IDEA Public Schools, Inc.

Consolidated Financial Report
June 30, 2018

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Board of Directors

Thomas E. Torkelson, Executive Chairman

Reba Cardenas McNair, Chairman

David Guerra, Chairman Elect

Al Lopez, Treasurer, Austin Regional Board Chair

Xenia Garza, Secretary

Bill Martin, Member

Eric Ziehe, Member

Gabe Puente, Member

Bert Garcia, Member

Ryan Vaughn, Member

David Earl, Member

Victoria Rico, Member

Henry B. Gonzalez III, Member

Nick La Mantia, Member

Sergio Sanchez, Member

David Handly, San Antonio Regional Board Chair

Chief Executive Officer

Thomas E. Torkelson

President and Superintendent

JoAnn Gama

Chief Financial Officer

Wyatt J. Truscheit

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IDEA Public Schools, Inc.
Federal Employer Identification Number: 74-2948339

Certificate of Board

We, the undersigned, certify that the attached financial and compliance report of the above-named charter holder was reviewed and (check one) ___✓___ approved _____ disapproved for the year ended June 30, 2018, at a meeting of the governing body of the charter holder on the _7th_ day of _September_, 2018.

Signature of Board Secretary

Rita Cardenas McNair
Signature of Board President

If the governing body of the charter holder disapproved the independent auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
IDEA Public Schools, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of IDEA Public Schools, Inc. (the School), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the consolidated 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 School'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 August __, 2018, 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 School's 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.

RSM US LLP

San Antonio, Texas
September 6, 2018

Financial Statements

IDEA Public Schools, Inc.

Exhibit A-1 Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 118,708,013**	$ 96,034,815
Cash and cash equivalents—restricted	**34,388,476**	29,114,610
Due from government agencies	**51,774,444**	39,802,011
Contributions receivable—net of discount	**692,461**	-
Other receivables	**3,896,020**	405,129
Investments	**13,135,580**	4,000,000
Inventories	**295,836**	113,641
Prepaid expenses	**966,747**	1,646,228
Other current assets	**395,375**	385,210
Total current assets	**224,252,952**	171,501,644
Property and equipment:		
Land and improvements	**73,610,886**	49,910,789
Buildings and improvements	**471,049,165**	343,196,032
Leasehold improvements	**2,939,264**	2,939,264
Vehicles	**11,816,855**	10,676,710
Furniture and equipment	**16,036,985**	11,515,619
Construction in progress	**141,069,097**	125,884,278
Total property and equipment	**716,522,252**	544,122,692
Less accumulated depreciation and amortization	**83,852,069**	62,928,072
Net property and equipment	**632,670,183**	481,194,620
Other noncurrent assets:		
Cash and cash equivalents—restricted	**14,074,657**	27,476,276
Contributions receivable—net of discount	**1,083,405**	-
Investments—restricted	**19,987,998**	-
Cash held in escrow	**1,375,171**	-
Total other noncurrent assets	**36,521,231**	27,476,276
Total assets	**$ 893,444,366**	$ 680,172,540

See notes to consolidated financial statements.

	2018	2017
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 27,392,737**	$ 23,593,886
Accrued wages payable	**21,549,773**	15,312,435
Accrued payroll expenses	**4,235,683**	3,965,706
Accrued interest payable	**11,561,657**	9,407,186
Accrued expenses	**7,186,456**	5,187,876
Deferred revenues	**9,487,803**	7,490,036
Other liabilities	**2,883,101**	232,130
Notes payable—current portion	**26,696,949**	15,160,929
Bonds payable—current portion	**7,610,000**	7,315,000
Capital leases payable—current portion	**578,401**	469,831
Total current liabilities	**119,182,560**	88,135,015
Long-term liabilities:		
Bonds payable	**570,110,000**	443,550,000
Bond and other debt issuance costs, net	**(10,185,031)**	(8,431,018)
Premium on issuance of bonds, net of amortization	**45,781,208**	34,192,750
Notes payable	**16,459,180**	3,880,318
Capital leases payable	**4,644,901**	3,341,553
Total long-term liabilities	**626,810,258**	476,533,603
Total liabilities	**745,992,818**	564,668,618
Net assets:		
Unrestricted	**2,757,712**	1,360,428
Temporarily restricted	**144,693,836**	114,143,494
Total net assets	**147,451,548**	115,503,922
Total liabilities and net assets	**$ 893,444,366**	$ 680,172,540

IDEA Public Schools, Inc.

Exhibit A-2 Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Local support:			
Contributions	$ 1,560,685	$ 404,524	$ 1,965,209
Grants	-	18,575,139	18,575,139
Food service	-	223,390	223,390
Investment income	-	464,611	464,611
Other revenues	3,705,097	6,625,731	10,330,828
Total local support	5,265,782	26,293,395	31,559,177
State program revenues:			
Foundation School Program	-	314,853,891	314,853,891
Other state aid	-	4,207,988	4,207,988
Total state program revenues	-	319,061,879	319,061,879
Federal program revenues:			
ESEA Title I—Part A	-	13,144,887	13,144,887
ESEA Title I—Part A—Priority and Focus School	-	30,039	30,039
ESEA Title II—Part A Teacher/Principal Training	-	1,399,196	1,399,196
ESEA Title III—Part A Language Acquisition	-	1,005,578	1,005,578
IDEA B Formula—Special Education	-	3,978,023	3,978,023
ESEA Title V—Part B Charter Schools	-	14,156,906	14,156,906
ESEA Title V—Part C Charter Schools	-	188,131	188,131
HEA Title IV—Part A GEAR-UP—Connect2College	-	1,787,719	1,787,719
ARRA ESEA Race To The Top—District Grants	-	276,400	276,400
Twenty-First Century Community Learning Centers	-	3,525,740	3,525,740
Education Innovation and Research	-	388,880	388,880
Child Nutrition	-	29,606,069	29,606,069
Food and Nutrition Service	-	27,442	27,442
IDEA Comprehensive Health Professions	-	148,214	148,214
Project H2O! Environmental Education Grant Program	-	44,419	44,419
SSA, Title XIX—School Health and Related Services	-	1,763,508	1,763,508
School Improvement Grants	-	458,000	458,000
Total federal program revenues	-	71,929,151	71,929,151
Net assets released from restrictions:			
Restrictions satisfied by payments	386,734,083	(386,734,083)	-
Total revenues and other support	391,999,865	30,550,342	422,550,207

(Continued)

IDEA Public Schools, Inc.

Exhibit A-2 Consolidated Statement of Activities (Continued)
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Expenses:			
Program services:			
Instructional and instructional-related services	$ 168,295,183	$ -	$ 168,295,183
Instructional and school leadership	57,117,920	-	57,117,920
Total program services	225,413,103	-	225,413,103
Support services:			
Administrative support services	25,585,644	-	25,585,644
Ancillary services	317,510	-	317,510
Support services—nonstudent based	49,464,601	-	49,464,601
Support services—student (pupil)	60,105,913	-	60,105,913
Debt service	20,269,249	-	20,269,249
Fundraising	2,403,413	-	2,403,413
Total support services	158,146,330	-	158,146,330
Total expenses	383,559,433	-	383,559,433
Loss on extinguishment of debt	(7,043,148)	-	(7,043,148)
Change in net assets	1,397,284	30,550,342	31,947,626
Net assets at beginning of year	1,360,428	114,143,494	115,503,922
Net assets at end of year	$ 2,757,712	$ 144,693,836	$ 147,451,548

See notes to consolidated financial statements.

IDEA Public Schools, Inc.

Exhibit A-2 Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Local support:			
Contributions	$ 1,608,714	$ 2,684,824	$ 4,293,538
Grants	-	11,870,942	11,870,942
Food service	-	1,019,478	1,019,478
Other revenues	400,433	6,495,387	6,895,820
Total local support	2,009,147	22,070,631	24,079,778
State program revenues:			
Foundation School Program	-	248,565,042	248,565,042
Other state aid	-	4,054,979	4,054,979
Total state program revenues	-	252,620,021	252,620,021
Federal program revenues:			
ESEA Title I—Part A	-	8,218,535	8,218,535
ESEA Title I—Part A—Priority and Focus School	-	38,039	38,039
ESEA Title II—Part A Teacher/Principal Training	-	1,662,432	1,662,432
ESEA Title III—Part A Language Acquisition	-	726,738	726,738
IDEA B Formula—Special Education	-	3,154,468	3,154,468
ESEA Title V—Part B Charter Schools	-	1,276	1,276
ESEA Title V—Part C Charter Schools	-	6,243,533	6,243,533
HEA Title IV—Part A GEAR-UP—Connect2College	-	49,794	49,794
ARRA ESEA Race To The Top—District Grants	-	1,408,312	1,408,312
Twenty-First Century Community Learning Centers	-	7,131,316	7,131,316
ESEA Title V—Part D Fund for the Improvement of Education	-	318,024	318,024
Child Nutrition	-	3,309,259	3,309,259
Food and Nutrition Service	-	21,541,133	21,541,133
IDEA Comprehensive Health Professions	-	1,162,197	1,162,197
Project H2O! Environmental Education Grant Program	-	1,110,205	1,110,205
Total federal program revenues	-	56,075,261	56,075,261
Net assets released from restrictions:			
Restrictions satisfied by payments	313,105,380	(313,105,380)	-
Total revenues and other support	315,114,527	17,660,533	332,775,060

(Continued)

IDEA Public Schools, Inc.

Exhibit A-2 Consolidated Statement of Activities (Continued)
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Expenses:			
Program services:			
Instructional and instructional-related services	$ 139,340,956	$ -	$ 139,340,956
Instructional and school leadership	41,205,523	-	41,205,523
Total program services	180,546,479	-	180,546,479
Support services:			
Administrative support services	18,231,679	-	18,231,679
Ancillary services	298,373	-	298,373
Support services—nonstudent based	39,973,507	-	39,973,507
Support services—student (pupil)	49,102,755	-	49,102,755
Debt service	15,623,286	-	15,623,286
Fundraising	1,988,748	-	1,988,748
Total support services	125,218,348	-	125,218,348
Total expenses	305,764,827	-	305,764,827
Loss on extinguishment of debt	(8,429,223)	-	(8,429,223)
Change in net assets	920,477	17,660,533	18,581,010
Net assets at beginning of year	439,951	96,482,961	96,922,912
Net assets at end of year	$ 1,360,428	$ 114,143,494	$ 115,503,922

See notes to consolidated financial statements.

IDEA Public Schools, Inc.

Exhibit A-3 Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 31,947,626**	$ 18,581,010
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**17,349,500**	13,362,889
Extinguishment of debt	**7,043,148**	8,429,223
Unrealized gain on investments	**(56,554)**	-
Gain on disposal of assets	**(3,458)**	-
Changes in current assets and liabilities:		
Due from government agencies	**(11,972,433)**	(4,394,157)
Contributions receivable, net	**(1,770,110)**	-
Other receivables	**(3,490,891)**	(905,299)
Inventories	**(182,195)**	10,949
Prepaid expenses	**679,481**	(1,199,406)
Other current assets	**(1,385,336)**	(181,441)
Accounts payable	**4,775,354**	4,326,467
Accrued wages payable	**6,237,338**	4,536,979
Accrued payroll expenses	**269,977**	737,839
Accrued interest payable	**2,154,471**	1,179,345
Accrued expenses	**1,022,077**	(3,937,322)
Deferred revenues	**1,997,767**	785,451
Other liabilities	**2,650,978**	780,679
Net cash provided by operating activities	**57,266,740**	42,113,206
Cash flows from investing activities:		
Construction and purchase of property and equipment	**(170,522,013)**	(128,293,319)
Proceeds from disposal of property and equipment	**31,442**	-
Puchase of certificates of deposit	**(13,135,580)**	(4,000,000)
Proceeds from certificates of deposit	**4,000,000**	134,742
Purchase of investments	**(92,953,907)**	-
Proceeds from investments	**73,022,463**	-
Investment in notes receivable from graduates	**(154,324)**	(490,041)
Allowance for doubtful accounts	**154,324**	490,041
Net cash used in investing activities	**(199,557,595)**	(132,158,577)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	**207,266,027**	132,430,692
Principal payments on long-term debt	**(46,531,093)**	(31,540,260)
Payment to escrow for extinguishment of debt, net	**(3,898,634)**	(2,054,488)
Net cash provided by financing activities	**156,836,300**	98,835,944
Net increase in cash and cash equivalents	**14,545,445**	8,790,573
Cash and cash equivalents at beginning of year	**152,625,701**	143,835,128
Cash and cash equivalents at end of year	**$ 167,171,146**	$ 152,625,701

(Continued)

IDEA Public Schools, Inc.

Exhibit A-3 Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017

	2018	2017
Cash and cash equivalents	**$ 118,708,013**	$ 96,034,815
Cash and cash equivalents—restricted	**34,388,476**	29,114,610
Cash and cash equivalents—noncurrent—restricted	**14,074,657**	27,476,276
Total cash and cash equivalents	**$ 167,171,146**	$ 152,625,701
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 25,059,958**	$ 20,774,183
Accrued liabilities related to the purchase of property and equipment	**$ 1,914,049**	$ 1,005,000
Proceeds deposited into escrow for purposes of refunding bonds	**$ 46,829,111**	$ 44,043,157
Retirement of existing bonds from escrow	**$ (41,490,000)**	$ (36,670,000)

See notes to consolidated financial statements.

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Note 1. Organization and Significant Accounting Policies

Organization: IDEA Public Schools, Inc. (charter holder known as IDEA Academy, Inc.) is a nonprofit Texas corporation formed in June 2000. IDEA Public Schools, Inc. (the School) operates and does business as Individuals Dedicated to Excellence and Achievement (IDEA) Public Schools. The School is a state authorized, open enrollment charter school. The Contract for Charter granted by the State Board of Education of the state of Texas pursuant to Chapter 12 of the Texas Education Code is effective until July 2025. The School provides educational services to students in grades Pre-K through 12.

IDEA Public Schools, Inc. operated as a single charter school and conducted other noncharter activities for the fiscal years ended June 30, 2018 and 2017, with and through IPS Enterprises, LLC (IPS), which is a separate domestic single-member nonprofit limited liability company, wholly owned and governed by its sole member, IDEA Public Schools, and appointed managers for IPS. IPS is a disregarded entity for federal tax purposes. IPS is consolidated since IDEA has a direct controlling interest in IPS through ownership.

Recent accounting pronouncements: In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU No. 2016-18 will be effective for the School for its year ending June 30, 2020. ASU No. 2016-18 must be applied using a retroactive transition method with early adoption permitted. The School is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Project Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 will be effective for the School for its year ending June 30, 2020. ASU No. 2018-08 should be applied on a modified prospective basis. Retrospective application is permitted. The School is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The School has not yet selected a transition method and is currently evaluating the effects the standard will have on its consolidated financial statements.

Note 1. Organization and Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to: (a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; (b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; (c) provide enhanced disclosures in the notes to the financial statements; (d) report investment return net of external and direct internal investment expenses and (e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the School for the year ending December 31, 2018. Early application is permitted. Retrospective application is required for many provisions of this guidance. The School is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Basis of presentation: The consolidated financial statements include the accounts of the School and wholly-owned IPS. Intercompany transactions are eliminated in the consolidation process.

The consolidated financial statements of the School have been prepared in conformity with U.S. GAAP. The FASB is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

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

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

- Unrestricted—Unrestricted net assets 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 School or the passage of time. As of June 30, 2018 and 2017, temporarily restricted net assets represent the net assets of the food service fund, which must be used for future food service activities; state funds that may be used in the following fiscal year and any unspent state foundation, campus activity and other private foundation monies.

  - Permanently restricted—Permanently restricted net assets are those resources subject to donor-imposed restriction that will be maintained permanently by the School. The donors of these resources require that the principal be invested in perpetuity and permit the income earned, including unrealized appreciation, to be used, all or in part, for unrestricted or temporarily restricted purposes. As of June 30, 2018 and 2017, the School had no permanently restricted net assets.

Cash and cash equivalents: For financial statement purposes, the School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted cash: Restricted cash is limited as to use under the terms of the bond indenture. The current and long term portion of restricted cash represents amounts restricted for construction activity and debt service requirements for bonds.

Note 1. Organization and Significant Accounting Policies (Continued)

Due from government agencies: The School considers all government grants and contracts to be contributions. The School recognizes revenue from governmental grants and contracts in the period received and when the terms of the grant are met. Advances from government agencies are recorded as deferred revenues if the monies are conditioned on an action or future event. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant or contract.

Contributions receivable: Unconditional contributions are recognized as support and revenues when they are received or unconditionally pledged. The School reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activites and changes in net assets as net assets are released from restrictions. The School considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded in these consolidated financial statements. Contributions received over the course of several years are discounted to an estimated present value using the discount rates discussed in Note 6.

Other receivables: The School's other receivables primarily represents E-rate and other receivables. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The School considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded in these consolidated financial statements.

Investments: Investments are stated at fair value based upon quoted market prices, when available, or estimates of fair value in the statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value).

Notes receivable: Notes receivable represents loans from nonpublic fund sources to graduates of the School that are enrolled in college. The loans are interest free with principal due six months after graduation from college or immediately upon withdrawal from college. Outstanding notes receivable at June 30, 2018 and 2017, totaled $1,958,975 and $1,804,651, respectively. The School considers notes receivable to be fully uncollectible; accordingly, an allowance for doubtful accounts of $1,958,975 and $1,804,651 at June 30, 2018 and 2017, respectively, is recorded in these consolidated financial statements.

Revenue recognition: Capitation received, including base capitation, entitlements and special services, is recognized in the period services are provided. Revenues from the state of Texas are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met. If public and private grant terms are not met revenues are reimbursed to the funder. Conditional promises to give are contingent upon the School meeting certain criteria specified by the donors. Revenue from conditional promises to give are not recognized until the condition has been fulfilled. Advances received from donors are recorded as deferred revenues until the conditional has been fulfilled.

The School's policy is to report restricted support as temporarily restricted regardless of whether or not the restrictions are met within the same fiscal year.

Note 1. Organization and Significant Accounting Policies (Continued)

Depreciation and amortization: Property and equipment are stated at cost. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Depreciation and amortization are calculated on the straight-line method based on the following estimated useful lives of the respective assets:

Asset Classification	Estimated Useful Lives
Buildings and improvements	10-30 years
Leasehold improvements	5-15 years
Vehicles	5 years
Furniture and equipment	3-10 years

Capitalized interest: Interest expense during the construction period is capitalized as part of the cost of property and equipment. Capitalized interest for the year ended June 30, 2018 and 2017, totaled $3,818,449 and $3,220,196, respectively.

Impairment of long-lived assets: The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects and the effects of obsolescence, demand, competition and other economic factors. The School did not recognize an impairment loss during the years ended June 30, 2018 and 2017.

Functional allocation of expenses: The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated services and assets: Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

Federal income taxes: The School is a nonprofit organization and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The School files a Form 990 (Return of Organization Exempt from Income Tax) and, if applicable, unrelated business income (UBI) is reported on Form 990-T. Management has evaluated its material tax positions, which include such matters as the tax exempt status of the School and, if applicable, potential sources of UBI. As of June 30, 2018 and 2017, there were no uncertain tax benefits. No such provision has been made in the accompanying consolidated financial statements.

Note 1. Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity U.S. 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.

Advertising costs: The School expenses advertising costs when they are incurred. Advertising costs for the years ended June 30, 2018 and 2017, totaled $2,485,056 and $1,918,062, respectively.

Subsequent events: The School has evaluated subsequent events that occurred after June 30, 2018, through the date of this report on September 6, 2018. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the consolidated financial statements.

Note 2. Fair Value Measurements and Disclosures

The requirements of Fair Value Measurements and Disclosures of the *FASB Accounting Standards Codification* (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels.

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities, such as pricing models and discounted cash flow methodologies.

Level 3: Inputs are unobservable, are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of June 30, 2018, investments were classified by level within the valuation hierarchy as follows:

	Total	Level 1	Level 2	Level 3
Fixed income	$ 19,987,998	$ 19,987,998	$ -	$ -

As of June 30, 2017, the School had no investments measured at fair value.

Financial instruments: The fair value of the School's cash and cash equivalents, due from government agencies, payables, prepaid expenses and other receivables approximates the carrying amounts of such instruments due to their short-term maturity. The fair value of the debt approximates the carrying amount because the rate and terms currently available to the School approximate the rate and terms on the existing debt.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the years ended June 30, 2018 and 2017.

Note 3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of the following:

	June 30 2018	June 30 2017
Petty cash	$ 128	$ 216
Checking accounts	118,956,207	86,007,936
Savings accounts	433,605	-
Money market accounts	47,781,206	66,617,549
	$ 167,171,146	$ 152,625,701

Cash and cash equivalents were temporarily restricted as follows:

	June 30 2018	June 30 2017
Construction	$ 32,071,859	$ 27,044,071
Debt service requirements for bonds	16,391,274	29,546,815
	48,463,133	56,590,886
Less current cash and cash equivalents—restricted	34,388,476	29,114,610
Cash and cash equivalents—noncurrent—restricted	$ 14,074,657	$ 27,476,276

Investments consist of the following:

	Year Ended June 30, 2018	
	Balance	Unrealized Appreciation
Investments at fair value—fixed income	$ 19,987,998	$ 56,554
Investments at cost—certificates of deposit	13,135,580	-
Total investments	$ 33,123,578	$ 56,554

Investment income consists of the following:

	Year Ended June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Interest	$ -	$ 154,906	$ 154,906
Realized gains	-	253,151	253,151
Unrealized gains	-	56,554	56,554
	$ -	$ 464,611	$ 464,611

Note 3. Cash, Cash Equivalents, and Investments (Continued)

	Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Interest	$ -	$ 9,832	$ 9,832

Note 4. Concentration of Credit Risk

The School maintains cash deposits at Wells Fargo, Public Funds Administration, at June 30, 2018 and 2017, which are insured up to $500,000 and $250,000, respectively, by the Federal Deposit Insurance Corporation (FDIC). Investment securities held by Wells Fargo, that had a carrying value at June 30, 2018 and 2017, of $102,613,325 and $93,938,666, respectively, were pledged as collateral to secure public funds on deposit.

The School also maintained cash deposits at Regions Bank at June 30, 2018, which are insured up to $500,000 by the FDIC. Investment securities held by Regions Bank that had a carrying value at June 30, 2018, of $755,685 were pledged as collateral to secure public funds on deposit.

The School maintains proceeds received from the sale of bonds in fiduciary accounts at Regions Bank, Corporate Trust Services. The Office of the Comptroller of the Currency, Regulation 9, requires that banks collateralize uninvested cash in fiduciary accounts. At June 30, 2018 and 2017, assets held by Regions Bank were pledged as collateral as a whole for all Regions Bank fiduciary accounts to secure fiduciary funds held in trust.

The School has not experienced any losses on these accounts, and management believes it is not exposed to any significant credit risk on the excess amounts.

Note 5. Due From Government Agencies

Amounts due from government agencies consist of the following:

	June 30	
	2018	2017
Texas Department of Education, Texas Education Agency (TEA)	$ 48,566,394	$ 35,882,365
United States Department of Education passed through TEA	833,750	1,085,839
United States Department of Agriculture passed through TEA	58,003	413,107
Texas Medicaid and Healthcare Partnership	1,274,147	1,058,783
United States Department of Education	970,289	1,361,917
United States Food and Nutrition Service Agency	44,419	-
United States Environmental Protection Agency	27,442	-
	$ 51,774,444	$ 39,802,011

Note 6. Contributions Receivable

The School has unconditional promises to give from philanthropic organizations, net of unamortized discount as follows:

	June 30 2018	June 30 2017
Friends of Carver Foundation	$ 385,424	$ -
Lowe Foundation	58,671	-
Brackenridge Foundation	392,820	-
Morris Foundation	492,624	-
East Foundation	49,847	-
Joel & Stacy Hock Foundation	296,710	-
Red McCombs Foundation	99,770	-
	$ 1,775,866	$ -

The future payments under the unconditional promises to give from philanthropic organizations at June 30, 2018, are as follows:

Years ending June 30:	
2019	$ 702,000
2020	495,000
2021	415,000
2022	190,000
Thereafter	-
	1,802,000
Less unamortized discount	26,134
Net contributions receivable	$ 1,775,866

Contributions receivable are discounted at rates ranging from 0.47 percent to 2.65 percent at June 30, 2018.

Note 7. Property and Equipment

Property and equipment consist of the following:

	June 30, 2017	Additions	Deductions and Transfers	June 30, 2018
Land and improvements	$ 49,910,789	$ 23,700,097	$ -	$ 73,610,886
Buildings and improvements	343,196,032	684,913	127,168,220	471,049,165
Leasehold improvements	2,939,264	-	-	2,939,264
Vehicles	10,676,710	1,179,081	(38,936)	11,816,855
Furniture and equipment	11,515,619	1,365,558	3,155,808	16,036,985
Construction in progress	125,884,278	145,508,847	(130,324,028)	141,069,097
	544,122,692	172,438,496	(38,936)	716,522,252
Less accumulated depreciation and amortization	62,928,072	20,932,513	(8,516)	83,852,069
	$ 481,194,620	$ 151,505,983	$ (30,420)	$ 632,670,183

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, totaled $20,932,513 and $16,787,014, respectively.

Capitalized property and equipment acquired with public funds received by the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the schedule of capital assets for the individual charter school.

Note 8. Bonds Payable

Bonds payable consist of the following:

	June 30, 2017	Retirements	Additions	June 30, 2018
Series 2007 A	$ 1,810,000	$ (1,810,000)	$ -	$ -
Series 2009 A and B	13,575,000	(13,575,000)	-	-
Series 2010 A and B	7,665,000	(4,795,000)	-	2,870,000
Series 2010 Q	7,555,000	-	-	7,555,000
Series 2011	25,070,000	(25,070,000)	-	-
Series 2012	56,355,000	(1,180,000)	-	55,175,000
Series 2013	61,185,000	(990,000)	-	60,195,000
Series 2014	89,550,000	(1,075,000)	-	88,475,000
Series 2015	70,885,000	(1,160,000)	-	69,725,000
Series 2016 A	99,025,000	(75,000)	-	98,950,000
Series 2016 B	18,190,000	-	-	18,190,000
Series 2017	-	-	176,585,000	176,585,000
	450,865,000	$ (49,730,000)	$ 176,585,000	577,720,000
Less current portion	7,315,000			7,610,000
Net long-term bonds payable	$ 443,550,000			$ 570,110,000

Interest expense for the years ended June 30, 2018 and 2017, totaled $26,119,215 and $21,645,040, respectively. Capitalized interest for the years ended June 30, 2018 and 2017, totaled $3,818,449 and $3,220,196, respectively.

Note 8. Bonds Payable (Continued)

The Series 2010 Q bonds tax credit interest subsidy for the years ended June 30, 2018 and 2017, totaled $388,773 and $386,358, respectively, and is reflected in local support, other revenues in the consolidated statements of activities.

Series 2007 A bonds: On June 6, 2007, the School issued $36,930,000 of Education Revenue Bonds, Series 2007 A, and $165,000 of Taxable Education Revenue Bonds, Series 2007 B. Proceeds of the bonds were for construction and future debt service. The School paid an insurance premium of $722,942 to ACA Financial Guaranty Corporation to issue a bond insurance policy related to the bonds.

As part of the Series 2014 bonds issuance, the School called and defeased $29,340,000 of Series 2007 A, Education Revenue Bonds. The Series 2007 A bonds mature serially each August 15, starting 2015 through 2018, with a stated interest rate ranging from 4.125 percent to 4.250 percent. As a result of the defeasance, the School is no longer required to maintain a bond insurance policy related to the Series 2007 A bonds.

The Series 2007 A bonds were redeemed in whole on August 15, 2017.

Series 2009 A and B bonds: On December 10, 2009, the School issued $29,105,000 of Education Revenue Bonds, Series 2009 A, and $520,000 of Taxable Education Revenue Bonds, Series 2009 B. Proceeds of the bonds were for construction and future debt service.

The Series 2009 A bonds mature serially each August 15, starting 2014 through 2032, with a stated interest rate ranging from 4.76 percent to 6.50 percent. The Series 2009 B bonds mature serially each August 15, starting 2012 through 2014, with a stated interest rate ranging from 5.75 percent to 6.05 percent.

As part of the Series 2016 bonds issuance, the School called and defeased $13,495,000 of Series 2009 A, Education Revenue Bonds.

As part of the Series 2017 bonds issuance, the School called and defeased the outstanding Series 2009 A, Education Revenue Bonds in the amount of $12,995,000.

Series 2010 A, B and Q bonds: On December 7, 2010, the School issued $33,780,000 of Education Revenue Bonds, Series 2010 A; $120,000 of Taxable Education Revenue Bonds, Series 2010 B; and $7,555,000 of Qualified School Construction Bonds—Direct Pay, Series Q. Proceeds of the bonds were for construction and future debt service.

The Series 2010 A bonds mature serially each August 15, starting 2020 through 2024, with a stated interest rate ranging from 5.125 percent to 5.750 percent. The Series 2010 B bonds matured August 15, 2014, with a stated interest rate of 7.500 percent.

As part of the Series 2016 bonds issuance, the School called and defeased $23,175,000 of Series 2010 A, Education Revenue Bonds.

As part of the Series 2017 bonds issuance, the School called and defeased $3,930,000 of Series 2010 A, Education Revenue Bonds.

The Series Q bonds mature August 15, 2029, with a stated interest rate of 8.25 percent. Interest on the Series A, B and Q bonds is due semiannually on February 15 and August 15.

Note 8. Bonds Payable (Continued)

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2010 bonds. The Series 2010 A bonds are subject to optional redemption in whole or in part on August 15, 2020.

The Series 2010 Q bonds have been designated as "qualified schools construction bonds" pursuant to section 54F of the Internal Revenue Code of 1986, as amended (the Code) and are subject to an irrevocable election to treat such bonds as "specified tax credit bonds" pursuant to section 6431(f) of the Code.

Series 2011 bonds: On December 8, 2011, the School issued $26,480,000 of Education Revenue Bonds, Series 2011. Proceeds of the bonds were for construction and future debt service. The Series 2011 bonds mature serially each August 15, starting 2015 through 2041, with a stated interest rate ranging from 3.20 percent to 5.75 percent.

As part of the Series 2017 bonds issuance, the School called and defeased the outstanding Series 2011 Education Revenue Bonds in the amount of $24,565,000.

Series 2012 bonds: On August 17, 2012, the School issued $59,730,000 of Education Revenue Bonds, Series 2012. Proceeds of the bonds were for construction and future debt service. The Series 2012 bonds mature serially each August 15, starting 2015 through 2042, with a stated interest rate ranging from 2.15 percent to 5.00 percent.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2012 bonds. The Series 2012 bonds are subject to optional redemption in whole or in part on August 15, 2022.

Series 2013 bonds: On October 16, 2013, the School issued $63,025,000 of Education Revenue Bonds, Series 2013. Proceeds of the bonds were for construction, future debt service and repayment of the multiple draw term notes payable to Regions Bank. The Series 2013 bonds mature serially each August 15, starting 2015 through 2043, with a stated interest rate ranging from 5 percent to 6 percent.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2013 bonds. The Series 2013 bonds are subject to optional redemption in whole or in part on August 15, 2023.

Series 2014 bonds: On October 1, 2014, the School issued $90,600,000 of Education Revenue and Refunding Bonds, Series 2014. Proceeds of the bonds were for construction, future debt service and repayment of the multiple draw term notes payable to Regions Bank. The Series 2014 bonds mature serially each August 15, starting 2016 through 2044, with a stated interest rate ranging from 2 percent to 5 percent.

As part of this issuance, the School called and defeased $29,340,000 of Series 2007 A, Education Revenue Bonds, which resulted in a noncash loss of extinguishment of debt of $4,293,652. As a result of this defeasance, the School will realize a total decrease in debt service payments of $3,155,343, net of refunding expenses, which resulted in an economic gain of $2,147,481.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2014 bonds. The Series 2014 bonds are subject to optional redemption in whole or in part on August 15, 2024.

Note 8. Bonds Payable (Continued)

Series 2015 bonds: On October 1, 2015, the School issued $70,885,000 of Education Revenue Bonds, Series 2015. Proceeds of the bonds were for construction, future debt service and repayment of the multiple draw term notes payable to Regions Bank. The Series 2015 bonds mature serially each August 15, starting 2017 through 2045, with a stated interest rate ranging from 3 percent to 5 percent.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2015 bonds. The Series 2015 bonds are subject to optional redemption in whole or in part on August 15, 2025.

Series 2016 A bonds: On September 1, 2016, the School issued $99,025,000 of Education Revenue and Refunding Bonds, Series 2016 A. Proceeds of the bonds were for construction, future debt service and repayment of the multiple draw term notes payable to Regions Bank. The Series 2016 A bonds mature serially each August 15, starting 2017 through 2046, with a stated interest rate ranging from 2 percent to 5 percent.

As part of this issuance, the School called and defeased $13,495,000 of Series 2009 A, Education Revenue Bonds and $23,175,000 of Series 2010 A, Education Revenue Bonds which resulted in a noncash loss of extinguishment of debt of $8,429,223. As a result of this defeasance, the School will realize a total decrease in debt service payments of $16,209,572, net of refunding expenses, which resulted in an economic gain of $8,789,599.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2016 A bonds. The Series 2016 A bonds are subject to optional redemption in whole or in part on August 15, 2026.

Series 2016 B bonds: On October 1, 2016, the School issued $18,190,000 of Education Revenue Bonds, Series 2016 B. Proceeds of the bonds were for construction, future debt service. The Series 2016 B bonds mature serially each August 15, starting 2018 through 2028, with a stated interest rate ranging from 2 percent to 5 percent.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2016 B bonds. The Series 2016 B bonds are subject to optional redemption in whole or in part on August 15, 2026.

Series 2017 bonds: On August 1, 2017, the School issued $176,585,000 of Education Revenue and Refunding Bonds. Proceeds of the bonds were for construction, future debt service and repayment of the multiple draw term notes payable to Regions Bank. The Series 2017 bonds mature serially each August 15, starting 2018 through 2047, with a stated interest rate ranging from 1.5 percent to 4.0 percent.

As part of this issuance, the School called and defeased $12,995,000 of Series 2009 A, Education Revenue Bonds, $3,930,000 of Series 2010 A Education Revenue Bonds and $24,565,000 of Series 2011 Education Revenue Bonds, which resulted in a noncash loss of extinguishment of debt of $7,043,148. As a result of this defeasance, the School will realize a total decrease in debt service payments of $13,177,252, net of refunding expenses, which resulted in an economic gain of $5,266,407.

The School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2017 bonds. The Series 2017 bonds are subject to optional redemption in whole or in part on August 15, 2027.

Note 8. Bonds Payable (Continued)

Covenants: All bond loan agreements establish a debt service coverage ratio, which stipulates that available revenues for each fiscal year (without excluding any discretionary expense actually incurred in such fiscal year) must be equal to at least 1.10 times the annual debt service requirements of the School as of the end of the first fiscal year after the date of issuance of the bonds and thereafter until the bonds have been paid in full. Management believes the School was in compliance with this covenant and all other applicable covenants contained in the loan agreements during the years ended June 30, 2018 and 2017.

Debt service requirements for bonds payable for the year ended June 30, 2018, are as follows:

	Principal	Interest	Tax Credit Subsidy	Totals
Years ending June 30:				
2019	$ 7,610,000	$ 26,664,319	$ (414,769)	$ 33,859,550
2020	11,990,000	26,304,916	(414,769)	37,880,147
2021	12,475,000	25,819,997	(414,769)	37,880,228
2022	13,015,000	25,287,569	(414,769)	37,887,800
2023	13,580,000	24,723,069	(414,769)	37,888,300
Thereafter	519,050,000	305,446,094	(1,775,878)	822,720,216
	$ 577,720,000	$ 434,245,964	$ (3,849,723)	$ 1,008,116,241

Note 9. Notes Payable

Notes payable consist of the following:

	June 30 2018	June 30 2017
A multiple draw term note payable to Regions Commercial Equipment Finance, LLC, in the original amount equal to, or less than, $65,000,000 during the draw period; requiring semiannual payments of interest on the 15th day of February and August of each calendar year; beginning August 15, 2017, and continuing regularly and semiannually thereafter at monthly LIBOR plus 2.20% until August 15, 2020. The note is secured by a first and prior lien and security interest on any real property securing the Master Indenture and any other security pledged.	$ 26,188,464	$ -
A multiple draw term note payable to Regions Capital Advantage, in the original amount equal to, or less than, $6,000,000 during the draw period; requiring quarterly payments of interest on the 1st day of January, April, July and October of each calendar year; beginning October 1, 2017, and continuing regularly and quarterly thereafter at monthly 3.48%; maturing July 1, 2029. The note is secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned.	1,861,739	-

Note 9. Notes Payable (Continued)

	June 30 2018	June 30 2017
A multiple draw term note payable to Mutual of Omaha Bank Equipment Finance, LLC, in the original amount equal to, or less than, $11,360,000 during the draw period; requiring monthly payments of interest only at 4.00% plus the 5-year treasury rate through August 18, 2019 and thereafter requiring monthly payments of principal and interest through August 18, 2022. The initial 4.00% interest rate may vary during the loan term based on the average collected balance on deposit in the compensating balances account maintained by IPS and the School. This note is secured by the corresponding land and School facility.	$ 6,351,500	$ -
A term note payable to CSGF Facility Fund III in the original amount of $1,800,000; maturing February 28, 2023; with a $900,000 balloon payment on February 28, 2021 and $900,000 at the end of the term, including interest at 3.00% through February 28, 2023. This note is unsecured and subordinate to all other debt obligations of IPS.	1,800,000	-
A term note payable to IPSBN, LLC, in the original amount of $2,700,000; maturing February 28, 2023; requiring monthly payments of interest only at 11.75% through August 31, 2020 and thereafter requiring monthly payments of $27,940 principal and interest through February 28, 2023. This note is secured by a subordinate interest in the corresponding land and School facility.	2,700,000	-
A term note payable to Charter Fund, Inc. in the original amount of $2,200,000; maturing June 30, 2020; with a $2,200,000 balloon payment at the end of the term, including interest at 1.00% through June 30, 2020. This note is unsecured and subordinate to all other debt obligations of the School.	2,200,000	-
A term note payable to Frost Bank in the original amount of $2,500,000; maturing February 1, 2027; requiring monthly payments of principal and interest, including interest at 4.83% through February 1, 2027. This note is unsecured and subordinate to all other debt obligations of the School.	994,920	2,443,572
A term note payable to Wells Fargo Equipment Finance, Inc. in the original amount of $337,600; maturing July 26, 2018; requiring monthly payments of principal and interest, including interest at 3.15% through July 26, 2018. This note is secured by the corresponding buses acquired.	19,603	135,087
A term note payable to Wells Fargo Equipment Finance, Inc. in the original amount of $1,372,600; maturing July 10, 2018; requiring monthly payments of principal and interest, including interest at 3.15% through July 10, 2018. This note is secured by the corresponding buses acquired.	39,903	510,667
A term note payable to Charter Fund, Inc. in the original amount of $500,000; maturing June 30, 2019; with a $500,000 balloon payment at the end of the term, including interest at 1.00% through June 30, 2019. This note is unsecured and subordinate to all other debt obligations of the School.	500,000	500,000

Note 9. Notes Payable (Continued)

	June 30	
	2018	2017
A term note payable to Charter Fund, Inc. in the original amount of $100,000; maturing June 30, 2019; with a $100,000 balloon payment at the end of the term, including interest at 1.00% through June 30, 2019. This note is unsecured and subordinate to all other debt obligations of the School.	$ 100,000	$ 100,000
A term note payable to Charter Fund, Inc. in the original amount of $400,000; maturing June 30, 2018; with a $400,000 balloon payment at the end of the term, including interest at 1.00% through June 30, 2018. This note is unsecured and subordinate to all other debt. This note plus interest was repaid on July 2, 2018.	400,000	400,000
A multiple draw term note payable to Regions Commercial Equipment Finance, LLC, in the original amount equal to, or less than, $30,000,000 during the draw period; requiring semiannual payments of interest on the 15th day of February and August of each calendar year; beginning August 15, 2017, and continuing regularly and semiannually thereafter at monthly LIBOR plus 2.40%. The note is secured by a first and prior lien and security interest on any real property securing the Master Indenture and any other security pledged. The note is subject to various restrictive covenants, with which management believes the School was in compliance as of June 30, 2017. On July 26, 2017, the note was paid in full through refinancing.	-	14,951,921
	43,156,129	19,041,247
Less current portion	26,696,949	15,160,929
	$ 16,459,180	$ 3,880,318

The future minimum payments for notes payable as of June 30, 2018, are as follows:

Years ending June 30:	
2019	$ 26,696,949
2020	5,554,033
2021	3,897,911
2022	3,061,596
2023	3,945,640
Thereafter	-
	$ 43,156,129

Interest expense for the years ended June 30, 2018 and 2017, totaled $945,328 and $175,927, respectively. Capitalized interest for the years ended June 30, 2018 and 2017, totaled $41,821 and $-0-, respectively.

Note 10. Capital Leases Payable

Capital leases payable consist of the following:

	June 30 2018	June 30 2017
Buildings:		
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $2,952,500, requiring monthly payments in the amount of $29,809, including interest at 3.94% through September 2026; secured by the corresponding portable buildings acquired.	$ 2,515,934	$ 2,769,074
Vehicles:		
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $1,490,700, requiring monthly payments in the amount of $16,112, including interest at 5.41% through June 2028; secured by the corresponding truck and golf carts acquired.	1,490,700	-
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $382,500, requiring semiannual payments of principal and interest on the 15th day of February and August of each calendar year; beginning August 15, 2018, and continuing regularly and semiannually thereafter at monthly 3.85% through August 2024; secured by the corresponding buses acquired.	382,500	-
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $40,089, requiring monthly payments in the amount of $745, including interest at 3.62% through September 2022; secured by the corresponding truck and golf carts acquired.	35,820	-
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $1,105,000, requiring monthly payments in the amount of $14,636, including interest at 3.07% through July 2023; secured by the corresponding buses acquired.	798,348	973,431
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $270,000, requiring monthly payments in the amount of $7,742, including interest at 2.07% through July 2017; secured by the corresponding buses acquired.	-	7,728
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $286,000, requiring monthly payments in the amount of $8,200, including interest at 2.07% through July 2017; secured by the corresponding buses acquired.	-	8,186
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $192,000, requiring monthly payments in the amount of $5,505, including interest at 2.07% through August 2017; secured by the corresponding buses acquired.	-	10,982

Note 10. Capital Leases Payable (Continued)

	June 30	
	2018	2017
Vehicles: (continued)		
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $112,000, requiring monthly payments in the amount of $3,211, including interest at 2.07% through August 2017; secured by the corresponding buses acquired.	$ -	$ 6,406
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $484,000, requiring monthly payments in the amount of $13,878, including interest at 2.07% through August 2017; secured by the corresponding buses acquired.	-	27,684
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of $138,000, requiring monthly payments in the amount of $3,957, including interest at 2.07% through August 2017; secured by the corresponding buses acquired.	-	7,893
	$ 5,223,302	$ 3,811,384

The future minimum lease payments under the capital leases and the net present value of future minimum lease payments as of June 30, 2018, are as follows:

Years ending June 30:	
2019	$ 790,008
2020	796,512
2021	795,480
2022	794,427
2023	787,392
Thereafter	2,267,166
Total future minimum lease payments	6,230,985
Less amount representing interest	1,007,683
Present value of future minimum lease payments	5,223,302
Less current portion	578,401
Net long-term capital leases payable	$ 4,644,901

Interest expense for the years ended June 30, 2018 and 2017, totaled $149,888 and $132,556, respectively.

Note 11. Long-Term Debt

Combined maturities for all long-term debt principal at June 30, 2018, are as follows:

	Bonds Payable	Notes Payable	Capital Leases Payable	Total Maturities
Years ending June 30:				
2019	$ 7,610,000	$ 26,696,949	$ 578,401	$ 34,885,350
2020	11,990,000	5,554,033	609,521	18,153,554
2021	12,475,000	3,897,911	633,332	17,006,243
2022	13,015,000	3,061,596	658,137	16,734,733
2023	13,580,000	3,945,640	677,954	18,203,594
Thereafter	519,050,000	-	2,065,957	521,115,957
	$ 577,720,000	$ 43,156,129	$ 5,223,302	$ 626,099,431

Note 12. Deferred Revenues

Deferred revenues consist of the following:

	June 30 2018	June 30 2017
Arnold Foundation	$ 500,000	$ -
Kleinheinz Family Foundation	926,000	-
Sid W. Richardson Foundation	926,000	-
Michael & Susan Dell Foundation	1,000,000	625,000
CREED Foundation	410,753	573,515
Walton Foundation	1,621,048	98,200
KLE Foundation	2,175,741	601,166
Charter School Growth Fund	1,828,261	653,636
George W. Brakenridge Foundation	100,000	137,070
Brown Foundation	-	616,827
Rainwater Foundation	-	350,000
Miles Foundation	-	50,000
City Education Partners	-	3,115,540
Choose to Succeed	-	669,082
	$ 9,487,803	$ 7,490,036

Note 13. Conditional Contributions

The School has conditional promises to give from philanthropic organizations as follows:

	June 30	
	2018	2017
George W. Brakenridge Foundation	$ 1,740,000	$ -
Sid W. Richardson Foundation	5,774,000	-
Kleinheinz Family Foundation	5,774,000	-
Arnold Foundation	9,500,000	-
Charter School Growth Fund	9,800,000	14,000,000
Walton Foundation	2,776,000	2,641,800
CREED Foundation	8,000,000	9,000,000
KLE Foundation	8,657,400	14,901,400
Ewing Halsell Foundation	4,500,000	1,000,000
City Education Partners	-	506,665
Louis Calder Foundation	-	100,000
Anonymous grant	-	100,000
Karen and Tom Hixon Foundation	-	100,000
Michael & Susan Dell Foundation	-	375,000
	$ 56,521,400	$ 42,724,865

The future payments under the conditional promises to give from philanthropic organizations at June 30, 2018, are as follows:

Years ending June 30:	
2019	$ 18,441,400
2020	16,859,000
2021	10,725,000
2022	7,076,000
2023	2,975,000
Thereafter	445,000
	$ 56,521,400

Payment is contingent upon the School meeting certain criteria specified by the donors. As the condition for payment from the donors has not been met as of June 30, 2018, the amount has not been included in these consolidated financial statements.

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	June 30	
	2018	2017
Child Nutrition Program	$ 13,636,440	$ 9,894,029
Advanced Placement Incentives	41,135	1,021
Foundation School Program—charter school activities	126,923,613	102,413,073
Charter school development, construction and operations	2,914,117	785,411
Campus Activity Funds	953,228	1,049,960
IDEA U	215,770	-
Road to College Program	9,533	-
	$ 144,693,836	$ 114,143,494

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors are as follows:

	Years Ended June 30	
	2018	2017
Campus Activity Funds	$ 3,717,961	$ 3,397,078
Instructional materials allotment	3,019,327	2,907,045
Road to College Program	90,465	50,000
IDEA U	401,057	33,123
Charter school development, expansion and operations	15,729,606	11,002,408
Foundation School Program:		
Charter school activities	266,002,412	217,158,114
Career and technology	706,248	274,979
Special education	6,312,607	4,707,167
Compensatory education	19,473,546	15,381,538
Bilingual education	3,504,920	2,991,099
Educator Excellence Innovation Program	999,139	1,005,033
Federal programs	40,559,574	33,425,017
Child Nutrition Program	26,188,460	20,752,131
Other programs	28,761	20,648
	$ 386,734,083	$ 313,105,380

Note 15. Pension Plan Obligations

Plan description: The School participates in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost sharing, multiple-employer defined benefit 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 and disability retirement benefits and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teachers Retirement System of Texas, which is subject to amendment by the Texas state legislature.

Note 15. Pension Plan Obligations (Continued)

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. The report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-877-0123, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under TRS Publications.

Charter schools are entities legally separate from the state and each other. Assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

Funding policy: Contribution requirements are not actuarially determined, but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0 percent of the member's annual compensation and a state contribution rate of not less than 6.0 percent and not more than 10.0 percent of the aggregate annual compensation of all members of the system and (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. Under provisions in Texas state law, plan members are required to contribute 7.7 percent of their annual covered salary for each of the years ended June 30, 2018 and 2017, respectively. The state's contribution rate as a nonemployer contributing entity was 6.8 percent for the years ended June 30, 2018 and 2017, respectively. The School's employees' contributions to TRS for the years ended June 30, 2018 and 2017, totaled $15,667,066 and $12,334,103, respectively, equal to the required contributions for each year. There have been no changes that would affect the comparison from year to year.

The School's contribution rate was 6.8 percent for the years ended June 30, 2018 and 2017. Other contributions made from federal and private grants and from the School totaled $4,596,935 and $4,038,482 for the years ended June 30, 2018 and 2017, respectively. The School's contributions into the plan do not represent more than 5.0 percent of the total contributions to the plan. The TRS plan information for the year ended June 30, 2018, is outlined in the table below:

Pension Fund	Total Plan Assets 2017	Accumulation Benefit Obligation 2017	Percent Funded	Surcharge Imposed
TRS	$ 165,379,341,964	$ 179,336,534,819	82.17%	No

Supplemental retirement plans: The School offers a voluntary 403(b) plan for all employees to make elective contributions to the plan. The School is not required to match any employee contributions and made no matching contributions for the years ended June 30, 2018 and 2017.

The School has adopted an employer-paid 403(b) plan for eligible employees in top management positions to make elective contributions to this plan. The School provides a 1-to-1 match on employee contributions up to 10 percent of the employee's annual salary. Employer contributions to the plan totaled $292,106 and $259,470 for the years ended June 30, 2018 and 2017, respectively.

Note 16. Operating Leases

For the year ended June 30, 2018, future minimum payments on long-term noncancelable operating leases, which are primarily for equipment, are as follows:

Years ending June 30:	
2019	$ 3,807,239
2020	3,340,082
2021	2,598,416
2022	2,357,100
2023	2,311,960
Thereafter	3,225,121
	$ 17,639,918

Rent expense for the years ended June 30, 2018 and 2017, totaled $3,765,968 and $2,818,186, respectively.

For the year ended June 30, 2018, future minimum receivables on long-term noncancelable operating leases, which are primarily for buildings, are as follows:

Years ending June 30:	
2019	$ 1,480,991
2020	2,566,698
2021	3,041,200
2022	4,328,225
2023	3,372,435
Thereafter	17,282,142
	$ 32,071,691

Rent revenue for each of the the years ended June 30, 2018 and 2017, totaled $-0-, as the rent payments commence subsequent to June 30, 2018.

Note 17. Commitments and Contingencies

The School 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 Texas Education Association (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 School have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or other grantor agency.

On June 15, 2018, the Board of Directors authorized the issuance of approximately $200,000,000 in additional bonds for the purpose of capital improvements. Management anticipates the note payable to Regions Bank will be repaid with the proceeds from the bond issuance.

Note 17. Commitments and Contingencies (Continued)

At June 30, 2018, the School had the following construction commitments:

	Contract Amount	Amount Expended	Remaining Commitment
Pflugerville Campus (Phase I)	$ 14,059,741	$ 11,886,691	$ 2,173,050
Cortana Mall Campus (Phase I)	10,930,763	8,788,523	2,142,240
Robindale Campus (Phase I)	12,025,850	167,413	11,858,437
Elsa Campus (Phase I)	10,780,700	10,152,632	628,068
Owassa Campus (Phase I)	10,976,568	9,909,190	1,067,378
Ingram Hills Campus (Phase I)	13,740,000	11,540,525	2,199,475
Rio Vista Campus (Phase I)	11,998,835	10,168,723	1,830,112
Edgemere Campus (Phase I)	12,237,679	10,791,710	1,445,969
Kyle Campus (Phase I)	14,155,000	11,923,134	2,231,866
Rundberg Campus (Phase I)	9,032,589	8,957,589	75,000
Eastside Campus (Phase II)	4,471,000	93,035	4,377,965
Judson Campus (Phase II)	6,126,000	5,087,450	1,038,550
Rio Grande City Campus (Phase II)	12,428,973	11,130,640	1,298,333
Tres Lagos Campus (Phase II)	4,300,000	147,028	4,152,972
South Flores Campus (Phase III)	2,250,000	1,584,600	665,400
Quest Campus (Phase IV)	1,695,000	1,260,637	434,363
Camp Rio (Renovations)	5,354,272	1,159,235	4,195,037
Camp Rio (Roof)	49,888	17,960	31,928
Carver Campus (Classroom Addition)	1,569,000	722,305	846,695
Carver Campus (Kitchen)	758,000	233,840	524,160
Carver Campus (Floor)	295,000	170,559	124,441
Rio Grande Valley Portables	530,531	504,005	26,526
Brownsville Campus (Portables)	197,500	125,107	72,393
Brackenridge Campus (Phase II)	4,698,000	-	4,698,000
Najim Campus (Phase II)	4,735,000	-	4,735,000
Ewing Halsell Campus (Phase II)	4,982,000	-	4,982,000
	$ 174,377,889	$ 116,522,531	$ 57,855,358

Note 18. Health Insurance

Employees of the School were covered by a health insurance plan during the years ended June 30, 2018 and 2017. The School contributed a monthly portion depending on the employees' health insurance plan rate. The School contributed $351-$1,028 and $341-$674 for the years ended June 30, 2018 and 2017, respectively. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 19. Related Parties

In the ordinary course of business, the School has entered into contracted service transactions with vendors affiliated with School employees. Related-party transactions consist of the following:

	June 30	
	2018	2017
Payments	$ 348,759	$ 389,006
Accounts payable	71,167	101,742
	$ 419,926	$ 490,748

Other Supplemental Information

IDEA Public Schools, Inc.

Exhibit B-1 Schedules of Activities for Individual Charter School
Years Ended June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Revenues and other support:				
Local support:				
5740 Other revenues from local sources	$ 1,805,933	$ 25,006,609	**$ 26,812,542**	$ 22,636,401
5750 Other revenues from other activities	99,314	223,413	**322,727**	1,209,278
Total local support	1,905,247	25,230,022	**27,135,269**	23,845,679
State program revenues:				
5810 Foundation School Program Act revenues	-	314,853,891	**314,853,891**	248,565,042
5820 State program revenues distributed by the Texas Education Agency	-	4,207,988	**4,207,988**	4,034,330
5830 State revenues—other agencies	-	-	**-**	20,649
Total state program revenues	-	319,061,879	**319,061,879**	252,620,021
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	53,147,532	**53,147,532**	39,762,085
5930 Federal revenues distributed by other state of Texas government agencies	-	1,763,508	**1,763,508**	1,162,197
5940 Federal revenues distributed directly from the federal government	-	16,629,231	**16,629,231**	15,150,979
Total federal program revenues	-	71,540,271	**71,540,271**	56,075,261
Net assets released from restrictions:				
Restrictions satisfied by payments	385,507,130	(385,507,130)	**-**	-
Total revenues	387,412,377	30,325,042	**417,737,419**	332,540,961
Expenses:				
11 Instruction	161,694,137	-	**161,694,137**	133,638,945
12 Instructional resources and media services	2,143,415	-	**2,143,415**	2,027,389
13 Curriculum and instructional staff development	3,808,148	-	**3,808,148**	3,674,622
21 Instructional leadership	18,136,469	-	**18,136,469**	11,532,226
23 School leadership	38,899,565	-	**38,899,565**	29,673,297
31 Guidance, counseling and evaluation services	14,119,907	-	**14,119,907**	12,671,010
32 Social work services	174,873	-	**174,873**	5,306
33 Health services	1,704,011	-	**1,704,011**	1,105,366
34 Student (pupil) transportation	13,443,677	-	**13,443,677**	11,571,839
35 Food services	26,301,732	-	**26,301,732**	20,786,893
36 Cocurricular/extracurricular activities	3,678,504	-	**3,678,504**	2,912,341
41 General administration	23,219,872	-	**23,219,872**	18,061,339
51 Plant maintenance and operations	39,385,704	-	**39,385,704**	33,212,732
52 Security and monitoring services	2,265,586	-	**2,265,586**	1,645,690
53 Data processing services	7,734,308	-	**7,734,308**	5,115,085
61 Community services	317,510	-	**317,510**	298,373
71 Debt service	19,916,584	-	**19,916,584**	15,623,286
81 Fundraising	2,403,413	-	**2,403,413**	1,974,989
Total expenses	379,347,415	-	**379,347,415**	305,530,728
Loss on extinguishment of debt	(7,043,148)	-	**(7,043,148)**	(8,429,223)
Change in net assets	1,021,814	30,325,042	**31,346,856**	18,581,010
Net assets at beginning of year	1,360,428	114,143,494	**115,503,922**	96,922,912
Net assets at end of year	$ 2,382,242	$ 144,468,536	**$ 146,850,778**	$ 115,503,922

IDEA Public Schools, Inc.

Exhibit C-1 Schedules of Expenses for Individual Charter School
Years Ended June 30, 2018 and 2017

		2018	2017
Expenses:			
6100	Payroll costs	**$ 234,105,101**	$ 185,599,606
6200	Professional and contracted services	**42,340,627**	34,551,956
6300	Supplies and materials	**40,214,578**	35,858,057
6400	Other operating costs	**21,869,914**	33,897,823
6500	Debt	**40,817,195**	15,623,286
	Total expenses	**$ 379,347,415**	$ 305,530,728

IDEA Public Schools, Inc.

Exhibit D-1 Schedule of Capital Assets for Individual Charter School
June 30, 2018

	Asset Classification	Ownership Interest Local	Ownership Interest State	Ownership Interest Federal
Property and equipment:				
1510	Land and improvements	$ -	$ 72,144,978	$ 18,900
1520	Building and improvements	-	470,984,965	14,500
1531	Vehicles	-	8,974,059	123,342
1539	Furniture and equipment	6,704	7,115,901	8,847,350
	Capital leases:			
1542	Building improvements	-	2,939,264	-
1558	Vehicles	-	2,550,500	-
1559	Equipment	-	36,239	-
1580	Construction in progress	18,463	127,486,175	2,762,232
		$ 25,167	$ 692,232,081	$ 11,766,324

IDEA Public Schools, Inc.

Exhibit E-1 Budgetary Comparison Schedule for Individual Charter School
Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Local support:				
5740 Other revenues from local sources	$ 30,304,304	$ 29,167,723	$ 26,812,542	$ (2,355,181)
5750 Other revenues from other activities	716,691	353,138	322,727	(30,411)
Total local support	31,020,995	29,520,861	27,135,269	(2,385,592)
State program revenues:				
5810 Foundation School Program Act revenues	292,781,025	301,903,656	314,853,891	12,950,235
5820 State program revenues distributed by the Texas Education Agency	4,484,518	4,484,518	4,207,988	(276,530)
5830 State revenues—other agencies	-	-	-	-
Total state program revenues	297,265,543	306,388,174	319,061,879	12,673,705
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	48,630,365	48,978,048	53,147,532	4,169,484
5930 Federal revenues distributed by other state of Texas government agencies	900,000	1,680,000	1,763,508	83,508
5940 Federal revenues distributed directly from the federal government	9,687,088	18,368,820	16,629,231	(1,739,589)
Total federal program revenues	59,217,453	69,026,868	71,540,271	2,513,403
Total revenues	387,503,991	404,935,903	417,737,419	12,801,516
Expenses:				
11 Instruction	147,146,401	149,589,763	161,694,137	(12,104,374)
12 Instructional resources and media services	2,755,618	2,294,440	2,143,415	151,025
13 Curriculum and instructional staff development	3,196,418	3,621,343	3,808,148	(186,805)
21 Instructional leadership	16,644,118	18,522,501	18,136,469	386,032
23 School leadership	38,075,678	41,620,238	38,899,565	2,720,673
31 Guidance, counseling and evaluation services	18,034,984	15,397,931	14,119,907	1,278,024
32 Social work services	-	185,615	174,873	10,742
33 Health services	1,324,706	1,563,771	1,704,011	(140,240)
34 Student (pupil) transportation	12,895,130	12,923,054	13,443,677	(520,623)
35 Food services	26,779,343	26,890,646	26,301,732	588,914
36 Cocurricular/extracurricular activities	3,010,878	3,419,466	3,678,504	(259,038)
41 General administration	17,649,674	24,928,639	23,219,872	1,708,767
51 Plant maintenance and operations	36,257,276	36,533,017	39,385,704	(2,852,687)
52 Security and monitoring services	425,358	2,117,640	2,265,586	(147,946)
53 Data processing services	8,929,301	8,351,668	7,734,308	617,360
61 Community services	356,456	316,736	317,510	(774)
71 Debt service	21,581,952	20,168,568	19,916,584	251,984
81 Fundraising	2,380,379	2,494,968	2,403,413	91,555
Total expenses	357,443,670	370,940,004	379,347,415	(8,407,411)
Loss on extinguishment of debt	-	(7,043,148)	(7,043,148)	-
Change in net assets	30,060,321	26,952,751	31,346,856	4,394,105
Net assets at beginning of year	1,360,428	114,143,494	115,503,922	1,360,428
Net assets at end of year	$ 31,420,749	$ 141,096,245	$ 146,850,778	$ 5,754,533

IDEA Public Schools, Inc.

Consolidating Statement of Financial Position
June 30, 2018

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 111,462,823	$ 7,245,190	$ -	$ 118,708,013
Cash and cash equivalents—restricted	34,140,154	248,322	-	34,388,476
Due from government agencies	51,385,564	388,880	-	51,774,444
Contributions receivable—net of discount	692,461	-	-	692,461
Other receivables	3,980,900	2,935,288	(3,020,168)	3,896,020
Investments	13,135,580	-	-	13,135,580
Inventories	295,836	-	-	295,836
Prepaid expenses	950,277	16,470	-	966,747
Other current assets	392,875	2,500	-	395,375
Total current assets	216,436,470	10,836,650	(3,020,168)	224,252,952
Property and equipment:				
Land and improvements	72,163,878	1,447,008	-	73,610,886
Buildings and improvements	470,999,465	49,700	-	471,049,165
Leasehold improvements	2,939,264	-	-	2,939,264
Vehicles	11,647,901	168,954	-	11,816,855
Furniture and equipment	16,006,194	30,791	-	16,036,985
Construction in progress	130,266,870	10,802,227	-	141,069,097
Total property and equipment	704,023,572	12,498,680	-	716,522,252
Less accumulated depreciation and amortization	83,818,456	33,613	-	83,852,069
Net property and equipment	620,205,116	12,465,067	-	632,670,183
Other noncurrent assets:				
Cash and cash equivalents—restricted	14,074,657	-	-	14,074,657
Contributions receivable—net of discount	1,083,405	-	-	1,083,405
Investments—restricted	19,987,998	-	-	19,987,998
Cash held in escrow	1,375,171	-	-	1,375,171
Total other noncurent assets	36,521,231	-	-	36,521,231
Total assets	$ 873,162,817	$ 23,301,717	$ (3,020,168)	$ 893,444,366

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ 25,533,658	$ 1,859,079	$ -	$ 27,392,737
Accrued wages payable	21,373,612	176,161	-	21,549,773
Accrued payroll expenses	4,228,870	6,813	-	4,235,683
Accrued interest payable	11,560,741	916	-	11,561,657
Accrued expenses	6,200,022	986,434	-	7,186,456
Deferred revenues	7,659,542	1,828,261	-	9,487,803
Other liabilities	761,268	5,142,001	(3,020,168)	2,883,101
Notes payable—current portion	26,696,949	-	-	26,696,949
Bonds payable—current portion	7,610,000	-	-	7,610,000
Capital leases payable—current portion	578,401	-	-	578,401
Total current liabilities	112,203,063	9,999,665	(3,020,168)	119,182,560
Long-term liabilities:				
Bonds payable	570,110,000	-	-	570,110,000
Bond and other debt issuance costs, net	(9,834,813)	(350,218)	-	(10,185,031)
Premium on issuance of bonds, net of amortization	45,781,208	-	-	45,781,208
Notes payable	3,407,680	13,051,500	-	16,459,180
Capital leases payable	4,644,901	-	-	4,644,901
Total long-term liabilities	614,108,976	12,701,282	-	626,810,258
Total liabilities	726,312,039	22,700,947	(3,020,168)	745,992,818
Net assets:				
Unrestricted	2,382,242	375,470	-	2,757,712
Temporarily restricted	144,468,536	225,300	-	144,693,836
Total net assets	146,850,778	600,770	-	147,451,548
Total liabilities and net assets	$ 873,162,817	$ 23,301,717	$ (3,020,168)	$ 893,444,366

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IDEA Public Schools, Inc.

Consolidating Statement of Activities
Year Ended June 30, 2018

	IDEA Charter	IPS Enterprises, LLC	Total
Revenues and other support:			
Local support:			
Contributions	$ 1,965,209	$ -	$ 1,965,209
Grants	17,511,764	1,063,375	18,575,139
Food service	223,390	-	223,390
Investment Income	464,611	-	464,611
Other revenues	6,970,295	3,360,533	10,330,828
Total local support	27,135,269	4,423,908	31,559,177
State program revenues:			
Foundation School Program	314,853,891	-	314,853,891
Other state aid	4,207,988	-	4,207,988
Total state program revenues	319,061,879	-	319,061,879
Federal program revenues:			
ESEA Title I—Part A	13,144,887	-	13,144,887
ESEA Title I—Part A—Priority and Focus School	30,039	-	30,039
ESEA Title II—Part A Teacher/Principal Training	1,399,196	-	1,399,196
ESEA Title III—Part A Language Acquisition	1,005,578	-	1,005,578
IDEA B Formula—Special Education	3,978,023	-	3,978,023
ESEA Title V—Part B Charter Schools	14,156,906	-	14,156,906
ESEA Title V—Part C Charter Schools	188,131	-	188,131
HEA Title IV—Part A GEAR-UP—Connect2College	1,787,719	-	1,787,719
ARRA ESEA Race To The Top—District Grants	276,400	-	276,400
Twenty-First Century Community Learning Centers	3,525,740	-	3,525,740
Education Innovation and Research	-	388,880	388,880
Child Nutrition	29,606,069	-	29,606,069
Food and Nutrition Service	27,442	-	27,442
IDEA Comprehensive Health Professions	148,214	-	148,214
Project H2O! Environmental Education Grant Program	44,419	-	44,419
SSA, Title XIX—School Health and Related Services	1,763,508	-	1,763,508
School Improvement Grants	458,000	-	458,000
Total federal program revenues	71,540,271	388,880	71,929,151
Total revenues and other support	417,737,419	4,812,788	422,550,207
Expenses:			
Program services:			
Instructional and instructional related services	167,645,700	649,483	168,295,183
Instructional and school leadership	57,036,034	81,886	57,117,920
Total program services	224,681,734	731,369	225,413,103
Support services:			
Administrative support services	23,219,872	2,365,772	25,585,644
Ancillary services	317,510	-	317,510
Support services—nonstudent based	49,385,598	79,003	49,464,601
Support services—student (pupil)	59,422,704	683,209	60,105,913
Debt service	19,916,584	352,665	20,269,249
Fundraising	2,403,413	-	2,403,413
Total support services	154,665,681	3,480,649	158,146,330
Total expenses	379,347,415	4,212,018	383,559,433
Loss on extinguishment of debt	(7,043,148)	-	(7,043,148)
Change in net assets	31,346,856	600,770	31,947,626
Net assets at beginning of year	115,503,922	-	115,503,922
Net assets at end of year	$ 146,850,778	$ 600,770	$ 147,451,548

IDEA Public Schools, Inc.

Consolidating Statement of Cash Flows
Year Ended June 30, 2018

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	$ 31,346,856	$ 600,770	$ -	$ 31,947,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	17,244,471	105,029	-	17,349,500
Extinguishment of debt	7,043,148	-	-	7,043,148
Unrealized gain on investments	(56,554)	-	-	(56,554)
Gain on disposal of assets	(3,458)	-	-	(3,458)
Changes in current assets and liabilities:				
Due from government agencies	(11,583,553)	(388,880)	-	(11,972,433)
Contributions receivable, net	(1,770,110)	-	-	(1,770,110)
Other receivables	(2,966,656)	(2,799,036)	2,274,801	(3,490,891)
Inventories	(182,195)	-	-	(182,195)
Prepaid expenses	571,126	108,355	-	679,481
Other current assets	(1,407,836)	22,500	-	(1,385,336)
Accounts payable	1,944,772	2,830,582	-	4,775,354
Accrued wages payable	6,061,177	176,161	-	6,237,338
Accrued payroll expenses	263,164	6,813	-	269,977
Accrued interest payable	2,153,554	917	-	2,154,471
Accrued expenses	1,012,146	9,931	-	1,022,077
Deferred revenues	1,439,968	557,799	-	1,997,767
Other liabilities	529,137	4,396,642	(2,274,801)	2,650,978
Net cash provided by operating activities	51,639,157	5,627,583	-	57,266,740
Cash flows from investing activities:				
Construction and purchase of property and equipment	(158,680,225)	(11,841,788)	-	(170,522,013)
Proceeds from disposal of property and equipment	31,442	-	-	31,442
Puchase of certificates of deposit	(13,135,580)	-	-	(13,135,580)
Proceeds from certificates of deposit	4,000,000	-	-	4,000,000
Purchase of investments	(92,953,907)	-	-	(92,953,907)
Proceeds from investments	73,022,463	-	-	73,022,463
Investment in notes receivable from graduates	(154,324)	-	-	(154,324)
Allowance for doubtful accounts	154,324	-	-	154,324
Net cash used in investing activities	(187,715,807)	(11,841,788)	-	(199,557,595)
Cash flows from financing activities:				
Proceeds from borrowings of long-term debt	194,627,873	12,638,154	-	207,266,027
Principal payments on long-term debt	(46,531,093)	-	-	(46,531,093)
Payment to escrow for extinguishment of debt, net	(3,898,634)	-	-	(3,898,634)
Net cash provided by financing activities	144,198,146	12,638,154	-	156,836,300
Net increase in cash and cash equivalents	8,121,496	6,423,949	-	14,545,445
Cash and cash equivalents at beginning of year	151,556,138	1,069,563	-	152,625,701
Cash and cash equivalents at end of year	$ 159,677,634	$ 7,493,512	$ -	$ 167,171,146

(Continued)

IDEA Public Schools, Inc.

Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2018

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Cash and cash equivalents	$ 111,462,823	$ 7,245,190	$ -	$ 118,708,013
Cash and cash equivalents—restricted	34,140,154	248,322	-	34,388,476
Cash and cash equivalents—noncurrent—restricted	14,074,657	-	-	14,074,657
Total cash and cash equivalents	$ 159,677,634	$ 7,493,512	$ -	$ 167,171,146
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 24,707,086	$ 352,872	$ -	$ 25,059,958
Accrued liabilities related to the purchase of property and equipment	$ 1,914,049	$ -	$ -	$ 1,914,049
Proceeds deposited into escrow for purposes of refunding bonds	$ 46,829,111	$ -	$ -	$ 46,829,111
Retirement of existing bonds from escrow	$ (41,490,000)	$ -	$ -	$ (41,490,000)

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