

**ARISE HIGH SCHOOL  
CHARTER SCHOOL NUMBER 0837**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2021**

**DRAFT**

**ARISE HIGH SCHOOL  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2021**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE</b>	<b>14</b>
<b>SCHEDULE OF INSTRUCTIONAL TIME</b>	<b>14</b>
<b>RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED     FINANCIAL STATEMENTS</b>	<b>16</b>
<b>NOTES TO SUPPLEMENTARY INFORMATION</b>	<b>17</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>18</b>
<b>INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE</b>	<b>20</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>22</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>23</b>

## 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 (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, function expenses, and cash flows for the 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.

### ***Auditors' 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 of 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 auditors' 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.

**Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2021, 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.

**Emphasis-of-Matter Regarding a Correction of an Error**

As described in Note 2 to the financial statements, Arise High School determined that certain deposits and tenant improvement allowance liability incurred at June 30, 2020 were incorrectly reported. Our opinion is not modified with respect to that matter.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic 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 a report dated REPORT DATE on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

**ARISE HIGH SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 366,989
Accounts Receivable	2,096,157
Prepaid Expenses and Other Assets	94,319
Total Current Assets	2,557,465

**LONG-TERM ASSETS**

Property, Plant, and Equipment, Net	1,364,894
Deposits	44,475
Total Long-Term Assets	1,409,369

Total Assets	\$ 3,966,834
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$ 389,364
Deferred Revenue	263,091
Factored Receivable Liability	282,500
Note Payable, Current	144,755
Total Current Liabilities	1,079,710

**LONG-TERM LIABILITIES**

Tenant Improvement Allowance Liability	50,000
Note Payable, Net	688,268
Total Long-Term Liabilities	738,268

Total Liabilities	1,817,978
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**NET ASSETS WITHOUT DONOR RESTRICTIONS**

	2,148,856
Total Liabilities and Net Assets	\$ 3,966,834

See accompanying Notes to Financial Statements.

**ARISE HIGH SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
State Revenue:			
State Aid	\$ 3,395,062	\$ -	\$ 3,395,062
Other State Revenue	1,039,688	-	1,039,688
Federal Revenue:			
Grants and Entitlements	739,458	-	739,458
Local Revenue:			
In-Lieu Property Tax Revenue	1,030,726	-	1,030,726
Investment Income	142	-	142
Contributions	6,005	-	6,005
Other Revenue	445,785	-	445,785
Releases from Restrictions	111,592	(111,592)	-
Total Revenues	6,768,458	(111,592)	6,656,866
<b>EXPENSES</b>			
Program Services	5,260,422	-	5,260,422
Management and General	806,366	-	806,366
Total Expenses	6,066,788	-	6,066,788
<b>CHANGE IN NET ASSETS</b>	701,670	(111,592)	590,078
Net Assets - Beginning of Year	1,447,186	111,592	1,558,778
<b>NET ASSETS - END OF YEAR</b>	\$ 2,148,856	\$ -	\$ 2,148,856

See accompanying Notes to Financial Statements.

**ARISE HIGH SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 2,715,004	\$ 109,043	\$ 2,824,047
Pension Expense	337,314	14,916	352,230
Other Employee Benefits	294,431	13,000	307,431
Payroll Taxes	82,095	3,147	85,242
Management Fees	-	44,612	44,612
Legal Expenses	-	5,373	5,373
Accounting Expenses	-	31,676	31,676
Instructional Materials	281,317	5,004	286,321
Other Fees for Services	462,249	168,666	630,915
Advertising and Promotion Expenses	19,255	-	19,255
Office Expenses	80,001	6,083	86,084
Information Technology Expenses	63,494	-	63,494
Occupancy Expenses	532,315	211,011	743,326
Travel Expenses	2,684	-	2,684
Interest Expense	-	69,055	69,055
Depreciation Expense	34,054	11,352	45,406
Insurance Expense	-	57,258	57,258
Other Expenses	356,209	56,170	412,379
	<u>\$ 5,260,422</u>	<u>\$ 806,366</u>	<u>\$ 6,066,788</u>
Total Functional Expenses	<u>\$ 5,260,422</u>	<u>\$ 806,366</u>	<u>\$ 6,066,788</u>

See accompanying Notes to Financial Statements.

**ARISE HIGH SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 590,078
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	45,406
Amortization of tenant improvement allowance	(24,000)
Change in Operating Assets:	
Accounts Receivable	(1,009,016)
Prepaid Expenses and Other Assets	38,084
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	126,777
Deferred Revenue	249,591
Net Cash Provided by Operating Activities	16,920

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property, Plant, and Equipment	(53,445)
Net Cash Used in Investing Activities	(53,445)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Cash Received for Factored Receivables	282,500
Repayments on Line of Credit	(147,492)
Net Cash Provided by Financing Activities	135,008

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

	98,483
Cash and Cash Equivalents - Beginning of Year	268,506

**CASH AND CASH EQUIVALENTS - END OF YEAR**

	\$ 366,989
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid for Interest	\$ 69,055

See accompanying Notes to Financial Statements.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

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

The School 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 School receives its funding in the same way as do traditional public schools and is open to all students in Oakland and contiguous counties.

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

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

**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 the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include other fees for services, office expenses, and other expenses, which are allocated on the basis of estimates of time and effort.

**Cash and Cash Equivalents**

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classes**

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 and reported as follows:

*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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2021. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range from 3 to 40 years.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

**Revenue Recognition**

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Conditional Grants**

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, the School has conditional grants of \$1,583,359 of which \$263,091 is recognized as deferred revenue in the statement of financial position.

**Compensated Absences**

The School does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2021.

**Income Taxes**

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files an exempt school return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Evaluation of Subsequent Events**

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures is comprised of:

Cash and Cash Equivalents	\$ 366,989
Accounts Receivable	2,096,157
Total Property, Plant, and Equipment	\$ 2,463,146

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense was \$45,406 for the year ended June 30, 2021.

The components of property, plant, and equipment as of June 30, 2021 are as follows:

Building	\$ 1,336,120
Furniture, Fixtures, and Equipment	71,351
Total	1,407,471
Less: Accumulated Depreciation	(96,022)
Total Depreciable Property, Plant, and Equipment	1,311,449
Construction in Progress	53,445
Total Property, Plant, and Equipment	\$ 1,364,894

**NOTE 5 FACTORED RECEIVABLE LIABILITY**

In June 2021, the School entered into an agreement with Charter School Capital to factor attendance and grant receivables in the amount of \$282,500.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 NOTES PAYABLE**

**Capital Impact Partners Loan**

In July 2019, the School obtained a secured loan up to the maximum borrowing amount of \$1,400,000. The proceeds of the loan was used to finance the purchase of furniture, fixtures and equipment. The loan bears an interest rate of 6.38% per annum.

Future maturities under notes payable are as follows:

<u>Year Ending June 30,</u>	
2022	144,755
2023	154,394
2024	164,596
2025	175,634
2026	187,328
Thereafter	6,316
Total	<u>\$ 833,023</u>

Interest expense paid for the year ended June 30, 2021 was \$69,055.

**NOTE 7 LINE OF CREDIT**

The School has a line of credit with Citibank for \$250,000 with annual floating interest rate equal to the greater of the index rate plus 2%, or the floor rate of 5%. The line of credit automatically renews. The School has no outstanding balance as of June 30, 2021.

**NOTE 8 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plans**

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).

The risks of participating in this multiemployer defined benefit pension plan are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS)**

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by SIRS. 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, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. The School 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](http://www.calstrs.com).

**Funding Policy**

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School 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 year ended June 30, 2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three years are as follows:

Year Ended June 30,	Required Contribution	Percent Contributed
2019	\$ 270,640	100%
2020	\$ 311,460	100%
2021	\$ 350,180	100%

**NOTE 9 OPERATING LEASE**

The School has various operating leases for facilities, which the latest expires in May 2024. One lease has a tenant improvement allowance of \$120,000 over the five year term of the lease. The rent expense for the year ended June 30, 2021 totaled \$741,535. The tenant improvement allowance amortization expense for the year ended June 30, 2021 totaled \$24,000.

**ARISE HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9 OPERATING LEASE (CONTINUED)**

The future minimum lease payments and improvement allowance amortization expense are as follows:

<u>Year Ending June 30.</u>	<u>Lease Expense</u>	<u>Tenant Improvement Allowance</u>	<u>Amount</u>
2022	\$ 830,641	\$ (24,000)	\$ 806,641
2023	860,641	(24,000)	836,641
2024	310,257	(2,000)	308,257
Total	<u>\$ 2,001,539</u>	<u>\$ (50,000)</u>	<u>\$ 1,951,539</u>

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30:

Satisfaction of Purpose Restrictions:

Education Improvement - Measure G	<u>\$ 111,592</u>
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**NOTE 11 CONTINGENCIES**

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

In the prior year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**SUPPLEMENTARY INFORMATION**

DRAFT

**ARISE HIGH SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

The School was incorporated on March 22, 2007, under the laws of the state of California as a Nonprofit Public Benefit Corporation. The School was granted its charter renewal through the Oakland Unified School District (the District) on January 11, 2011. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number is: 0837.

The Board of Directors and the Administrators as of the year ended June 30, 2021 were as follows:

**BOARD OF DIRECTORS**

<u>Member</u>	<u>Office</u>	<u>2 Year Term Expires</u>
Dave Bryson	Board Chair	July 2023
Julie Obbard	Board Vice President	July 2023
Gihani Fernando	Board Treasurer	July 2022
Maria Arechiga	Board Secretary	July 2023
Razilee Tadeo	Board Member	July 2022
Gabriela Netter	Board Member	July 2022

**ADMINISTRATORS**

Karla Gandiaga	Head of School
Leslie Montano	Director of Operations (Resigned June 30, 2021)
Elvira Iniguez	Director of Operations (Effective July 1, 2021)

**ARISE HIGH SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Traditional Calendar Days	Status
Grade 9	175	In Compliance
Grade 10	175	In Compliance
Grade 11	175	In Compliance
Grade 12	175	In Compliance

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**ARISE HIGH SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

June 30, 2021 Annual Financial Report Fund Balances (Net Assets)	\$ 2,124,856
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance (Net Assets):	
Tenant Improvement Allowance Liability	<u>24,000</u>
Net Adjustments and Reclassifications	<u>24,000</u>
June 30, 2021 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 2,148,856</u></u>

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**ARISE HIGH SCHOOL  
NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of the Education Code.

**NOTE 2 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

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**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 statement of Arise High School (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, which we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

**Response to Findings**

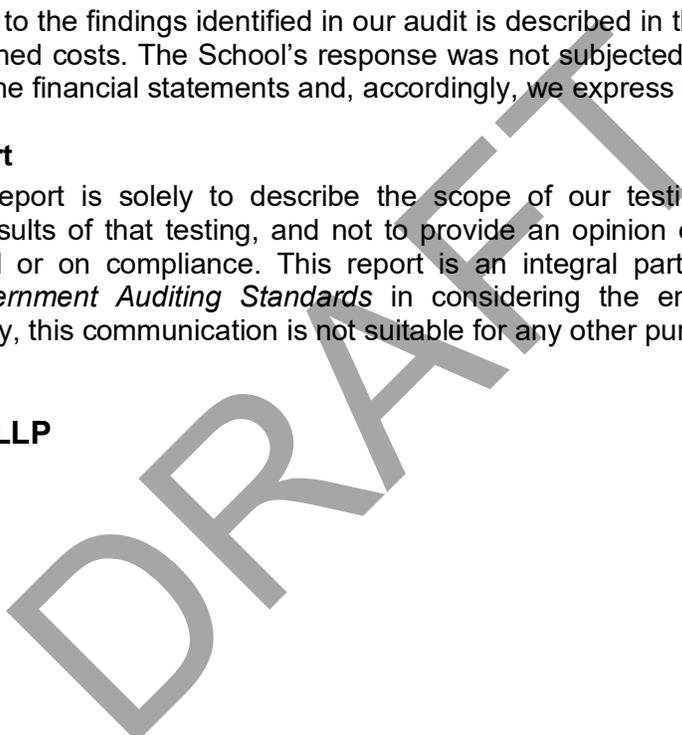
The School’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Arise High School  
Oakland, California

We have audited Arise High School's (the School) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2021. The School's State compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. Our audit does not provide a legal determination of the School's compliance.

### Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Office of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
Proper Expenditures of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instructional/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Charter School Facility Grant Program	Yes

**Opinion on State Compliance**

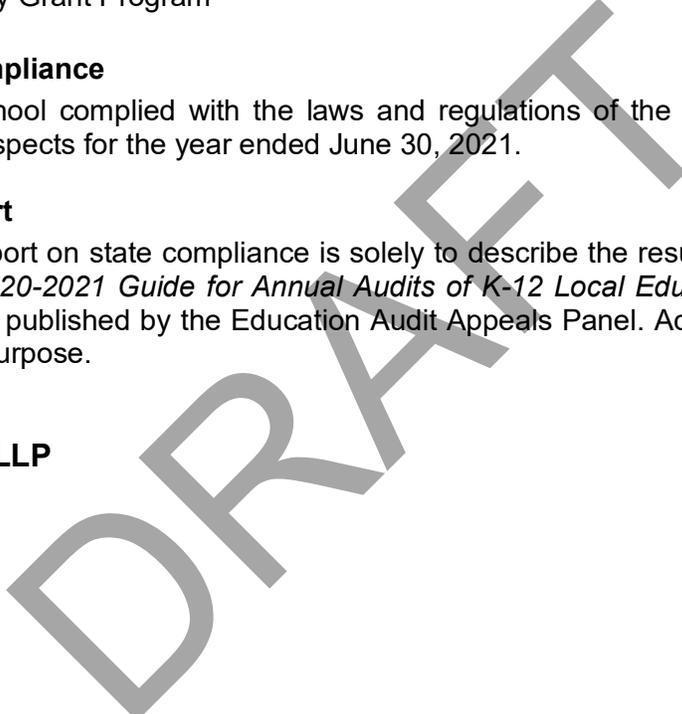
In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE



**ARISE HIGH SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2021.

DRAFT

**ARISE HIGH SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

**2020-001 - Internal Control Relating to Closing Process**

**30000**

**Type of Finding:**

- Significant deficiency in internal controls over the closing process specifically related to recording a deposit, capitalized interest, and tenant improvement allowance liability.

**Condition:** During the course of our audit, material audit adjustments were identified to record a deposit and tenant improvement allowance liability which resulted in a prior period adjustment to net assets to correct and error. In the current year, the interest paid during the construction period for property and equipment on the related debt was not capitalized.

**Criteria or specific requirement:** The closing process should include review of financial information and supporting schedules to ensure proper recording of all transactions in line with U.S. GAAP.

**Cause:** Oversight in closing process.

**Status:** Remediated during the year ended June 30, 2021.

DRAFT