

**ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS**

**CONSOLIDATED FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2017 and 2016

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2017 and 2016

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**ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS**

Federal Employer Identification Number: 74-2774612

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Directors of such charter holder on the 15th day of January, 2018.



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orenda Education dba Orenda
Charter Schools
Georgetown, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Orenda Education (the Charter Holder) dba Orenda Charter Schools, a nonprofit organization, which comprise the consolidated statements of financial position as of August 31, 2017 and 2016, and the related consolidated statements of activities (with comparative totals for 2016) and cash flows for the years 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of August 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

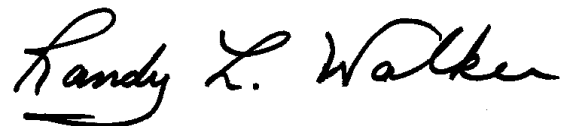
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The specific-purpose financial statements on pages 19-27 and the supplementary schedules on pages 28-29 are presented for purposes of additional analysis 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 14, 2018 on pages 30-31 on our consideration of the Charter Holder’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 the Charter Holder’s internal control over financial reporting and compliance.



San Antonio, Texas
January 14, 2018

GENERAL-PURPOSE FINANCIAL STATEMENTS

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 30,658,297	\$ 7,415,755
Investments	1,341,408	1,226,832
Accounts Receivable	11,198	10,942
Due from Texas Education Agency	862,059	672,595
Other Receivables	-	103,759
Prepaid Expenses	277,213	120,013
Total Current Assets	33,150,175	9,549,896
LONG-TERM ASSETS		
Restricted Cash	4,893,550	5,184,118
Sinking Fund for Bonds Payable	1,004,995	836,887
Bond Issuance Costs, net	2,308,064	1,863,905
Property and Equipment, net	18,082,554	17,138,205
Total Long-Term Assets	26,289,163	25,023,115
TOTAL ASSETS	\$ 59,439,338	\$ 34,573,011
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 647,268	\$ 224,043
Accrued Expenses	642,675	579,122
Due to Texas Education Agency	113,782	-
Deferred Revenue	8,857	8,112
Other Liabilities	56,239	51,568
Loans Payable - current	15,115	14,670
Bonds Payable - current	285,000	285,000
Total Current Liabilities	1,768,936	1,162,515
LONG-TERM LIABILITIES		
Loans Payable - long-term	34,289	49,379
Bonds Payable - long-term	48,010,000	25,050,000
Total Long-Term Liabilities	48,044,289	25,099,379
TOTAL LIABILITIES	49,813,225	26,261,894
NET ASSETS		
Unrestricted	4,681,347	3,871,794
Temporarily Restricted	4,944,766	4,439,323
TOTAL NET ASSETS	9,626,113	8,311,117
TOTAL LIABILITIES AND NET ASSETS	\$ 59,439,338	\$ 34,573,011

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

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
(with comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
Bond Premium	\$ 621,203	\$ -	\$ 621,203	\$ -
Contributions	581,232	5,380	586,612	518,683
Food Service Activity	345,216	-	345,216	338,475
Interest Income	259,123	-	259,123	119,121
Miscellaneous Revenue from Intermediate Sources	225,575	-	225,575	156,442
Unrealized Gain on Investments	106,590	-	106,590	68,943
Athletic Activities	26,305	-	26,305	37,686
E-Rate Revenue	20,720	-	20,720	107,301
Earnings from Temporary Deposits and Investments	3,040	-	3,040	1,810
Other Local Revenue	-	-	-	7,800
Unrealized (Loss) Gain on Escrow	(229,767)	-	(229,767)	108,074
Total Local Support	1,959,237	5,380	1,964,617	1,464,335
State Program Revenues:				
Foundation School Program Act Revenues	-	11,888,748	11,888,748	10,961,652
State Program Revenues Distributed by Texas Education Agency	-	10,547	10,547	105,201
Total State Program Revenues	-	11,899,295	11,899,295	11,066,853
Federal Program Revenues:				
Federal Revenues Distributed by Texas Education Agency	-	460,978	460,978	327,950
Total Federal Program Revenues	-	460,978	460,978	327,950
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	11,860,210	(11,860,210)	-	-
TOTAL REVENUES AND OTHER SUPPORT	13,819,447	505,443	14,324,890	12,859,138
EXPENSES				
Program Services (Charter School):				
Instruction	6,077,450	-	6,077,450	5,340,665
Instructional Resources and Media Services	85,946	-	85,946	86,623
Curriculum Development and Instructional Staff Development	132,352	-	132,352	65,817
Instructional Leadership	258,275	-	258,275	227,451
School Leadership	808,858	-	808,858	721,827
Guidance, Counseling, and Evaluation Services	303,395	-	303,395	223,444
Health Services	75,106	-	75,106	59,498
Student Transportation	75,914	-	75,914	92,695
Food Services	306,494	-	306,494	293,046
Extracurricular Activities	335,599	-	335,599	317,978
General Administration	347,821	-	347,821	480,631
Plant Maintenance and Operations	1,445,694	-	1,445,694	1,270,264
Security and Monitoring Services	4,100	-	4,100	2,907
Data Processing Services	434,256	-	434,256	395,273
Debt Service	3,187	-	3,187	4,175
Fundraising	237,851	-	237,851	180,011
Support Services (Charter Holder):				
Bond Interest	1,230,351	-	1,230,351	1,085,646
Depreciation and Amortization	651,333	-	651,333	636,850
Salaries and Benefits	117,746	-	117,746	46,490
Miscellaneous Expense	62,935	-	62,935	65,027
Loss on Sale of Fixed Asset	12,431	-	12,431	-
Professional Fees	2,800	-	2,800	2,800
TOTAL EXPENSES	13,009,894	-	13,009,894	11,599,118
CHANGE IN NET ASSETS	809,553	505,443	1,314,996	1,260,020
NET ASSETS, Beginning of Year	3,871,794	4,439,323	8,311,117	7,051,097
NET ASSETS, End of Year	\$ 4,681,347	\$ 4,944,766	\$ 9,626,113	\$ 8,311,117

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

ORENDA EDUCATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 1,314,996	\$ 1,260,020
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Loss on Sale of Fixed Asset	12,431	-
Depreciation and Amortization	848,824	828,427
Change in Investments	(109,630)	(70,753)
(Increase) Decrease in Assets:		
Accounts Receivable	(256)	2,162
Due from Texas Education Agency	(189,464)	473,595
Other Receivables	103,759	11,915
Prepaid Expenses	(157,200)	(44,634)
Increase (Decrease) in Liabilities:		
Accounts Payable	423,225	(140,559)
Accrued Expenses	63,553	86,974
Due to Texas Education Agency	113,782	-
Deferred Revenue	745	(2,885)
Other Liabilities	4,671	14,801
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,429,436	2,419,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,590,802)	(242,128)
Proceeds from Sale of Fixed Asset	26,000	-
Purchases of Investments	(4,947)	(10)
NET CASH USED BY INVESTING ACTIVITIES	(1,569,749)	(242,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	-	(69,236)
Payments on Long-Term Debt	(14,645)	(14,582)
Proceeds from Issuance of Bonds	23,245,000	-
Payments into Sinking Fund	(168,108)	(165,537)
Payment of Bond Issue Costs	(684,960)	-
Payments on Bonds Payable	(285,000)	(285,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	22,092,287	(534,355)
NET INCREASE IN CASH FLOWS	22,951,974	1,642,570
CASH AND CASH EQUIVALENTS, Beginning of Year	7,415,755	5,704,334
RESTRICTED CASH, Beginning of Year	5,184,118	5,252,969
LESS RESTRICTED CASH, End of Year	(4,893,550)	(5,184,118)
CASH AND CASH EQUIVALENTS, End of Year	\$ 30,658,297	\$ 7,415,755
Supplemental Disclosures:		
Interest	\$ 1,233,538	\$ 1,089,821
Asset Acquired through Loan Obligation	\$ -	\$ 75,920

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

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity and Corporate Operations

Orenda Education (the Charter Holder) dba Orenda Charter Schools is a not-for-profit organization incorporated in the State of Texas in 1995. The Charter Holder is governed by a Board Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

In 2001, the State Board of Education of the State of Texas granted the organization an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the charter application Contract for Charter, Orenda Charter School (the School) was opened for the academic year 2002-2003. It was organized to provide educational services to students in grades Kindergarten through 12th grade, and the organization's Board of Directors governs its programs, services, activities, and functions.

As of August 31, 2017, the School operates five campus locations. Since the Charter Holder receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Principles of Consolidation

The accompanying consolidated financial statements as of August 31, 2017 and 2016, include the financial statements of the Charter Holder and the School. Intercompany transactions and balances have been eliminated in the consolidation.

Basis of Presentation

The financial statements of the Charter Holder have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the Charter Holder's accounting policies are described below:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

The Charter Holder is required to report information regarding its financial position and activities according to the absence or existence and nature of donor-imposed restrictions as follows:

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Basis of Presentation (continued)

Unrestricted - Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Temporarily restricted net assets are those resources, subject to donor-imposed restrictions, that will be satisfied by the actions of the Charter Holder and/or the passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2017 and 2016, the Charter Holder had no permanently restricted net assets.

Grant Funds

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Charter Holder is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is also exempt from income and sales taxes. As of August 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014.

Cash and Cash Equivalents

For financial statement purposes, the Charter Holder considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Restricted Cash

Restricted cash represents a portion of proceeds from a bond issuance (see Note 11) that are not available for operating purposes. The restricted cash is being held in a reserve account to pay off the Series 2011A bond under an optional redemption provision in the bond indenture that allows for the bond to be paid off on August 15, 2021 instead of on the original maturity date of August 15, 2041. At August 31, 2017 and 2016, restricted cash totaled \$4,893,550 and \$5,184,118, respectively.

Investments

The security investments that are purchased are held principally for the purpose of selling them in the near term and are classified as trading securities. Trading securities are recorded at fair value based on quoted market prices.

Contributions

The Charter Holder accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment are defined as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from four to thirty years, using the straight-line method of depreciation. 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.

Subsequent Events

The Charter Holder has evaluated subsequent events through January 14, 2018, which is the date the financial statements were available to be issued.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 2 - Investments

Investments held at August 31 consisted of the following:

		Orenda Education (Charter Holder)			
		2017		2016	
		<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
	Mutual Funds	<u>\$1,041,235</u>	<u>\$ 938,669</u>	<u>\$ 929,698</u>	<u>\$ 772,145</u>
	Total	<u><u>\$1,041,235</u></u>	<u><u>\$ 938,669</u></u>	<u><u>\$ 929,698</u></u>	<u><u>\$ 772,145</u></u>

		Orenda Charter School			
		2017		2016	
		<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
	Cash/Money Accounts	<u>\$ 192</u>	<u>\$ 192</u>	<u>\$ 133</u>	<u>\$ 133</u>
	Fixed Income - CDs	<u>299,981</u>	<u>300,000</u>	<u>297,001</u>	<u>297,000</u>
	Total	<u><u>\$ 300,173</u></u>	<u><u>\$ 300,192</u></u>	<u><u>\$ 297,134</u></u>	<u><u>\$ 297,133</u></u>

Investment income consisted of the following at August 31:

		Orenda Education (Charter Holder)	
		2017	2016
	Interest/Dividends	<u>\$ 3,287</u>	<u>\$ 37,250</u>
	Unrealized Gain	<u>103,303</u>	<u>31,703</u>
	Total	<u><u>\$ 106,590</u></u>	<u><u>\$ 68,943</u></u>

		Orenda Charter School	
		2017	2016
	Interest/Dividends	<u>\$ 257</u>	<u>\$ 2,455</u>
	Unrealized Gain (Loss)	<u>2,783</u>	<u>(645)</u>
	Total	<u><u>\$ 3,040</u></u>	<u><u>\$ 1,810</u></u>

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 3 - Due from/to State and Federal Government

At August 31, 2017 and 2016, the School had \$862,059 and \$672,595, respectively, in receivables due from Texas Education Agency (TEA) related to various state grants and Foundation School Program revenue. All amounts receivable are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. At August 31, 2017 and 2016, the School had \$113,782 and \$-0-, respectively, due to TEA for settle-up of 2016-2017 Foundation School Program revenue.

Note 4 - Concentration of Credit Risk

The Charter Holder maintains several cash and investment accounts in various financial institutions and investment companies. Cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000, and investment account balances are insured by the Securities Investor Protection Corporation up to \$500,000. At August 31, 2017 and 2016, respectively, uninsured cash and investment account balances totaled \$541,235 and \$429,698, not including reconciling items.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets were for the following purposes at August 31:

	<u>2017</u>	<u>2016</u>
Gateway Tech High School	\$ 2,380	\$ 1,000
Kingsland School	8,000	4,000
GWCP Swim Program	41	200
Foundation School Program	<u>4,934,345</u>	<u>4,434,123</u>
Total	<u>\$ 4,944,766</u>	<u>\$ 4,439,323</u>

Note 6 - Commitments and Contingencies

The Charter Holder receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Charter Holder have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or the grantor agency.

Note 7 - Health Care Coverage

During the years ended August 31, 2017 and 2016, employees of the School were covered by a health insurance plan. The School contributed \$350 per employee per month to the plan during the years ended August 31, 2017 and 2016. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 8 - Property and Equipment

Property and equipment consisted of the following at August 31:

	Orenda Education (Charter Holder)	
	2017	2016
Land and Improvements, net	\$ 1,161,622	\$ 1,161,622
Construction in Progress	1,610,586	80,760
Buildings and Improvements	15,816,624	15,859,624
Furniture and Equipment	44,253	44,253
	18,633,085	17,146,259
Less Accumulated Depreciation	(1,472,074)	(1,066,108)
Total Property and Equipment	\$ 17,161,011	\$ 16,080,151

As of August 31, 2017 and 2016, land and improvements of \$1,161,622 is net of \$140,471 in escrow funds received for future roadway improvements. These funds consist of \$137,716 used to obtain a certificate of deposit as collateral for a letter of credit with a local financial institution and 2% for bank fees. The beneficiary of the letter of credit is the City of Georgetown.

	Orenda Charter School	
	2017	2016
Buildings and Improvements	\$ 912,900	\$ 889,849
Vehicles	331,844	331,844
Furniture and Equipment	667,561	629,632
	1,912,305	1,851,325
Less Accumulated Depreciation	(990,762)	(793,271)
Total Property and Equipment	\$ 921,543	\$ 1,058,054

Depreciation expense for the years ended August 31, 2017 and 2016 was \$608,025 and \$600,556, respectively. Furthermore, two water tanks were sold at a loss of \$12,431 during the year ended August 31, 2017. There were no sales of fixed assets during the year ended August 31, 2016.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 9 - Long Term Debt

Long-term debt of the Charter Holder consisted of the following at August 31:

	2017	2016
Loan payable to Bank of America, due in monthly installments of principal and interest of \$1,365.36; interest rate at 2.99%; maturing in October 2020, at which time all unpaid principal and interest is payable in full; secured by school bus.	\$ 49,404	\$ 64,049
Less Current Portion	(15,115)	(14,670)
Total Long-Term Debt	\$ 34,289	\$ 49,379

Future scheduled maturities of loans payable are as follows:

For the Year Ending August 31,	
2018	\$ 15,115
2019	15,573
2020	16,045
2021	2,671
Total	\$ 49,404

Note 10 - Intercompany Transactions

The School reimburses the Charter Holder each month for certain expenses incurred to sponsor the school charter and to provide governance, executive planning, and financial and management services for the School. The total amount of these expenses was \$150,000 and \$85,000 for the years ended August 31, 2017 and 2016, respectively. This transaction is eliminated in the consolidated financial statements. However, the amount is reflected as professional services revenue in the statement of activities included in the specific purpose financial statements of the Charter Holder.

Furthermore, the School reimburses the Charter Holder for making the monthly bond payments for the Series A, B, and Q bonds. The total amount of these payments was \$1,376,927 and \$1,241,158 for the years ended August 31, 2017 and 2016, respectively. This transaction is eliminated in the consolidated financial statements. Because the Charter Holder is accepting the debt service payments in lieu of facility lease payments from the School, the amount is reflected as rent revenue in the statement of activities included in the specific purpose financial statements of the Charter Holder.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 10 - Intercompany Transactions (continued)

As of August 31, 2017, and 2016, there was a payable from the School to the Charter Holder for \$43,566 and \$68,253, respectively, for intercompany activities such as bond loan payments. The intercompany payable and corresponding intercompany receivable are eliminated in the consolidated financial statements.

Note 11 - Bonds Payable

The Charter Holder's obligations under bonds payable include Taxable Education Revenue Bonds (Series 2011Q) and Education Revenue Bonds (Series 2011A) issued through the Texas Public Finance Authority Charter School Finance Corporation, and Taxable Education Revenue Bonds (Series 2011B) issued through the Newark Cultural Education Facilities Finance Corporation. These bonds are dated December 1, 2011. The Series 2011Q and A bonds closed and funded on December 1, 2011, and the Series 2011B bonds closed and funded on December 15, 2011, with all proceeds being held by the Bank of Texas. The bonds' proceeds will be used for property acquisition and construction at the Gateway College Preparatory Campus and were underwritten by Piper Jaffray & Co. The interest rates on the bonds range from 7.25% to 8%, and the terms of the bonds range from nine to thirty years.

The Charter Holder's bond obligations also include Education Revenue Refunding Bonds (Series 2015A) and Taxable Education Revenue Refunding Bonds (Series 2015B) issued through the Newark Higher Education Finance Corporation. These bonds closed and funded on August 20, 2015, with all proceeds being held by Bank of Texas. The bonds' proceeds will be used for expansion of the Gateway College Preparatory Campus, and a portion has been restricted by the Charter Holder to pay off the Series 2011A bond in 2021 (see Note 1). The bonds were underwritten by Oppenheimer & Co. The interest rates on the bonds range from 1% to 4%, and the terms of the bonds range from four to twenty-nine years.

During the year ended August 31, 2017, Education Revenue Bonds (Series 2017) were issued through the Newark Higher Education Finance Corporation. These bonds closed and funded on June 20, 2017, with all proceeds being held by Bank of Texas. The bonds' proceeds will be used for expansion of the Gateway College Preparatory Campus. The bonds were underwritten by Oppenheimer & Co. The interest rates on the bonds range from 3% to 5%, and the term of the bonds is thirty years. The bond issue included a premium of \$621,203.

As of August 31, 2017, the outstanding balance on bonds payable was \$48,295,000, consisting of bonds payable - current portion of \$285,000 and bonds payable - long-term of \$48,010,000. As of August 31, 2016, the outstanding balance on bonds payable was \$25,335,000, consisting of bonds payable - current portion of \$285,000 and bonds payable - long-term of \$25,050,000.

As of August 31, 2017, and 2016, issuance costs paid for these bonds at date of issuance totaled \$3,318,056 and \$2,633,096, respectively. Amortization expense related to these costs during the years ended August 31, 2017 and 2016 was \$240,799 and \$227,871, respectively.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 11 - Bonds Payable (continued)

Future minimum principal payments on the bonds payable are as follows:

For the Year Ending August 31,	
2018	\$ 285,000
2019	770,000
2020	790,000
2021	615,000
2022	635,000
Thereafter	<u>45,200,000</u>
Total	<u>\$ 48,295,000</u>

All bonds are subject to optional bond call at any time prior to maturity.

The Charter Holder makes monthly principal payments to the sinking fund in anticipation of payments to be made to the bondholders when due. The balance of the sinking fund as of August 31, 2017 and 2016 was \$1,004,995 and \$836,887, respectively.

Note 12 - Operating Leases

The School has multiple operating lease agreements for office equipment and instructional facilities. The School also leases space as needed throughout the year for sports and extracurricular activities and events. Rent expense for the years ended August 31, 2017 and 2016 was \$716,911 and \$593,486, respectively.

The following is a schedule of the operating lease obligations subsequent to August 31, 2017:

Year Ending August 31,	
2018	\$ 176,144
2019	109,754
2020	<u>84</u>
Total	<u>\$ 285,982</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 13 - Pension Plan Obligations

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River St., Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$152,925,647,396
Accumulated Benefit Obligations - \$171,797,150,487
The plan is 78% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary and the state of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's contributions to TRS for the years ended August 31, 2017 and 2016 were \$161,150 and \$148,629, respectively, which include non-OASDI participating surcharges of \$96,698 and \$84,831, respectively. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 14 - Fair Value of Financial Instruments

The Charter Holder adopted the provisions of ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Charter Holder’s financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Charter Holder has no Level 2 or Level 3 assets or liabilities.

The Charter Holder’s financial instruments (Level 1) were as follows at August 31:

	<u>2017</u>		<u>2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and Cash Equivalents	\$ 30,658,297	\$ 30,658,297	\$ 7,415,755	\$ 7,415,755
Accounts Receivable	\$ 11,198	\$ 11,198	\$ 10,942	\$ 10,942
Due from Texas Education				
Agency	\$ 862,059	\$ 862,059	\$ 672,595	\$ 672,595
Other Receivables	\$ -	\$ -	\$ 103,759	\$ 103,759
Prepaid Expenses	\$ 277,213	\$ 277,213	\$ 120,013	\$ 120,013
Financial liabilities:				
Accounts Payable	\$ 647,268	\$ 647,268	\$ 224,043	\$ 224,043
Accrued Expenses	\$ 642,675	\$ 642,675	\$ 579,122	\$ 579,122
Due to Texas Education				
Agency	\$ 113,782	\$ 113,782	\$ 579,122	\$ 579,122
Deferred Revenue	\$ 8,857	\$ 8,857	\$ 8,112	\$ 8,112
Other Liabilities	\$ 56,239	\$ 56,239	\$ 51,568	\$ 51,568
Loans Payable - current	\$ 15,115	\$ 15,115	\$ 14,670	\$ 14,670
Bonds Payable - current	\$ 285,000	\$ 285,000	\$ 285,000	\$ 285,000

ORENDA EDUCATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016

Note 14 - Fair Value of Financial Instruments (continued)

The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

The Charter Holder's financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments (Note 2).

Note 15 - Regulated Industry

The majority of the Charter Holder's activities and revenues are a result of contracts with TEA. The Charter Holder's operations are concentrated in the education field. As such, the Charter Holder operates in a heavily regulated environment. The operations of the Charter Holder are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

ORENDA EDUCATION (CHARTER HOLDER)
STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25,995,676	\$ 3,465,311
Investments	1,041,235	929,698
Due from Orenda Education Charter School	43,566	68,253
Total Current Assets	27,080,477	4,463,262
LONG-TERM ASSETS		
Restricted Cash	4,893,550	5,184,118
Sinking Fund for Bonds Payable	1,004,995	836,887
Bond Issuance Costs, net	2,308,064	1,863,905
Property and Equipment, net	17,161,011	16,080,151
Total Long-Term Assets	25,367,620	23,965,061
TOTAL ASSETS	\$ 52,448,097	\$ 28,428,323
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 464,596	\$ 219,953
Accrued Expenses	10,980	10,620
Bonds Payable - current	285,000	285,000
Total Current Liabilities	760,576	515,573
LONG-TERM LIABILITIES		
Bonds Payable - long-term	48,010,000	25,050,000
Total Long-Term Liabilities	48,010,000	25,050,000
TOTAL LIABILITIES	48,770,576	25,565,573
NET ASSETS		
Unrestricted	3,667,100	2,857,550
Temporarily Restricted	10,421	5,200
TOTAL NET ASSETS	3,677,521	2,862,750
TOTAL LIABILITIES AND NET ASSETS	\$ 52,448,097	\$ 28,428,323

See independent auditor's report.

ORENDA EDUCATION (CHARTER SCHOOL)
STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,662,621	\$ 3,950,444
Investments	300,173	297,134
Accounts Receivable	11,198	10,942
Due from Texas Education Agency	862,059	672,595
Other Receivables	-	103,759
Prepaid Expenses	277,213	120,013
Total Current Assets	6,113,264	5,154,887
Property and Equipment, net	921,543	1,058,054
TOTAL ASSETS	\$ 7,034,807	\$ 6,212,941
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 182,672	\$ 4,090
Accrued Expenses	631,695	568,502
Due to Texas Education Agency	113,782	-
Due to Orenda Education (Charter Holder)	43,566	68,253
Deferred Revenue	8,857	8,112
Other Liabilities	56,239	51,568
Loans Payable - current	15,115	14,670
Total Current Liabilities	1,051,926	715,195
LONG-TERM LIABILITIES		
Loans Payable - long-term	34,289	49,379
Total Long-Term Liabilities	34,289	49,379
TOTAL LIABILITIES	1,086,215	764,574
NET ASSETS		
Unrestricted	1,014,247	1,014,244
Temporarily Restricted	4,934,345	4,434,123
TOTAL NET ASSETS	5,948,592	5,448,367
TOTAL LIABILITIES AND NET ASSETS	\$ 7,034,807	\$ 6,212,941

See independent auditor's report.

ORENDA EDUCATION (CHARTER HOLDER)
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
(with comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Rent	\$ 1,376,927	\$ -	\$ 1,376,927	\$ 1,241,158
Bond Premium	621,203	-	621,203	-
Contributions	581,232	5,380	586,612	518,683
Interest Income	259,123	-	259,123	119,121
Professional Services	150,000	-	150,000	85,000
Unrealized Gain on Investments	106,590	-	106,590	68,943
Miscellaneous Income	21,679	-	21,679	7,800
Unrealized (Loss) Gain on Escrow	(229,767)	-	(229,767)	108,074
Net Assets Released from Restrictions	159	(159)	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>2,887,146</u>	<u>5,221</u>	<u>2,892,367</u>	<u>2,148,779</u>
EXPENSES				
Bond Interest	1,230,351	-	1,230,351	1,085,646
Depreciation and Amortization	651,333	-	651,333	636,850
Salaries and Benefits	117,746	-	117,746	46,490
Miscellaneous Expense	62,935	-	62,935	65,027
Loss on Sale of Fixed Asset	12,431	-	12,431	-
Professional Fees	2,800	-	2,800	2,800
Supplies and Equipment	-	-	-	5,250
TOTAL EXPENSES	<u>2,077,596</u>	<u>-</u>	<u>2,077,596</u>	<u>1,842,063</u>
CHANGE IN NET ASSETS	809,550	5,221	814,771	306,716
NET ASSETS, Beginning of Year	<u>2,857,550</u>	<u>5,200</u>	<u>2,862,750</u>	<u>2,556,034</u>
NET ASSETS, End of Year	<u>\$ 3,667,100</u>	<u>\$ 10,421</u>	<u>\$ 3,677,521</u>	<u>\$ 2,862,750</u>

See independent auditor's report.

ORENDA EDUCATION (CHARTER SCHOOL)
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
(with comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Earnings from Temporary Deposits and Investments	\$ 3,040	\$ -	\$ 3,040	\$ 1,810
5749 E-Rate Revenue	20,720	-	20,720	107,301
5751 Food Service Activity	345,216	-	345,216	338,475
5752 Athletic Activities	26,305	-	26,305	42,936
5769 Miscellaneous Revenue from Intermediate Sources	203,896	-	203,896	156,442
Total Local Support	<u>599,177</u>	<u>-</u>	<u>599,177</u>	<u>646,964</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	11,888,748	11,888,748	10,961,652
5820 State Program Revenues Distributed by Texas Education Agency	-	10,547	10,547	105,201
Total State Program Revenues	<u>-</u>	<u>11,899,295</u>	<u>11,899,295</u>	<u>11,066,853</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	460,978	460,978	327,950
Total Federal Program Revenues	<u>-</u>	<u>460,978</u>	<u>460,978</u>	<u>327,950</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	11,860,051	(11,860,051)	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>12,459,228</u>	<u>500,222</u>	<u>12,959,450</u>	<u>12,041,767</u>
EXPENSES				
11 Instruction	6,077,450	-	6,077,450	5,340,665
12 Instructional Resources and Media Services	85,946	-	85,946	86,623
13 Curriculum Development and Instructional Staff Development	132,352	-	132,352	65,817
21 Instructional Leadership	258,275	-	258,275	227,451
23 School Leadership	808,858	-	808,858	721,827
31 Guidance, Counseling, and Evaluation Services	303,395	-	303,395	223,444
33 Health Services	75,106	-	75,106	59,498
34 Student Transportation	75,914	-	75,914	92,695
35 Food Services	306,494	-	306,494	293,046
36 Extracurricular Activities	335,599	-	335,599	317,978
41 General Administration	497,821	-	497,821	565,631
51 Plant Maintenance and Operations	1,445,694	-	1,445,694	1,270,264
52 Security and Monitoring Services	4,100	-	4,100	2,907
53 Data Processing Services	434,256	-	434,256	395,273
71 Debt Service	1,380,114	-	1,380,114	1,245,333
81 Fundraising	237,851	-	237,851	180,011
TOTAL EXPENSES	<u>12,459,225</u>	<u>-</u>	<u>12,459,225</u>	<u>11,088,463</u>
CHANGE IN NET ASSETS	3	500,222	500,225	953,304
NET ASSETS, Beginning of Year	<u>1,014,244</u>	<u>4,434,123</u>	<u>5,448,367</u>	<u>4,495,063</u>
NET ASSETS, End of Year	<u>\$ 1,014,247</u>	<u>\$ 4,934,345</u>	<u>\$ 5,948,592</u>	<u>\$ 5,448,367</u>

See independent auditor's report.

ORENDA EDUCATION (CHARTER HOLDER)
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 814,771	\$ 306,716
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Loss on Sale of Fixed Asset	12,431	-
Depreciation and Amortization	651,333	636,850
Unrealized Gain on Investments	(106,590)	(68,943)
Decrease in Assets:		
Due from Orenda Education Charter School	24,687	27,302
Increase (Decrease) in Liabilities:		
Accounts Payable	244,643	(67,760)
Accrued Expenses	360	90
	1,641,635	834,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,529,823)	(52,834)
Proceeds from Sale of Fixed Asset	26,000	-
Purchases of Investments	(4,947)	(10)
	(1,508,770)	(52,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	23,245,000	-
Payments into Sinking Fund	(168,108)	(165,537)
Payment of Bond Issue Costs	(684,960)	-
Payments on Bonds Payable	(285,000)	(285,000)
	22,106,932	(450,537)
NET INCREASE IN CASH FLOWS	22,239,797	330,874
CASH AND CASH EQUIVALENTS, Beginning of Year	3,465,311	3,065,586
RESTRICTED CASH, Beginning of Year	5,184,118	5,252,969
LESS RESTRICTED CASH, End of Year	(4,893,550)	(5,184,118)
CASH AND CASH EQUIVALENTS, End of Year	\$ 25,995,676	\$ 3,465,311
 Supplemental Disclosures		
Interest	\$ 1,230,351	\$ 1,085,646

See independent auditor's report.

ORENDA EDUCATION (CHARTER SCHOOL)
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 11,685,232	\$ 11,159,309
Grant Payments	485,577	709,089
Miscellaneous Sources	703,014	643,543
Payments to Vendors for Goods and Services Rendered	(4,004,371)	(3,392,841)
Payments to Charter School Personnel for Services Rendered	(6,701,537)	(6,288,959)
Interest Payments	(1,380,114)	(1,245,333)
NET CASH PROVIDED BY OPERATING ACTIVITIES	787,801	1,584,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(60,979)	(189,294)
NET CASH USED BY INVESTING ACTIVITIES	(60,979)	(189,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	-	(69,236)
Payments on Long-Term Debt	(14,645)	(14,582)
NET CASH USED BY FINANCING ACTIVITIES	(14,645)	(83,818)
NET INCREASE IN CASH FLOWS	712,177	1,311,696
CASH AND CASH EQUIVALENTS, Beginning of Year	3,950,444	2,638,748
CASH AND CASH EQUIVALENTS, End of Year	\$ 4,662,621	\$ 3,950,444
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ 500,225	\$ 953,304
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation	197,491	191,577
Investment Income	(3,040)	(1,810)
(Increase) Decrease in Assets:		
Accounts Receivable	(256)	2,162
Due from Texas Education Agency	(189,464)	473,595
Other Receivables	103,759	11,915
Prepaid Expenses	(157,200)	(44,634)
Increase (Decrease) in Liabilities:		
Accounts Payable	178,582	(72,799)
Accrued Expenses	63,193	86,884
Due to Texas Education Agency	113,782	-
Due to Orenda Education (Charter Holder)	(24,687)	(27,302)
Deferred Revenue	745	(2,885)
Other Liabilities	4,671	14,801
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 787,801	\$ 1,584,808
Supplemental Disclosures		
Interest	\$ 3,187	\$ 4,175
Asset Acquired through Loan Obligation	\$ -	\$ 75,920

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOL
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2017 and 2016

	2017	2016
Orenda Education (Consolidated)		
Expenses		
6100 Payroll Costs	\$ 7,497,598	\$ 6,723,070
6200 Professional and Contracted Services	2,140,320	1,830,939
6300 Supplies and Materials	863,672	804,874
6400 Other Operating Costs	1,033,967	922,543
6500 Debt	1,474,337	1,317,692
	Total Expenses \$ 13,009,894	\$ 11,599,118

Orenda Education (Charter Holder)		
Expenses		
6100 Payroll Costs	\$ 117,746	\$ 46,490
6200 Professional and Contracted Services	2,800	2,800
6400 Other Operating Costs	485,900	474,006
6500 Debt	1,471,150	1,313,517
	Total Expenses (net of eliminating entries) \$ 2,077,596	\$ 1,836,813

Orenda Education (Charter School)		
Expenses		
6100 Payroll Costs	\$ 7,379,852	\$ 6,676,580
6200 Professional and Contracted Services	2,137,520	1,828,139
6300 Supplies and Materials	863,672	804,874
6400 Other Operating Costs	548,067	448,537
6500 Debt	3,187	4,175
	Total Expenses (net of eliminating entries) \$ 10,932,298	\$ 9,762,305

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
SCHEDULE OF CAPITAL ASSETS
August 31, 2017

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

Orenda Education (Consolidated)	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 25,995,676	\$ 4,662,621	\$ -
1510 Land and Improvements	1,161,622	-	-
1515 Construction in Progress	-	1,610,586	-
1520 Buildings and Improvements	1,599,634	15,129,890	-
1531 Vehicles	-	331,844	-
1539 Furniture and Equipment	44,253	667,561	-
Total Capital Assets	\$ 28,801,185	\$ 22,402,502	\$ -

Orenda Education (Charter Holder)	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 25,995,676	\$ -	\$ -
1510 Land and Improvements	1,161,622	-	-
1515 Construction in Progress	-	1,610,586	-
1520 Buildings and Improvements	1,599,634	14,216,990	-
1539 Furniture and Equipment	44,253	-	-
Total Capital Assets	\$ 28,801,185	\$ 15,827,576	\$ -

Orenda Charter School	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 4,662,621	\$ -
1520 Buildings and Improvements	-	912,900	-
1531 Vehicles	-	331,844	-
1539 Furniture and Equipment	-	667,561	-
Total Capital Assets	\$ -	\$ 6,574,926	\$ -

See independent auditor's report.

**ORENDA CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
Year Ended August 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 85,884	\$ 25,884	\$ 23,760	\$ (2,124)
5750 Revenue from Cocurricular/Enterprising	373,250	373,250	371,521	(1,729)
5760 Revenues from Intermediate Sources	161,000	221,000	203,896	(17,104)
Total Local Support	<u>620,134</u>	<u>620,134</u>	<u>599,177</u>	<u>(20,957)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	12,792,427	11,937,427	11,888,748	(48,679)
5820 State Program Revenues Distributed by Texas Education Agency	108,548	108,548	10,547	(98,001) (1)
Total State Program Revenues	<u>12,900,975</u>	<u>12,045,975</u>	<u>11,899,295</u>	<u>(146,680)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	535,068	500,068	460,978	(39,090)
Total Federal Program Revenues	<u>535,068</u>	<u>500,068</u>	<u>460,978</u>	<u>(39,090)</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>14,056,177</u>	<u>13,166,177</u>	<u>12,959,450</u>	<u>(206,727)</u>
EXPENSES				
11 Instructional	6,391,232	5,898,732	6,077,450	(178,718)
12 Instructional Resources and Media Services	98,724	90,224	85,946	4,278
13 Curriculum Development and Instructional Staff Development	94,945	137,945	132,352	5,593
21 Instructional Leadership	276,080	263,826	258,275	5,551
23 School Leadership	953,228	755,228	808,858	(53,630)
31 Guidance, Counseling and Evaluation Services	315,844	288,328	303,395	(15,067)
33 Health Services	73,800	83,300	75,106	8,194
34 Student Transportation	73,500	85,000	75,914	9,086
35 Food Services	310,844	307,344	306,494	850
36 Extracurricular Activities	345,923	338,423	335,599	2,824
41 General Administration	605,196	551,046	497,821	53,225
51 Plant Maintenance and Operations	1,642,444	1,562,864	1,445,694	117,170
52 Security and Monitoring Services	4,500	4,500	4,100	400
53 Data Processing Services	516,738	444,238	434,256	9,982
71 Debt Service	1,247,716	1,384,716	1,380,114	4,602
81 Fundraising	260,200	255,200	237,851	17,349
TOTAL EXPENSES	<u>13,210,914</u>	<u>12,450,914</u>	<u>12,459,225</u>	<u>(8,311)</u>
CHANGE IN NET ASSETS	845,263	715,263	500,225	(215,038)
NET ASSETS, Beginning of Year	<u>5,448,367</u>	<u>5,448,367</u>	<u>5,448,367</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 6,293,630</u>	<u>\$ 6,163,630</u>	<u>\$ 5,948,592</u>	<u>\$ (215,038)</u>

(1) Unfavorable variance is due to the instructional materials allotment covering a 2-year period, and, therefore, the majority of funds were received subsequent to the fiscal year-end.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
August 31, 2017
(with comparative totals for 2016)

	2017				2016
	Orenda Education (Charter Holder)	Orenda Education Charter School	Eliminating Entries	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 25,995,676	\$ 4,662,621	\$ -	\$ 30,658,297	\$ 7,415,755
Investments	1,041,235	300,173	-	1,341,408	1,226,832
Accounts Receivable	-	11,198	-	11,198	10,942
Due from Texas Education Agency	-	862,059	-	862,059	672,595
Due from Orenda Education Charter School	43,566	-	(43,566)	-	-
Other Receivables	-	-	-	-	103,759
Prepaid Expenses	-	277,213	-	277,213	120,013
Total Current Assets	<u>27,080,477</u>	<u>6,113,264</u>	<u>(43,566)</u>	<u>33,150,175</u>	<u>9,549,896</u>
LONG-TERM ASSETS					
Restricted Cash	4,893,550	-	-	4,893,550	5,184,118
Sinking Fund for Bonds Payable	1,004,995	-	-	1,004,995	836,887
Bond Issuance Costs, net	2,308,064	-	-	2,308,064	1,863,905
Property and Equipment, net	17,161,011	921,543	-	18,082,554	17,138,205
Total Long-Term Assets	<u>25,367,620</u>	<u>921,543</u>	<u>-</u>	<u>26,289,163</u>	<u>25,023,115</u>
TOTAL ASSETS	<u>\$ 52,448,097</u>	<u>\$ 7,034,807</u>	<u>\$ (43,566)</u>	<u>\$ 59,439,338</u>	<u>\$ 34,573,011</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 464,596	\$ 182,672	\$ -	\$ 647,268	\$ 224,043
Accrued Expenses	10,980	631,695	-	642,675	579,122
Due to Texas Education Agency	-	113,782	-	113,782	-
Due to Orenda Education (Charter Holder)	-	43,566	(43,566)	-	-
Deferred Revenue	-	8,857	-	8,857	8,112
Other Liabilities	-	56,239	-	56,239	51,568
Loans Payable - current	-	15,115	-	15,115	14,670
Bonds Payable - current	285,000	-	-	285,000	285,000
Total Current Liabilities	<u>760,576</u>	<u>1,051,926</u>	<u>(43,566)</u>	<u>1,768,936</u>	<u>1,162,515</u>
LONG-TERM LIABILITIES					
Loans Payable - long-term	-	34,289	-	34,289	49,379
Bonds Payable - long-term	48,010,000	-	-	48,010,000	25,050,000
Total Long-Term Liabilities	<u>48,010,000</u>	<u>34,289</u>	<u>-</u>	<u>48,044,289</u>	<u>25,099,379</u>
TOTAL LIABILITIES	<u>48,770,576</u>	<u>1,086,215</u>	<u>(43,566)</u>	<u>49,813,225</u>	<u>26,261,894</u>
NET ASSETS					
Unrestricted	3,667,100	1,014,247	-	4,681,347	3,871,794
Temporarily Restricted	10,421	4,934,345	-	4,944,766	4,439,323
TOTAL NET ASSETS	<u>3,677,521</u>	<u>5,948,592</u>	<u>-</u>	<u>9,626,113</u>	<u>8,311,117</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,448,097</u>	<u>\$ 7,034,807</u>	<u>\$ (43,566)</u>	<u>\$ 59,439,338</u>	<u>\$ 34,573,011</u>

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
(with comparative totals for 2016)

	2017				2016 Total
	Orenda Education (Charter Holder)	Orenda Education Charter School	Eliminating Entries	Total	
REVENUES AND OTHER SUPPORT					
Local Support:					
Bond Premium	\$ 621,203	\$ -	\$ -	\$ 621,203	\$ -
Contributions	586,612	-	-	586,612	518,683
Food Service Activity	-	345,216	-	345,216	338,475
Interest Income	259,123	-	-	259,123	119,121
Miscellaneous Revenue from Intermediate Sources	21,679	203,896	-	225,575	156,442
Unrealized Gain on Investments	106,590	-	-	106,590	68,943
Athletic Activities	-	26,305	-	26,305	37,686
E-Rate Revenue	-	20,720	-	20,720	107,301
Earnings from Temporary Deposits and Investments	-	3,040	-	3,040	1,810
Other Local Revenue	-	-	-	-	7,800
Professional Services	150,000	-	(150,000)	-	-
Rent	1,376,927	-	(1,376,927)	-	-
Unrealized (Loss) Gain on Escrow	(229,767)	-	-	(229,767)	108,074
Total Local Support	<u>2,892,367</u>	<u>599,177</u>	<u>(1,526,927)</u>	<u>1,964,617</u>	<u>1,464,335</u>
State Program Revenues:					
Foundation School Program Act Revenues	-	11,888,748	-	11,888,748	10,961,652
State Program Revenues Distributed by Texas Education Agency	-	10,547	-	10,547	105,201
Total State Program Revenues	<u>-</u>	<u>11,899,295</u>	<u>-</u>	<u>11,899,295</u>	<u>11,066,853</u>
Federal Program Revenues:					
Federal Revenues Distributed by Texas Education Agency	-	460,978	-	460,978	327,950
Total Federal Program Revenues	<u>-</u>	<u>460,978</u>	<u>-</u>	<u>460,978</u>	<u>327,950</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,892,367</u>	<u>12,959,450</u>	<u>(1,526,927)</u>	<u>14,324,890</u>	<u>12,859,138</u>
EXPENSES					
Program Services (Charter School):					
Instruction	-	6,077,450	-	6,077,450	5,340,665
Instructional Resources and Media Services	-	85,946	-	85,946	86,623
Curriculum Development and Instructional Staff Development	-	132,352	-	132,352	65,817
Instructional Leadership	-	258,275	-	258,275	227,451
School Leadership	-	808,858	-	808,858	721,827
Guidance, Counseling, and Evaluation Services	-	303,395	-	303,395	223,444
Health Services	-	75,106	-	75,106	59,498
Student Transportation	-	75,914	-	75,914	92,695
Food Services	-	306,494	-	306,494	293,046
Extracurricular Activities	-	335,599	-	335,599	317,978
General Administration	-	497,821	(150,000)	347,821	480,631
Plant Maintenance and Operations	-	1,445,694	-	1,445,694	1,270,264
Security and Monitoring Services	-	4,100	-	4,100	2,907
Data Processing Services	-	434,256	-	434,256	395,273
Debt Service	-	1,380,114	(1,376,927)	3,187	4,175
Fundraising	-	237,851	-	237,851	180,011
Support Services (Charter Holder):					
Bond Interest	1,230,351	-	-	1,230,351	1,085,646
Depreciation and Amortization	651,333	-	-	651,333	636,850
Salaries and Benefits	117,746	-	-	117,746	46,490
Miscellaneous Expense	62,935	-	-	62,935	65,027
Loss on Sale of Fixed Asset	12,431	-	-	12,431	-
Professional Fees	2,800	-	-	2,800	2,800
TOTAL EXPENSES	<u>2,077,596</u>	<u>12,459,225</u>	<u>(1,526,927)</u>	<u>13,009,894</u>	<u>11,599,118</u>
CHANGE IN NET ASSETS	<u>814,771</u>	<u>500,225</u>	<u>-</u>	<u>1,314,996</u>	<u>1,260,020</u>
NET ASSETS, Beginning of Year	<u>2,862,750</u>	<u>5,448,367</u>	<u>-</u>	<u>8,311,117</u>	<u>7,051,097</u>
NET ASSETS, End of Year	<u>\$ 3,677,521</u>	<u>\$ 5,948,592</u>	<u>\$ -</u>	<u>\$ 9,626,113</u>	<u>\$ 8,311,117</u>

See independent auditor's report.

OTHER REQUIRED REPORTING

INDEPENDENT AUDITOR’S 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*

To the Board of Directors
Orenda Education dba Orenda
Charter Schools
Georgetown, Texas

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 Orenda Education (the Charter Holder) dba Orenda Charter Schools, a nonprofit organization, which comprise the consolidated statement of financial position as of August 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Holder’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder’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.

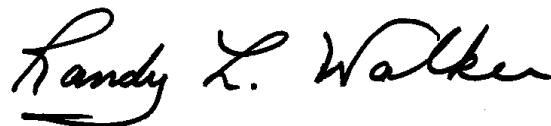
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Holder'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 organization'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 Charter Holder's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the first name.

San Antonio, Texas
January 14, 2018