

IDEA Public Schools, Inc.

Consolidated Financial Statements
And Independent Auditors' Report
for the years ended
June 30, 2019 and 2018

IDEA Public Schools, Inc.

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Chief Financial Officer

Wyatt J. Truscheit

Certificate of Board

We, the undersigned, certify that the attached financial and compliance report of IDEA Public Schools, Inc. was reviewed and (check one) approved disapproved for the year ended June 30, 2019, at a meeting of the governing body of the charter holder on the 6th day of September, 2019.



Signature of Board Secretary



Signature of Board President

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

Independent Auditors' Report

To the Board of Directors of
IDEA Public Schools, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of IDEA Public Schools, Inc., which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, of cash flows, and of functional expenses, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IDEA Public Schools, Inc. as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, IDEA Public Schools, Inc. adopted the amendments of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Prior Year Independent Auditors' Report

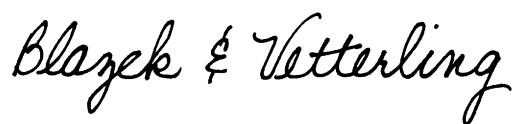
The consolidated financial statements of IDEA Public Schools, Inc. as of June 30, 2018 and for the year then ended were audited by other auditors whose report dated September 6, 2018 expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 40 through 49 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The consolidating statement of financial position as of June 30, 2019 and the consolidating statement of activities and consolidating statement of cash flows for the year then ended is presented for additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019 on our consideration of IDEA Public Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 IDEA Public Schools, Inc.'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 IDEA Public Schools Inc.'s internal control over financial reporting and compliance.



September 6, 2019

Financial Statements

IDEA Public Schools, Inc.
Consolidated Statements of Financial Position
As of June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 102,817,756	\$ 118,708,013
Cash and cash equivalents—held in trust	45,259,196	34,388,476
Due from government agencies	61,580,145	51,774,444
Contributions receivable, net	1,246,098	692,461
Other receivables	3,986,923	3,896,020
Investments—operating	62,029,561	13,135,580
Prepaid expenses	1,040,765	966,747
Other current assets	900,299	691,211
Total current assets	278,860,743	224,252,952
Net property and equipment	816,187,826	632,670,183
Other noncurrent assets:		
Cash and cash equivalents—held in trust	9,293,287	14,074,657
Contributions receivable, net	1,598,897	1,083,405
Investments—held in trust	25,549,498	19,987,998
Other assets	-	1,375,171
Total other noncurrent assets	36,441,682	36,521,231
Total assets	\$ 1,131,490,251	\$ 893,444,366

(continued)

IDEA Public Schools, Inc.
Consolidated Statements of Financial Position (Continued)
As of June 30, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 25,681,404	\$ 27,392,737
Accrued wages payable	27,762,364	21,549,773
Accrued payroll benefits and taxes	4,930,998	4,235,683
Accrued interest payable	14,736,225	11,561,657
Accrued expenses	9,168,144	7,186,456
Deferred revenues	14,220,033	9,487,803
Other liabilities	788,489	2,883,101
Notes payable—current portion	37,422,563	26,696,949
Bonds payable—current portion	11,990,000	7,610,000
Capital leases payable—current portion	1,710,422	578,401
Total current liabilities	148,410,642	119,182,560
Long-term liabilities:		
Bonds payable	723,800,000	570,110,000
Bond and other debt issuance costs, net	(16,144,018)	(10,185,031)
Premium on issuance of bonds, net	52,585,419	45,781,208
Notes payable	23,440,930	16,459,180
Capital leases payable	12,380,996	4,644,901
Total long-term liabilities	796,063,327	626,810,258
Total liabilities	944,473,969	745,992,818
Net assets:		
Without donor restrictions	(2,219,362)	2,757,712
With donor restrictions	189,235,644	144,693,836
Total net assets	187,016,282	147,451,548
Total liabilities and net assets	\$ 1,131,490,251	\$ 893,444,366

See accompanying notes to consolidated financial statements.

IDEA Public Schools, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
Grants	\$ 6,156,427	\$ 22,721,640	\$ 28,878,067
Contributions	215	6,259,507	6,259,722
Management fees	8,887,704	-	8,887,704
Net investment return	1,574	3,196,266	3,197,840
Other revenues	3,546,399	407,608	3,954,007
Total local support	18,592,319	32,585,021	51,177,340
State program revenues:			
Foundation School Program	-	391,666,694	391,666,694
Other state aid	-	4,464,084	4,464,084
Total state program revenues	-	396,130,778	396,130,778
Federal program revenues:			
ESEA Title I—Part A	-	13,885,263	13,885,263
ESEA Title II—Part A Teacher/Principal Training	-	1,384,175	1,384,175
ESEA Title III—Part A Language Acquisition	-	835,491	835,491
ESEA Title IV—Part A	-	28,480	28,480
IDEA B Formula—Special Education	-	5,573,426	5,573,426
IDEA B Formula—Preschool	-	17,914	17,914
ESEA Title V—Part B Charter Schools	-	10,814,278	10,814,278
ESEA Title V—Part C Charter Schools	-	352,020	352,020
Hurricane Education Recovery	-	25,435	25,435
HEA Title IV—Part A GEAR-UP—Connect2College	-	1,198,694	1,198,694
Twenty - First Century Community Learning Centers	-	2,502,469	2,502,469
Education Innovation and Research	-	663,586	663,586
Child Nutrition	-	44,504,228	44,504,228
Food and Nutrition Service	-	65,616	65,616
IDEA Comprehensive Health Professions	-	709,133	709,133
Project H2O! Environmental Education Grant Program	-	46,580	46,580
SSA, Title XIX—School Health and Related Services	-	2,183,371	2,183,371
Total federal program revenues	-	84,790,159	84,790,159
Net assets released from restrictions:			
Restrictions satisfied by payments	470,536,077	(470,536,077)	-
Total revenues and other support	489,128,396	42,969,881	532,098,277

(continued)

IDEA Public Schools, Inc.
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Instructional and instructional-related services	\$ 237,386,258	\$ -	\$ 237,386,258
Instructional and school leadership	73,384,913	-	73,384,913
Support services—student (pupil)	79,269,318	-	79,269,318
Support services—nonstudent based	51,674,545	-	51,674,545
Ancillary services	581,479	-	581,479
Total program services	442,296,513	-	442,296,513
Support services:			
Administrative support services	35,817,833	-	35,817,833
Support services—nonstudent based	12,165,015	-	12,165,015
Fundraising	3,826,109	-	3,826,109
Total support services	51,808,957	-	51,808,957
Total expenses	494,105,470	-	494,105,470
Gain on disposal of assets	-	201,807	201,807
Realized and unrealized gain on investments	-	1,370,120	1,370,120
Change in net assets	(4,977,074)	44,541,808	39,564,734
Net assets at beginning of year	2,757,712	144,693,836	147,451,548
Net assets at end of year	<u>\$ (2,219,362)</u>	<u>\$ 189,235,644</u>	<u>\$ 187,016,282</u>

See accompanying notes to consolidated financial statements.

IDEA Public Schools, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
Grants	\$ -	\$ 20,254,749	\$ 20,254,749
Contributions	1,560,685	3,956,086	5,516,771
Management fees	3,217,682	-	3,217,682
Net investment return	-	464,611	464,611
Other revenues	487,415	1,617,949	2,105,364
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.
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Instructional and instructional-related services	\$ 187,022,096	\$ -	\$ 187,022,096
Instructional and school leadership	57,117,920	-	57,117,920
Support services—student (pupil)	60,105,913	-	60,105,913
Support services—nonstudent based	39,788,965	-	39,788,965
Ancillary services	317,510	-	317,510
Total program services	344,352,404	-	344,352,404
Support services:			
Administrative support services	27,127,980	-	27,127,980
Support services—nonstudent based	9,675,636	-	9,675,636
Fundraising	2,403,413	-	2,403,413
Total support services	39,207,029	-	39,207,029
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 accompanying notes to consolidated financial statements.

IDEA Public Schools, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 39,564,734	\$ 31,947,626
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	27,954,769	20,932,514
Amortization of unamortized discount and debt issuance costs	(3,490,958)	(3,583,014)
Allowance for doubtful accounts	182,027	154,324
Extinguishment of debt	-	7,043,148
Unrealized gain on investments	(627,304)	(56,554)
Gain on disposal of property and equipment	(201,807)	(3,458)
Changes in current assets and liabilities:		
Due from government agencies	(9,805,701)	(11,972,433)
Contributions receivable	(1,069,129)	(1,770,110)
Other receivables	1,402,080	(3,490,891)
Prepaid expenses	(74,018)	679,481
Other current assets	1,166,084	(1,567,531)
Accounts payable	(1,711,333)	4,775,354
Accrued wages payable	6,212,591	6,237,338
Accrued payroll benefits and taxes	695,315	269,977
Accrued interest payable	3,174,568	2,154,471
Accrued expenses	1,981,688	1,022,077
Deferred revenues	4,732,230	1,997,767
Other liabilities	(3,587,605)	2,650,978
Net cash provided by operating activities	66,498,231	57,421,064
Cash flows from investing activities:		
Construction and purchase of property and equipment	(212,165,675)	(170,522,013)
Proceeds from disposal of property and equipment	895,069	31,442
Purchase of certificates of deposit	(12,211,242)	(13,135,580)
Proceeds from maturity of certificates of deposit	13,021,269	4,000,000
Purchases of investments	(228,583,880)	(92,953,907)
Proceeds from sale of investments	173,958,515	73,022,463
Investment in notes receivable from graduates	(182,027)	(154,324)
Net cash used by investing activities	(265,267,971)	(199,711,919)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	236,400,678	207,266,027
Principal payments on long-term debt	(47,431,845)	(46,531,093)
Payment to escrow for extinguishment of debt, net	-	(3,898,634)
Net cash provided by financing activities	188,968,833	156,836,300
Net increase (decrease) in cash and cash equivalents	(9,800,907)	14,545,445
Cash and cash equivalents at beginning of year	167,171,146	152,625,701
Cash and cash equivalents at end of year	\$ 157,370,239	\$ 167,171,146

(continued)

IDEA Public Schools, Inc.
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Cash and cash equivalents	\$ 102,817,756	\$ 118,708,013
Cash and cash equivalents—held in trust	45,259,196	34,388,476
Cash and cash equivalents—noncurrent—held in trust	<u>9,293,287</u>	<u>14,074,657</u>
Total cash and cash equivalents	<u>\$ 157,370,239</u>	<u>\$ 167,171,146</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 25,596,357</u>	<u>\$ 24,707,086</u>
Capital leases related to the purchase of property and equipment	<u>\$ 12,121,247</u>	<u>\$ 1,914,049</u>
Proceeds deposited into escrow for purposes of refunding bonds	<u>\$ -</u>	<u>\$ 46,829,111</u>
Retirement of existing bonds from escrow	<u>\$ -</u>	<u>\$ (41,490,000)</u>

See accompanying notes to consolidated financial statements.

IDEA Public Schools, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	2019 Total	2018 Total
Program services:							
Instructional and instructional related services	\$ 163,961,589	\$ 18,850,291	\$ 21,081,544	\$ 8,743,256	\$ 24,749,578	\$ 237,386,258	\$ 187,022,096
Instructional and school leadership	60,490,862	3,599,133	3,217,537	6,077,381	-	73,384,913	57,117,920
Support services—student (pupil)	43,366,801	6,373,847	22,584,962	6,943,708	-	79,269,318	60,105,913
Support services—nonstudent based	10,595,368	15,765,370	2,020,453	23,293,354	-	51,674,545	39,788,965
Ancillary services	166,636	169,001	38,102	207,740	-	581,479	317,510
Total program services	278,581,256	44,757,642	48,942,598	45,265,439	24,749,578	442,296,513	344,352,404
Support services:							
Administrative support services	16,223,348	11,786,853	1,102,449	4,199,712	2,505,471	35,817,833	27,127,980
Support services—nonstudent based	4,217,515	4,289,981	1,800,976	1,856,543	-	12,165,015	9,675,636
Fundraising	2,627,824	505,813	81,148	611,324	-	3,826,109	2,403,413
Total support services	23,068,687	16,582,647	2,984,573	6,667,579	2,505,471	51,808,957	39,207,029
Total expenses	\$ 301,649,943	\$ 61,340,289	\$ 51,927,171	\$ 51,933,018	\$ 27,255,049	\$ 494,105,470	\$ 383,559,433

See accompanying notes to consolidated financial statements.

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 Charters 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, with total enrollment of approximately 42,748 students at 73 schools.

The School operates as a single charter school and conducts other noncharter activities with and through IPS Enterprises, LLC (IPS), which is a separate domestic single-member nonprofit limited liability company, whose sole member is the School. IPS is consolidated since the School has a direct controlling interest in IPS through ownership.

Adoption of Accounting Standards: The School adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2018, using the full retrospective method. Based on the School's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption of this ASU had no impact on total beginning net assets but resulted in additional disclosures and changes in presentation.

The School adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources and presentation of expenses by both nature and function has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

The School adopted the amendments of ASU 2018-08, *Not-for-Profit 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, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 was adopted on a prospective basis and impacted the evaluation of revenue recognition of certain grants and contributions in the 2019 fiscal year.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements: 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 IDEA for fiscal year 2020, 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 financial statements.

Basis of consolidation: The consolidated financial statements include the accounts of the School and IPS. All balances and transactions between the consolidated entities have been eliminated.

ACCOUNTING POLICIES:

Net asset classification: Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Cash and cash equivalents: The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash held in trust is limited as to use under the terms of the bond indenture. Interest income earned on cash held in trust is limited as to use under the terms of the bond indenture.

Due from government agencies and State and Federal program revenue: The School considers all government grants and contracts to be contributions. The School recognizes revenue from governmental grants and contracts, as eligible expenditures are incurred. 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. 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.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and contributions receivable: Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, except for long-lived assets purchased with Federal or State contributions, the School reports expirations of donor restrictions over the estimated useful life.

Unconditional contributions that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed contributions may not be collected in full.

Allowance for doubtful accounts: An allowance for doubtful accounts is established on accounts receivable, contributions receivable, and other receivables when it is believed that the balances may not be collected in full. 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 financial statements.

Investments: Marketable securities are stated at fair value. Certificates of deposit are stated at cost. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends net of external and direct internal investment expenses. Investments held in trust are limited as to use under the terms of the bond indenture and represent funds held for construction activity and debt service requirements. The related investment return is also limited as to use under the terms of the bond indenture.

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, 2019 and 2018 totaled \$2,141,002 and \$1,958,975, respectively. The School considers notes receivable to be fully uncollectible; accordingly, an allowance for doubtful accounts of \$2,141,002 and \$1,958,975 at June 30, 2019 and 2018, respectively, is recorded in these financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment: Property and equipment are stated at cost. The School capitalizes expenditures in excess of \$5,000 for property and equipment with an expected life greater than a year. Assets held under capital leases are recorded at the lower of the net present value of 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 Life
Buildings and improvements	10-30 years
Leashold improvements	5-15 years
Vehicles	5 years
Furniture and equipment	3-10 years

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, 2019 and 2018.

Debt issuance costs: Costs related to the issuance of bonds and notes payable are reported as a direct reduction of the related debt and are amortized as interest expense over the term of the bonds or notes using the effective interest method.

Revenue recognition: Revenue from contracts with customers is derived primarily from employee leasing, management and shared services fees, academic support fees, food service fees and other miscellaneous fees. Revenue is recognized when the services are provided to a customer, in an amount that reflects the consideration the School expects to be entitled to in exchange for those services. Payment is due monthly for all services except for the academic support services which payment is due semi-annually. The nature of these services does not give rise to contracts costs or any variable considerations, warranties or other related obligations.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses: Expenses are reported by their functional classification as program services or management and general or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associated with instructional campuses (program services) or with administrative buildings.

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 recognized at the estimated fair value as contributions when an unconditional commitment is received from the donor. Contributions of donated noncash assets are recorded at the estimated fair value in the period the unconditional commitment is received. The related expense is recognized as the item is used.

Federal income taxes: The School is a nonprofit organization and is exempt from federal income tax 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 a Form 990-T. IPS is a disregarded entity for federal income tax purposes. 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, 2019 and 2018, there were no uncertain tax benefits. No such provision has been made in the accompanying financial statements.

Advertising: The School expenses advertising costs when they are incurred. Advertising costs for the years ended June 30, 2019 and 2018 are \$4,593,504 and \$2,485,056, respectively.

Estimates: Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassification: Certain items previously reported in the 2018 consolidated statement of activities and changes in net assets have been reclassified to conform to the current financial statement presentation.

Subsequent events: The School has evaluated subsequent events that occurred after June 30, 2019, through the date of this report on September 6, 2019. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of the following:

	June 30	
	2019	2018
Petty cash	\$ 14	\$ 128
Checking accounts	33,879,216	151,861,510
Money market mutual funds	123,491,009	15,309,508
Total cash and cash equivalents	<u>\$ 157,370,239</u>	<u>\$ 167,171,146</u>

Cash and cash equivalents are designated as follows:

	June 30	
	2019	2018
Debt service fund held in trust	\$ 22,234,359	\$ 32,071,859
Construction	32,318,124	16,391,274
	54,552,483	48,463,133
Less current cash and cash equivalents—held in trust	45,259,196	34,388,476
Total cash and cash equivalents—noncurrent—held in trust	<u>\$ 9,293,287</u>	<u>\$ 14,074,657</u>

Investments are as follows:

	June 30	
	2019	2018
Investments at fair value - fixed income	\$ 75,253,507	\$ 19,987,998
Investments at cost - certificates of deposit	12,325,552	13,135,580
Total investments	<u>\$ 87,579,059</u>	<u>\$ 33,123,578</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The School maintains cash deposits at Wells Fargo, Public Funds Administration, at June 30, 2019 and 2018, 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, 2019 and 2018 of \$10,613,504 and \$102,613,325, respectively, were pledged as collateral to secure public funds on deposit.

The School also maintains cash deposits at Regions Bank at June 30, 2019 and 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, 2019 and 2018 of \$24,190,636 and \$755,685, respectively, were pledged as collateral to secure public funds on deposit.

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued)

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, 2019 and 2018, 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 4 – DUE FROM GOVERNMENT AGENCIES

Amounts due from government agencies consist of the following:

	June 30	
	2019	2018
Texas Department of Education, Texas Education Agency (TEA)	\$ 56,468,558	\$ 48,566,394
United States Department of Education passed through TEA	2,034,581	833,750
United States Department of Agriculture passed through TEA	392,966	58,003
Texas Medicaid and Healthcare Partnership	1,717,091	1,274,147
United States Department of Education	962,132	970,289
United States Food and Nutrition Service Agency	-	44,419
United States Environmental Protection Agency	4,817	27,442
	<u>\$ 61,580,145</u>	<u>\$ 51,774,444</u>

All amounts due from government agencies at June 30, 2019 are expected to be collected in fiscal year 2019-2020.

NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2019 are as follows:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$	157,370,239
Investments		87,579,059
Operating accounts receivable		65,567,068
Contributions receivable		2,844,995
		<u>313,361,361</u>
Total financial assets		
Less financial assets not available for general expenditure:		
Contractually obligated financial assets		(79,844,673)
Cash restricted for long-term purposes		(9,293,287)
Donor restricted assets not expected to be satisfied in coming year		(14,302,011)
Contributions receivable due in more than one year		(1,598,897)
		<u>(105,038,868)</u>
Total financial assets not available for general expenditure		
	\$	<u>208,322,493</u>
Total financial assets available for general expenditure		

NOTE 6 - CONTRIBUTIONS RECEIVABLE

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

	June 30	
	2019	2018
Contributions receivable	\$ 2,891,342	\$ 1,802,000
Discount at interest rates ranging from 0.47% to 3.07%	(46,347)	(26,134)
Contributions receivable, net	<u>\$ 2,844,995</u>	<u>\$ 1,775,866</u>

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 6 - CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable at June 30, 2019 are expected to be collected as follows:

2020	\$ 1,246,098
2021	770,588
2022	505,430
2023	315,430
2024	53,796
	<u>2,891,342</u>
Less unamortized discount	46,347
Net contributions receivable	<u><u>\$ 2,844,995</u></u>

The School has conditional promises to give contingent upon meeting certain criteria specified by donors. These amounts are not recorded in these financial statements as the conditions have not been met. As of June 30, 2019 and 2018, the amounts of conditional promises to give were \$67,094,517 and \$56,521,400, respectively. Deferred revenue is recorded for amounts received in advance from those conditional promises to give, which totaled \$14,220,038 and \$9,487,803 at June 30, 2019 and 2018, respectively.

As of June 30, 2019 the School has approximately \$21,575,246 of conditional contributions from various government agencies. The contributions will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30	
	2019	2018
Land and improvements	\$ 96,945,413	\$ 73,610,886
Buildings and improvements	631,124,157	473,988,429
Vehicles	14,721,281	11,816,855
Furniture and equipment	21,697,260	16,036,985
Construction in progress	163,249,836	141,069,097
	<u>927,737,947</u>	<u>716,522,252</u>
Less accumulated depreciation and amortization	111,550,121	83,852,069
Total property and equipment, net	<u><u>\$ 816,187,826</u></u>	<u><u>\$ 632,670,183</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$27,954,768 and \$20,932,514, 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.

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 8 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Government agency securities	\$ -	\$ 6,321,988	\$ -	\$ 6,321,988
Domestic corporate bonds	-	5,093,180	-	5,093,180
U.S. Treasury Notes	63,838,339	-	-	63,838,339
Total investments at fair value	63,838,339	11,415,168	-	75,253,507
Money market mutual funds	123,491,009	-	-	123,491,009
Total assets at fair value	<u>\$ 187,329,348</u>	<u>\$ 11,415,168</u>	<u>\$ -</u>	<u>\$ 198,744,516</u>

Assets measured at fair value at June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 19,987,998	\$ -	\$ -	\$ 19,987,998
Total investments at fair value	19,987,998	-	-	19,987,998
Money market mutual funds	15,309,508	-	-	15,309,508
Total assets at fair value	<u>\$ 35,297,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,297,506</u>

U.S. Treasury Notes are valued using prices obtained from active markets and inter-dealer brokers on a daily basis. Domestic corporate bonds and government agency securities are valued using prices obtained from independent quotation bureaus that used computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values. Money market mutual funds are valued at the reported net asset value of shares held.

This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 8 – FAIR VALUE MEASUREMENTS (Continued)

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 debt approximates the carrying amount because the rate and terms currently available to the School approximate the rates and terms of the School’s existing debt. There have been no changes on valuation techniques used for any assets or valuations measured at fair value during the years ended June 30, 2019 and 2018.

NOTE 9 – BONDS PAYABLE

Bonds payable consist of the following:

	June 30							
	2019				2018			
	Outstanding Balance	Premium	Issuance Costs	Total	Outstanding Balance	Premium	Issuance Costs	Total
Series 2010 A and B	\$ 1,960,000	\$ -	\$ (100,878)	\$ 1,859,122	\$ 2,870,000	\$ -	\$ (120,413)	\$ 2,749,587
Series 2010 Q	7,555,000	-	-	7,555,000	7,555,000	-	-	7,555,000
Series 2012	53,955,000	1,593,473	(1,093,925)	54,454,548	55,175,000	1,662,257	(1,141,657)	55,695,600
Series 2013	59,155,000	739,730	(1,164,418)	58,730,312	60,195,000	770,235	(1,212,436)	59,752,799
Series 2014	87,360,000	5,413,685	(1,253,996)	91,519,689	88,475,000	6,151,701	(1,303,549)	93,323,152
Series 2015	68,530,000	3,932,489	(1,109,700)	71,352,789	69,725,000	4,055,032	(1,151,908)	72,628,124
Series 2016 A	98,865,000	16,428,113	(1,415,817)	113,877,296	98,950,000	17,348,519	(1,467,774)	114,830,745
Series 2016 B	17,505,000	1,851,714	(442,616)	18,914,098	18,190,000	2,196,402	(458,850)	19,927,552
Series 2017	175,225,000	12,274,264	(2,665,465)	184,833,799	176,585,000	13,597,062	(2,760,106)	187,421,956
Series 2018	165,680,000	10,351,951	(6,461,864)	169,570,087	-	-	-	-
	735,790,000	52,585,419	(15,708,679)	772,666,740	577,720,000	45,781,208	(9,616,693)	613,884,515
Less current portion	11,990,000	-	-	11,990,000	7,610,000	-	-	7,610,000
Net long-term bonds payable	\$ 723,800,000	\$ 52,585,419	\$ (15,708,679)	\$ 760,676,740	\$ 570,110,000	\$ 45,781,208	\$ (9,616,693)	\$ 606,274,515

Interest cost incurred for the years ended June 30, 2019 and 2018 totaled \$32,299,527 and \$26,119,215, respectively, of which \$27,614,500 and \$22,300,766 was expensed and \$4,685,027 and \$3,818,449 was capitalized for the years ended June 30, 2019 and 2018, respectively.

The Series 2010 Q bonds tax credit interest subsidy for the years ended June 30, 2019 and 2018, totaled \$388,224 and \$388,773, respectively, and is reflected in local support, other revenues in the consolidated statements of activities.

Series 2010 A and Q bonds: On December 7, 2010, the School issued \$33,780,000 of Education Revenue Bonds. Series 2010 A; and \$7,555,000 of Qualified School Construction Bonds – Direct Pay, Series Q. Proceeds of the bonds were used 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% to 5.750%.

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 2010A, Education Revenue Bonds.

NOTE 9 – BONDS PAYABLE (Continued)

The Series 2010 Q bonds mature August 15, 2029, with a stated interest rate of 8.25%. Interest on the Series 2010 A and Q bonds is due semiannually on February 15 and August 15. 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 Series 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 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% to 5.00%.

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 Series 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 and 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% to 6%.

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 Series 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 and 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% to 5%.

As part of this issuance, the School called and defeased \$29,340,000 of 2007 A, Education Revenue Bonds, which resulted in a noncash loss on extinguishment of debt of \$4,293,652. As a result of this defeasance, the School realized 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 in fiscal year 2015.

NOTE 9 – 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 Series 2014 bonds. The Series 2014 bonds are subject to optional redemption in whole or in part on August 15, 2024.

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 and 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% to 5%.

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 Series 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 and 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% to 5%.

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 and Revenue bonds, which resulted in a noncash loss on extinguishment of debt of \$8,429,223. As a result of this defeasance, the School realized 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 in fiscal year 2017.

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 Series 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 and 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% to 5%.

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 Series 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, Series 2017. Proceeds of the bonds were for construction and 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% to 4.0%.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 9 – BONDS PAYABLE (Continued)

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 and Revenue Bonds and \$24,565,000 of Series 2011 Education Revenue Bonds, which resulted in a noncash loss on extinguishment of debt of \$7,043,148 in fiscal year 2018. As a result of this defeasance, the School realized 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 Series 2017 bonds. The Series 2017 bonds are subject to optional redemption in whole or in part on August 15, 2027.

Series 2018 bonds: On October 1, 2018, the School issued \$165,680,000 of Education Revenue Bonds, Series 2018. Proceeds of the bonds were for construction and future debt service. The Series 2018 bonds mature serially each August 15, starting in 2020 through 2048, with stated interest rates ranging from 3% to 5%.

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 Series 2018 bonds. The Series 2018 bonds maturing on or after August 15, 2029 are subject to optional redemption in whole or in part on August 15, 2028.

The Series 2014, 2015, 2016A, 2017 and 2018 bonds are guaranteed by TEA under the Permanent School Fund Guarantee program.

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 1.10 times the annual debt service requirements of the School as of the end of the 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, 2019 and 2018.

Debt service requirements for bonds payable for the year ended June 30, 2019 are as follows:

	Principal	Interest	Tax Credit Subsidy	Totals
2020	\$ 11,990,000	\$ 33,641,966	\$ (414,769)	\$ 45,217,197
2021	15,350,000	33,113,922	(414,769)	48,049,153
2022	15,980,000	32,493,894	(414,769)	48,059,125
2023	16,650,000	31,823,519	(414,769)	48,058,750
2024	17,415,000	31,062,938	(414,769)	48,063,169
Thereafter	658,405,000	382,011,632	(1,361,109)	1,039,055,523
Total bonds payable	<u>\$ 735,790,000</u>	<u>\$ 544,147,871</u>	<u>\$ (3,434,954)</u>	<u>\$ 1,276,502,917</u>

IDEA Public Schools, Inc.
Notes to Consolidated Financial Statements

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following:

	June 30	
	2019	2018
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 1.30% 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 by IDEA Public Schools, Inc.	\$ 35,594,841	\$ 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 interest of 3.48%; maturing July 1, 2029. The note is secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by IDEA Public Schools, Inc.	6,000,000	1,861,739
A term note payable to Frost Bank in an original amount of \$1,600,000; requiring monthly payments of principal and interest at 4.83%, due on the 1st day of each month starting April 1, 2019 until maturity on February 1, 2027. This loan is unsecured and subordinate to all other debt obligations of IDEA Public Schools, Inc.	1,554,476	-
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 IDEA Public Schools, Inc.	720,890	994,920

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 10 - NOTES PAYABLE (Continued)

	June 30	
	2019	2018
<p>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.</p>	9,693,286	6,351,500
<p>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% through February 28, 2023. This note is unsecured and subordinate to all other debt obligations of IPS.</p>	1,800,000	1,800,000
<p>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.</p>	2,700,000	2,700,000
<p>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 IPS.</p>	2,200,000	2,200,000
<p>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.</p>	-	19,603

IDEA Public Schools, Inc.
Notes to Consolidated Financial Statements

NOTE 10 - NOTES PAYABLE (Continued)

	June 30	
	2019	2018
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
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. This note plus interest was repaid on July 2, 2019.	500,000	500,000
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. This note plus interest was repaid on July 2, 2019.	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 obligations of the School. This note plus interest was repaid on July 2, 2018.	-	400,000
A multiple draw term note payable to Regions Commercial Equipment Finance, LLC, in the original amount equal to, or less than, \$10,000,000 during the draw period; requiring monthly payments of interest on the 15th day of each month; beginning July 15, 2019; and continuing regularly and monthly thereafter at monthly LIBOR plus 3.8041% until August 15, 2020. The note is secured by security interest on any real property securing the Master Indenture and any other security pledged by IDEA Public Schools, Inc. There are no amounts outstanding at June 30, 2019.	-	-
A multiple draw term note payable to Charter Fund, Inc. in the original amount of \$1,300,000; maturing June 30, 2021; with a \$1,300,000 balloon payment at the end of the term, including interest at 1.00% through June 30, 2021. This note is unsecured and subordinate to all other debt obligations of the School. There are no amounts outstanding at June 30, 2019.	-	-
Total	60,863,493	43,156,129
Less current portion	37,422,563	26,696,949
Notes payable - long term	<u>\$ 23,440,930</u>	<u>\$ 16,459,180</u>

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 10 - NOTES PAYABLE (Continued)

The future minimum payments for notes payable as of June 30, 2019 are as follows:

2020	\$ 37,422,563
2021	9,915,600
2022	4,149,235
2023	4,902,763
2024	793,968
Thereafter	3,679,364
	<u>\$ 60,863,493</u>

Interest cost incurred for the years ended June 30, 2019 and 2018 totaled \$1,922,218 and \$945,328, respectively, of which \$1,810,771 and \$903,507 was expensed and \$111,447 and \$41,821 was capitalized for the years ended June 30, 2019 and 2018, respectively.

NOTE 11 – CAPITAL LEASES PAYABLE

	June 30	
	2019	2018
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.	\$ 2,252,640	\$ 2,515,934
Capital lease payable to NSBR - F Gardere, in the original amount of \$9,185,202, requiring monthly payments ranging from \$81,978 to \$185,335, including interest at 6.00% through October 2024; secured by the corresponding building acquired.	8,813,093	-
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 buses acquired.	1,375,171	1,490,700

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 11 – CAPITAL LEASES PAYABLE (Continued)

	June 30	
	2019	2018
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 interest of 3.85% through August 2024; secured by the corresponding buses acquired.	337,722	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 cart acquired.	28,044	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.	650,970	798,348
Capital lease payable to Regions Commercial Equipment, LLC in the original amount of \$704,800, requiring monthly payments in the amount of \$10,041, including interest at 5.41% through August 2025; secured by the corresponding buses acquired.	633,778	-
	<u>\$ 14,091,418</u>	<u>\$ 5,223,302</u>

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 11 – CAPITAL LEASES PAYABLE (Continued)

The future minimum lease payments under the capital leases and the net present value of future minimum lease payments as of June 30, 2019 are as follows:

2020	\$ 2,428,730
2021	2,683,902
2022	3,063,085
2023	3,015,985
2024	2,897,867
Thereafter	<u>2,520,325</u>
Total future minimum lease payments	16,609,894
Less amount representing interest	<u>2,518,476</u>
Present value of future minimum lease payments	14,091,418
Less current portion	<u>1,710,422</u>
Net long-term capital leases payable	<u><u>\$ 12,380,996</u></u>

Interest expense for the years ended June 30, 2019 and 2018, totaled \$682,748 and \$149,888, respectively.

NOTE 12 – NET ASSETS WITHOUT DONOR RESTRICTIONS

At June 30, 2019, the School had a deficit in net assets without donor restrictions totaling \$2,219,362. The deficit is the result of excess expenses over revenues from unrestricted operating sources and earning lower than anticipated revenues in IPS. The School anticipates reducing this overall deficit beginning in fiscal years 2019 - 2020. At June 30, 2018, the School had net assets without donor restrictions totaling \$2,757,712.

The Board of Directors does not have a specific policy in regard to establishing board-designated reserves or endowments. However, the Board of Directors may designate excess cash flow for reserves, specific projects or endowments as deemed prudent. Any amount used from board designated funds must be approved by the Board of Directors.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to expenditure for specified purposes:		
Foundation School Program - charter school activities	\$ 149,808,309	\$ 126,923,613
Child Nutrition Program	22,826,645	13,636,440
Austin Region	4,494,752	-
Houston Region	3,050,000	-
Fort Worth Region	2,313,552	-
San Antonio Region	1,623,908	-
Campus Activity Funds	1,208,454	953,228
Area of Greatest Need	1,050,736	-
Expansion	982,112	2,914,117
College Matriculation	815,310	-
Permian Basin Region	513,233	-
Carver Campus	437,116	-
Advanced Placement Incentives	41,135	41,135
El Paso Region	33,113	-
Najim Campus	30,861	-
Camp Rio	5,000	-
Autism Awareness	1,408	-
Road to College Program	-	9,533
IDEA U	-	215,770
Total subject to expenditure for specified purpose	<u>189,235,644</u>	<u>144,693,836</u>
Total net assets with donor restrictions	<u>\$ 189,235,644</u>	<u>\$ 144,693,836</u>

NOTE 14 – GOVERNMENT GRANTS

Government grants include the following:

Federal grants	
U.S. Department of Agriculture	\$ 44,569,844
U.S. Department of Education	37,990,363
U.S. Environmental Protection Agency	46,581
Title XIX School Health and Related Services	<u>2,183,371</u>
Total federal grants	<u>\$ 84,790,159</u>

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 14 – GOVERNMENT GRANTS (Continued)

The grants from government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the School with the terms of the contracts. Management believes such disallowances, if any, would not be material to the School's financial position or changes in net assets.

NOTE 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the revenue from contracts with customers is satisfied over time other than food service fees which are satisfied at a point in time. Revenue satisfied over time is recognized ratably as services are rendered over the term of the agreement using the output method. Food service fees are recognized as meals are provided to students. The employee leasing, and management fees is derived from agreements with other charter schools in Baton Rouge and New Orleans, Louisiana, and Tampa Bay Florida. Academic support, shared service and food service fees are derived from customers in Texas.

The following table disaggregates the School's revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	2019	2018
Performance obligations satisfied over time		
Employee leasing	\$ 8,887,704	\$ 2,503,682
Academic support fees	618,500	135,022
Management and shared services fees	897,183	813,314
Other	167,404	245,249
	<u>10,570,791</u>	<u>3,697,267</u>
Performance obligations satisfied at a point in time - food service fees	230,398	223,390
Total revenue from contracts with customers	<u>\$ 10,801,189</u>	<u>\$ 3,920,657</u>

The performance obligations related to the employee leasing services control is transferred to the customer over time and the revenue is recognized on the basis of reimbursement of actual costs incurred by IPS. Rental income, management and shared services fees, academic support fees, and food service fee revenue are recognized on the basis of negotiated contracts for these goods and services.

There are no contract liabilities or contract assets related to contracts with customers for the years ended June 30, 2019 or 2018.

NOTE 16 – RETIREMENT PLANS

Plan Description: The School full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan. All risks and costs are not shared by the School, but are the liability of the State of Texas.

IDEA Public Schools, Inc.Notes to Consolidated Financial Statements

NOTE 16 – RETIREMENT PLANS (Continued)

Funding Policy: Plan members contributed 7.7% of their annual covered salary in 2019 and 2018. The School contributes 6.8% for new members the first 90 days of employment, and the State of Texas contributes 6.8%. Additionally, the School makes a 1.5% non-OASDI payment for all TRS eligible employees. The School contributions do not represent more than 5% of the TRS' total contributions. For 2019 and 2018, the School contributed \$8,420,880 and \$4,596,935, respectively, to TRS.

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal years ended for TRS of August 31, 2018 and 2017 were \$176.9 billion and \$165.4 billion. Accumulated benefit obligations as of August 31, 2018 and 2017 were \$179.3 billion and \$171.8 billion, respectively. The plan was 76.9% funded at August 31, 2018 and 82.17% funded at August 31, 2017.

Supplemental Retirement Payments: The School offers a voluntary section 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 June 30, 2019 and 2018.

The School has adopted an employer-paid section 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% of the employee's annual salary. Employer contributions to the plan totaled \$368,791 and \$292,106 for the years ended June 30, 2019 and 2018, respectively.

NOTE 17 – OPERATING LEASES

For the year ended June 30, 2019, future minimum lease payments on long-term noncancelable operating leases are as follows:

2020	\$ 4,452,986
2021	2,827,783
2022	1,090,409
2023	409,993
2024	68,294
Thereafter	<u>13,444</u>
Total future minimum lease payments	<u>\$ 8,862,909</u>

Rent expense for the years ended June 30, 2019 and 2018 totaled \$5,232,433 and \$3,765,968, respectively.

IDEA Public Schools, Inc.

Notes to Consolidated Financial Statements

NOTE 17 – OPERATING LEASES (Continued)

For the year ended June 30, 2019, future minimum receivables for long-term noncancelable operating leases, which are primarily for buildings, are as follows:

2020	\$ 2,922,211
2021	4,085,958
2022	3,519,403
2023	16,522,361
2024	2,150,904
Thereafter	<u>2,409,615</u>
Total future minimum rent receipts	<u><u>\$ 31,610,452</u></u>

Rent revenue for the year ended June 30, 2019 totaled \$1,949,003. No rent revenue was recognized in the year ended June 30, 2018, as the rent payments commenced subsequent to June 30, 2018.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

At June 30, 2019, the School had outstanding construction commitments related to the construction of School facilities. The School had paid \$119,659,829 on contracts totaling \$170,512,093 as of June 30, 2019, leaving total remaining commitments of \$50,852,264.

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	
	2019	2018
Payments	\$ 556,699	\$ 348,759
Accounts payable	80,190	71,167
Total	<u>\$ 636,889</u>	<u>\$ 419,926</u>

Additionally, the School was party to certain real estate transactions in which the real estate agent was a related party. The related party earned a 3% commission on real estate purchases totaling \$3,597,406 during the year ended June 30, 2019.

Other Supplemental Information

IDEA Public Schools, Inc.
Consolidating Statement of Financial Position
As of June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 101,995,850	\$ 821,906	\$ -	\$ 102,817,756
Cash and cash equivalents—held in trust	45,259,196	-	-	45,259,196
Due from government agencies	61,560,304	19,841	-	61,580,145
Contributions receivable, net	1,105,940	140,158	-	1,246,098
Other receivables	1,933,689	3,580,414	(1,527,180)	3,986,923
Investments—operating	62,029,561	-	-	62,029,561
Prepaid expenses	985,999	54,766	-	1,040,765
Other current assets	815,821	84,478	-	900,299
Total current assets	275,686,360	4,701,563	(1,527,180)	278,860,743
Net property and equipment	794,425,358	21,762,468	-	816,187,826
Other noncurrent assets:				
Cash and cash equivalents—held in trust	9,293,287	-	-	9,293,287
Contributions receivable, net	1,598,897	-	-	1,598,897
Investments—held in trust	25,549,498	-	-	25,549,498
Other assets	-	-	-	-
Total other noncurrent assets	36,441,682	-	-	36,441,682
Total assets	\$ 1,106,553,400	\$ 26,464,031	\$ (1,527,180)	\$ 1,131,490,251

(continued)

IDEA Public Schools, Inc.
Consolidating Statement of Financial Position (Continued)
As of June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Eliminations	Total
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 25,618,686	\$ 62,718	\$ -	\$ 25,681,404
Accrued wages payable	27,055,001	707,363	-	27,762,364
Accrued payroll benefits and taxes	4,794,520	136,478	-	4,930,998
Accrued interest payable	14,685,990	50,235	-	14,736,225
Accrued expenses	9,143,126	25,018	-	9,168,144
Deferred revenues	14,220,033	-	-	14,220,033
Other liabilities	441,103	1,874,566	(1,527,180)	788,489
Notes payable—current portion	32,349,837	5,072,726	-	37,422,563
Bonds payable—current portion	11,990,000	-	-	11,990,000
Capital leases payable—current portion	609,463	1,100,959	-	1,710,422
Total current liabilities	140,907,759	9,030,063	(1,527,180)	148,410,642
Long-term liabilities:				
Bonds payable	723,800,000	-	-	723,800,000
Bond and other debt issuance costs, net	(15,878,702)	(265,316)	-	(16,144,018)
Premium on issuance of bonds, net	52,585,419	-	-	52,585,419
Notes payable	12,120,371	11,320,559	-	23,440,930
Capital leases payable	4,035,083	8,345,913	-	12,380,996
Total long-term liabilities	776,662,171	19,401,156	-	796,063,327
Total liabilities	917,569,930	28,431,219	(1,527,180)	944,473,969
Net assets:				
Without donor restrictions	(252,174)	(1,967,188)	-	(2,219,362)
With donor restrictions	189,235,644	-	-	189,235,644
Total net assets	188,983,470	(1,967,188)	-	187,016,282
Total liabilities and net assets	\$ 1,106,553,400	\$ 26,464,031	\$ (1,527,180)	\$ 1,131,490,251

IDEA Public Schools, Inc.
Consolidating Statement of Activities
Year Ended June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Total
Revenues and other support:			
Local support:			
Grants	\$ 27,647,678	\$ 1,230,389	\$ 28,878,067
Contributions	6,259,507	215	6,259,722
Management fees	-	8,887,704	8,887,704
Net investment return	3,196,266	1,574	3,197,840
Other revenues	875,502	3,078,505	3,954,007
Total local support	37,978,953	13,198,387	51,177,340
State program revenues:			
Foundation School Program	391,666,694	-	391,666,694
Other state aid	4,464,084	-	4,464,084
Total state program revenues	396,130,778	-	396,130,778
Federal program revenues:			
ESEA Title I—Part A	13,885,263	-	13,885,263
ESEA Title II—Part A Teacher/Principal Training	1,384,175	-	1,384,175
ESEA Title III—Part A Language Acquisition	835,491	-	835,491
ESEA Title IV—Part A	28,480	-	28,480
IDEA B Formula—Special Education	5,573,426	-	5,573,426
IDEA B Formula—Preschool	17,914	-	17,914
ESEA Title V—Part B Charter Schools	10,814,278	-	10,814,278
ESEA Title V—Part C Charter Schools	352,020	-	352,020
Hurricane Education Recovery	25,435	-	25,435
HEA Title IV—Part A GEAR-UP—Connect2College	1,198,694	-	1,198,694
Twenty - First Century Community Learning Centers	2,502,469	-	2,502,469
Education Innovation and Research	-	663,586	663,586
Child Nutrition	44,504,228	-	44,504,228
Food and Nutrition Service	65,616	-	65,616
IDEA Comprehensive Health Professions	709,133	-	709,133
Project H2O! Environmental Education Grant Program	46,580	-	46,580
SSA, Title XIX—School Health and Related Services	2,183,371	-	2,183,371
Total federal program revenues	84,126,573	663,586	84,790,159
Total revenues and other support	518,236,304	13,861,973	532,098,277

(continued)

IDEA Public Schools, Inc.
Consolidating Statement of Activities (Continued)
Year Ended June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Total
Expenses:			
Program services:			
Instructional and instructional related services	\$ 233,095,415	\$ 4,290,843	\$ 237,386,258
Instructional and school leadership	70,901,887	2,483,026	73,384,913
Support services—student (pupil)	76,436,817	2,832,501	79,269,318
Support services—nonstudent based	49,496,987	2,177,558	51,674,545
Ancillary services	581,479	-	581,479
Total program services	430,512,585	11,783,928	442,296,513
Support services:			
Administrative support services	31,673,946	4,143,887	35,817,833
Support services—nonstudent based	11,845,790	319,225	12,165,015
Fundraising	3,643,218	182,891	3,826,109
Total support services	47,162,954	4,646,003	51,808,957
Total expenses	477,675,539	16,429,931	494,105,470
Gain on disposal of assets	201,807	-	201,807
Realized and unrealized gain on investments	1,370,120	-	1,370,120
Change in net assets	42,132,692	(2,567,958)	39,564,734
Net assets at beginning of year	146,850,778	600,770	147,451,548
Net assets at end of year	\$ 188,983,470	\$ (1,967,188)	\$ 187,016,282

IDEA Public Schools, Inc.
Consolidating Statement of Cash Flows
Year Ended June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Total
Cash flows from operating activities:			
Change in net assets	\$ 42,132,691	\$ (2,567,957)	\$ 39,564,734
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	25,856,824	2,097,945	27,954,769
Amortization of unamortized discount and debt issuance costs	(3,490,958)	-	(3,490,958)
Allowance for doubtful accounts	182,027	-	182,027
Extinguishment of debt	-	-	-
Unrealized gain on investments	(627,304)	-	(627,304)
Gain on disposal of property and equipment	(201,807)	-	(201,807)
Changes in current assets and liabilities:			
Due from government agencies	(10,174,740)	369,039	(9,805,701)
Contributions receivable	(928,971)	(140,158)	(1,069,129)
Other receivables	2,047,206	(645,126)	1,402,080
Prepaid expenses	(35,722)	(38,296)	(74,018)
Other current assets	1,248,062	(81,978)	1,166,084
Accounts payable	85,028	(1,796,361)	(1,711,333)
Accrued wages payable	5,681,389	531,202	6,212,591
Accrued payroll benefits and taxes	565,650	129,665	695,315
Accrued interest payable	3,040,348	134,220	3,174,568
Accrued expenses	2,943,104	(961,416)	1,981,688
Deferred revenues	6,560,491	(1,828,261)	4,732,230
Other liabilities	(320,168)	(3,267,437)	(3,587,605)
Net cash provided (used) by operating activities	74,563,150	(8,064,919)	66,498,231
Cash flows from investing activities:			
Construction and purchase of property and equipment	(200,770,329)	(11,395,346)	(212,165,675)
Proceeds from disposal of property and equipment	895,069	-	895,069
Purchase of certificates of deposit	(12,211,242)	-	(12,211,242)
Proceeds from maturity of certificates of deposit	13,021,269	-	13,021,269
Purchases of investments	(228,583,880)	-	(228,583,880)
Proceeds from sale of investments	173,958,515	-	173,958,515
Investment in notes receivable from graduates	(182,027)	-	(182,027)
Net cash used by investing activities	(253,872,625)	(11,395,346)	(265,267,971)
Cash flows from financing activities:			
Proceeds from borrowings of long-term debt	220,937,645	15,463,033	236,400,678
Principal payments on long-term debt	(44,757,470)	(2,674,375)	(47,431,845)
Payment to escrow for extinguishment of debt, net	-	-	-
Net cash provided by financing activities	176,180,175	12,788,658	188,968,833
Net decrease in cash and cash equivalents	(3,129,300)	(6,671,607)	(9,800,907)
Cash and cash equivalents at beginning of year	159,677,634	7,493,512	167,171,146
Cash and cash equivalents at end of year	\$ 156,548,334	\$ 821,905	\$ 157,370,239

(continued)

IDEA Public Schools, Inc.
Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2019

	IDEA Charter	IPS Enterprises, LLC	Total
Cash and cash equivalents	\$ 101,995,850	\$ 821,906	\$ 102,817,756
Cash and cash equivalents—held in trust	45,259,196	-	45,259,196
Cash and cash equivalents—noncurrent—held in trust	9,293,287	-	9,293,287
Total cash and cash equivalents	\$ 156,548,333	\$ 821,906	\$ 157,370,239
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 24,158,793	\$ 1,437,564	\$ 25,596,357
Capital leases related to the purchase of property and equipment	\$ 12,121,247	\$ -	\$ 12,121,247

IDEA Public Schools, Inc.
Schedule of Activities for Individual Charter School
Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenues and other support:				
Local support:				
5740 Other revenues from local sources	\$ 5,443,931	\$ 32,304,630	\$ 37,748,561	\$ 26,477,359
5750 Other revenues from other activities	-	230,392	230,392	322,727
Total local support	5,443,931	32,535,022	37,978,953	26,800,086
State program revenues:				
5810 Foundation School Program Act revenues	-	391,666,694	391,666,694	314,853,891
5820 State program revenues distributed by the Texas Education Agency	-	4,464,084	4,464,084	4,207,988
Total state program revenues	-	396,130,778	396,130,778	319,061,879
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	68,756,882	68,756,882	53,147,532
5930 Federal revenues distributed by other state of Texas government agencies	-	2,183,371	2,183,371	1,763,508
5940 Federal revenues distributed directly from the federal government	-	13,186,320	13,186,320	16,629,231
Total federal program revenues	-	84,126,573	84,126,573	71,540,271
Net assets released from restrictions:				
Restrictions satisfied by payments	469,597,192	(469,597,192)	-	-
Total revenues	475,041,123	43,195,181	518,236,304	417,402,236
Expenses:				
11 Instruction	200,971,359	-	200,971,359	161,694,137
12 Instructional resources and media services	3,246,975	-	3,246,975	2,143,415
13 Curriculum and instructional staff development	4,613,567	-	4,613,567	3,808,148
21 Instructional leadership	18,805,819	-	18,805,819	18,136,469
23 School leadership	52,096,068	-	52,096,068	38,899,565
31 Guidance, counseling and evaluation services	17,900,446	-	17,900,446	14,119,907
32 Social work services	427,269	-	427,269	174,873
33 Health services	1,957,486	-	1,957,486	1,704,011
34 Student (pupil) transportation	15,366,314	-	15,366,314	13,443,677
35 Food services	35,721,635	-	35,721,635	26,301,732
36 Cocurricular/extracurricular activities	5,063,668	-	5,063,668	3,678,504
41 General administration	30,162,725	-	30,162,725	23,219,872
51 Plant maintenance and operations	48,417,924	-	48,417,924	39,385,704
52 Security and monitoring services	3,130,751	-	3,130,751	2,265,586
53 Data processing services	9,794,102	-	9,794,102	7,734,308
61 Community services	581,479	-	581,479	317,510
71 Debt service	25,774,734	-	25,774,734	19,916,584
81 Fundraising	3,643,218	-	3,643,218	2,403,413
Total expenses	477,675,539	-	477,675,539	379,347,415
Gain on disposal of assets	-	201,807	201,807	253,151
Realized and unrealized gain on investments	-	1,370,120	1,370,120	78,574
Loss on extinguishment of debt	-	-	-	(7,043,148)
Change in net assets	(2,634,416)	44,767,108	42,132,692	31,343,398
Net assets at beginning of year	2,382,242	144,468,536	146,850,778	115,503,922
Net assets at end of year	\$ (252,174)	\$ 189,235,644	\$ 188,983,470	\$ 146,847,320

IDEA Public Schools, Inc.
Schedule of Expenses for Individual Charter School
Years Ended June 30, 2019 and 2018

	2019	2018
Expenses:		
6100 Payroll costs	\$ 291,265,768	\$ 234,105,101
6200 Professional and contracted services	59,987,056	42,259,622
6300 Supplies and materials	51,753,699	40,214,578
6400 Other operating costs	48,894,282	42,851,530
6500 Debt	25,774,734	19,916,584
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Total expenses	\$ 477,675,539	\$ 379,347,415
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IDEA Public Schools, Inc.
 Schedule of Capital Assets for Individual Charter School
 Year Ended June 30, 2019

Asset Classification		Ownership Interest		
		Local	State	Federal
Property and equipment:				
1510	Land and improvements	\$ -	\$ 95,513,335	\$ 18,900
1520	Building and improvements	-	609,706,126	14,500
1531	Vehicles	213,331	9,492,954	123,342
1539	Furniture and equipment	48,923	8,530,167	12,900,466
Capital leases:				
1558	Vehicles	-	3,996,200	-
1559	Equipment	-	36,239	-
1580	Construction in progress	-	160,336,135	2,913,301
Total		\$ 262,254	\$ 887,611,156	\$ 15,970,509

IDEA Public Schools, Inc.
Budgetary Comparison Schedule for Individual Charter School
Year Ended June 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues:				
Local support:				
5740 Other revenues from local sources	\$ 33,677,110	\$ 36,740,517	\$ 37,748,561	\$ 1,008,044
5750 Other revenues from other activities	366,486	245,337	230,392	(14,945)
Total local support	34,043,596	36,985,854	37,978,953	993,099
State program revenues:				
5810 Foundation School Program Act revenues	375,419,178	381,668,788	391,666,694	9,997,906
5820 State program revenues distributed by the Texas Education Agency	4,561,163	4,561,163	4,464,084	(97,079)
5830 State revenues—other agencies	-	-	-	-
Total state program revenues	379,980,341	386,229,951	396,130,778	9,900,827
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	60,540,397	63,111,546	68,756,882	5,645,336
5930 Federal revenues distributed by other than State of Texas government agencies	1,000,000	2,100,000	2,183,371	83,371
5940 Federal revenues distributed directly from the federal government	24,265,401	14,033,749	13,186,320	(847,429)
Total federal program revenues	85,805,798	79,245,295	84,126,573	4,881,278
Total revenues	499,829,735	502,461,100	518,236,304	15,775,204
Expenses:				
11 Instruction	181,974,552	191,889,554	200,971,359	(9,081,805)
12 Instructional resources and media services	4,140,461	3,465,399	3,246,975	218,424
13 Curriculum and instructional staff development	7,669,955	4,632,973	4,613,567	19,406
21 Instructional leadership	27,410,450	20,709,805	18,805,819	1,903,986
23 School leadership	49,489,098	51,890,396	52,096,068	(205,672)
31 Guidance, counseling and evaluation services	18,981,589	18,836,854	17,900,446	936,408
32 Social work services	221,880	451,228	427,269	23,959
33 Health services	1,745,770	1,820,493	1,957,486	(136,993)
34 Student (pupil) transportation	15,032,138	14,951,209	15,366,314	(415,105)
35 Food services	38,135,851	38,213,942	35,721,635	2,492,307
36 Cocurricular/extracurricular activities	4,214,728	4,748,230	5,063,668	(315,438)
41 General administration	28,658,094	29,023,696	30,162,725	(1,139,029)
51 Plant maintenance and operations	44,789,646	45,345,102	48,417,924	(3,072,822)
52 Security and monitoring services	1,607,597	2,875,982	3,130,751	(254,769)
53 Data processing services	10,557,497	10,498,862	9,794,102	704,760
61 Community services	484,620	565,495	581,479	(15,984)
71 Debt service	24,282,139	24,002,609	25,774,734	(1,772,125)
81 Fundraising	2,648,098	3,383,824	3,643,218	(259,394)
Total expenses	462,044,163	467,305,653	477,675,539	(10,369,886)
Gain on disposal of assets	-	-	201,807	201,807
Realized and Unrealized gain on investments	-	-	1,370,120	1,370,120
Change in net assets	37,785,572	35,155,447	42,132,692	6,977,245
Net assets at beginning of year			146,850,778	-
Net assets at end of year	\$ 37,785,572	\$ 35,155,447	\$ 188,983,470	\$ 6,977,245