 551,700</u>	<u>\$ (303,790)</u>	<u>\$ 247,910</u>

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - SHORT-TERM LIABILITIES (CONTINUED)

A. Charter School Capital

During the fiscal year ended June 30, 2014, the Organization sold 2013-2014 receivables worth \$521,700 in exchange for net proceeds of \$490,461. The difference reflects a discount factor of \$31,239. The receivables sold to Charter School Capital were for cash flow purposes.

B. Promissory Note – Trustee of the Baldwin Trust Dated June 26, 1998

In December 2013, the Organization entered into a promissory note arrangement for \$15,000 with Paul Baldwin, Trustee of the Baldwin Trust Dated June 26, 1998 at 8.0% per annum and matures on December 31, 2014. The note was for cash flow purposes.

C. Promissory Note – Lance Thornswood

In November 2013, the Organization entered into a promissory note arrangement for \$15,000 with Lance Thornswood at 8.0% per annum and matures on December 31, 2014. The note was for cash flow purposes.

NOTE 8 - LONG-TERM LIABILITIES

A. Long-term liabilities activity

Long-term liabilities activity includes debt and other long-term liabilities. Changes in obligations for the fiscal year ended June 30, 2014, are as follows:

	Balance 2013	Additions	Payments	Balance 2014	Due in one year
Note Payable - Charter School revolving loan 1	\$ 40,000	\$ -	\$ (20,000)	\$ 20,000	\$ 20,000
Note Payable - Charter School revolving loan 2	90,000	-	(30,000)	60,000	30,000
Total	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 80,000</u>	<u>\$ 50,000</u>

B. Charter school revolving loan 1

On May 19, 2010, the Organization obtained a five (5) year charter school revolving loan in the principal amount of \$100,000 with interest at 0.53% per annum. The loan matures on January 20, 2015, with annual principal payments of \$20,000 plus annual interest. Payments will be made by the State Controller's Office by deducting principal and interest payments from the Organization's monthly apportionment revenues.

Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 20,000</u>	<u>\$ 82</u>	<u>\$ 20,082</u>

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

C. Charter school revolving loan 2

On April 1, 2011, the Organization obtained a five (5) year charter school revolving loan in the principal amount of \$150,000 with interest at 0.46% per annum. The loan matures on January 20, 2016, with annual principal payments of \$30,000 plus annual interest. Payments will be made by the State Controller's Office by deducting principal and interest payments from the Organization's monthly apportionment revenues.

Year Ending June 30,	Principal	Interest	Total
2015	\$ 30,000	\$ 247	\$ 30,247
2016	30,000	109	30,109
	<u>\$ 60,000</u>	<u>\$ 356</u>	<u>\$ 60,356</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of entitlements received but not expended as of June 30, 2014. At June 30, 2014, the Organization's temporarily restricted net assets consisted of the following:

Proposition 39 - California Clean Energy Jobs Act	\$ 53,360
Common Core State Standards Implementation Funds	<u>7,418</u>
Total temporarily restricted net assets	<u>\$ 60,778</u>

NOTE 10 - OPERATING LEASE

The Organization leases facilities and office equipment under lease arrangements for more than one year. The future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2015	\$ 314,524
2016	<u>314,524</u>
Total future lease payments	<u>\$ 629,048</u>

The Organization will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. For the year ended June 30, 2014, operating lease expense was \$195,616.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

Plan Description and Funding Policy

STRS

Plan Description

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2013, total plan net assets are \$152.5 billion, the total actuarial present value of accumulated plan benefits is \$277.3 billion, contributions from all employers totaled \$2.1 billion, and the plan is 66.9% funded. The Organization did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to STRS for the fiscal years ending June 30, 2014, 2013 and 2012, were \$90,307, \$55,933, and \$39,460, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

State Allowances, Awards, and Grants

The Organization has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursement will not be material.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$101,172 on the Statement of Activities is for the understatement of grant revenue as of June 30, 2013.

**ARISE HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 - SUBSEQUENT EVENT

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 30, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

ARISE HIGH SCHOOL
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2014

**ARISE HIGH SCHOOL
ORGANIZATION
JUNE 30, 2014**

Arise High School [#837] is a Grade 9-12 Charter School and was granted its charter renewal by the Oakland Unified School District on January 11, 2012, pursuant to the terms of the Charter Schools Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2014, was comprised of the following members:

Name	Office	Term	Term Expiration
Romeo Garcia	President	2 Years	July 2015
Kirstin Alvarez	Secretary	2 Years	August 2015
Hollis Pierce - Jenkins	Director	2 Years	April 2016
Elena Sanina	Director	2 Years	May 2015
Otto A. Herrera	Parent Director	2 Years	September 2015
Javier Martinez	Alumni Director	2 Years	December 2015
Gerald Reyes	Ex-Officio Member	2 Years	January 2016

Administration

Name	Position
Gerald Reyes	Co-Principal
Kate Sugarman	Co-Principal
James Baldwin	Development and Business Manager

**ARISE HIGH SCHOOL
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
High School:		
Grades 9 - 12	229.88	226.66
Total High School	229.88	226.66

The Organization is 100% classroom-based and generates no ADA from a full-time independent study program.

**ARISE HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Grade Level	1986-87 Minutes Requirements*	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Grade 9	62,949	63,330	179	In Compliance
Grade 10	62,949	63,330	179	In Compliance
Grade 11	62,949	63,330	179	In Compliance
Grade 12	62,949	63,330	179	In Compliance

* As reduced pursuant to the provisions of Education Code Section 46201.2.

**ARISE HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Services	Support Services		Total
	Education	Management and General		
Certificated salaries	\$ 964,849	\$ 217,834	\$ -	\$ 1,182,683
Classified salaries	94,919	183,138	-	278,057
Employee benefits	293,699	76,737	-	370,436
Books and supplies	24,120	3,927	-	28,047
Travel and conferences	4,339	1,446	-	5,785
Dues and memberships	2,234	744	-	2,978
Insurance	8,511	2,837	-	11,348
Rental, leases, and repairs non-capitalized improvements	150,401	50,133	-	200,534
Professional/consulting services and operating expenditures	281,560	221,225	-	502,785
Communications	7,785	2,596	-	10,381
Depreciation	-	339	-	339
Fundraising	-	-	8,472	8,472
Debt service - interest	-	774	-	774
Total expenses	<u>\$ 1,832,417</u>	<u>\$ 761,730</u>	<u>\$ 8,472</u>	<u>\$ 2,602,619</u>

**ARISE HIGH SCHOOL
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL
REPORT -- ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Charter School
June 30, 2014, Charter School Unaudited Actuals Financial Report -- Alternative Form, Ending Fund Balance	\$ (238,470)
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable understatement	65,387
Net adjustments and reclassifications	65,387
June 30, 2014, audited financial statement, net deficit	\$ (173,083)

ARISE HIGH SCHOOL
OTHER INDEPENDENT AUDITORS' REPORT SECTION
JUNE 30, 2014



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

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

Board of Directors
Arise High School
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arise High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arise High School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arise High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Arise High School'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Page 2

Compliance and Other Matters

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

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.

Hosaka, Rotherham & Company

San Diego, California
October 30, 2014



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Arise High School
Oakland, California

Report on Compliance for Each State Program

We have audited Arise High School's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of Arise High School's state programs for the fiscal year ended June 30, 2014. Arise High School's state programs are identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Arise High School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's Audit Guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Arise High School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Arise High School's compliance. In connection with the audit referred to above, we selected transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
Page 2

Description	Procedures In Audit Guide	Procedures Performed
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula		
Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	Yes

The term "Not Applicable" is used above to mean either that the Organization did not offer the program during the current fiscal year, or that the program applies only to a different type of local education agency.

Opinion on State Programs

In our opinion, Arise High School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state programs for the fiscal year ended June 30, 2014.

The purpose of this report on state compliance is solely to describe the scope of our testing of state compliance and the results of that testing based on the requirements of *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
 October 30, 2014

ARISE HIGH SCHOOL
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2014

**ARISE HIGH SCHOOL
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? N/A

One or more significant deficiencies identified that are not considered to be material weaknesses? N/A

Type of auditors' report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with section .510(a) or Circular A-133? N/A

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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The Organization did not have over \$500,000 in Federal Expenditures.

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

Auditee qualified as low-risk auditee? N/A

**ARISE HIGH SCHOOL
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of Auditors' Results (Continued)

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance
for state programs: Unqualified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

**ARISE HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
None	N/A	N/A