

**ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS**

FINANCIAL STATEMENTS

August 31, 2014 and 2013

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
For the Years Ended August 31, 2014 and 2013

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**ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS**

Federal Employer Identification Number: 74-2774612

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the Board of Directors of such charter holder on the 12th day of January, 2015.



Signature of Board Secretary



Signature of Board President

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Orenda Education (the Charter Holder) dba Orenda Charter Schools (a nonprofit organization) as of August 31, 2014 and 2013, the related consolidated statement of activities (with comparative totals for 2013) and the consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of August 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

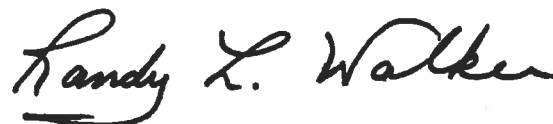
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 24-28 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on pages 29-30 on our consideration of the Charter Holder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Holder's internal control over financial reporting and compliance.



San Antonio, Texas
January 12, 2015

GENERAL-PURPOSE FINANCIAL STATEMENTS

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,499,120	\$ 3,064,869
Investments	1,169,442	1,037,594
Accounts Receivable	13,378	13,402
Due from Texas Education Agency	864,231	953,831
Other Receivables	33,328	2,727
Prepaid Expenses	81,831	86,352
Total Current Assets	8,661,330	5,158,775
Sinking Fund for Bonds Payable	506,793	352,625
Bond Issuance Costs, net	1,974,545	1,750,749
Property and Equipment, net	17,564,361	9,124,201
TOTAL ASSETS	\$ 28,707,029	\$ 16,386,350
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,011,841	\$ 311,453
Accrued Expenses	447,364	428,841
Deferred Revenue	66,437	72,873
Other Liabilities	42,998	27,664
Loans Payable - current portion	35,187	37,099
Bonds Payable - current portion	379,000	125,000
Capital Lease Payable - current portion	59,492	-
Total Current Liabilities	2,042,319	1,002,930
LONG-TERM LIABILITIES		
Loans Payable - long-term	2,710	38,533
Bonds Payable - long-term	20,595,000	10,270,000
Capital Lease Payable - long-term	69,236	-
Total Long-Term Liabilities	20,666,946	10,308,533
TOTAL LIABILITIES	22,709,265	11,311,463
NET ASSETS		
Unrestricted	3,243,415	2,518,192
Temporarily Restricted	2,754,349	2,556,695
TOTAL NET ASSETS	5,997,764	5,074,887
TOTAL LIABILITIES AND NET ASSETS	\$ 28,707,029	\$ 16,386,350

The accompanying notes are an integral part of this financial statement.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT				
Local Support:				
Contributions	\$ 378,073	\$ -	\$ 378,073	\$ 363,281
Miscellaneous Revenue from Intermediate Sources	217,710	-	217,710	163,362
Food Service Activity	-	193,630	193,630	104,617
Earnings from Temporary Deposits and Investments	129,638	-	129,638	58,640
E-Rate Revenue	-	101,997	101,997	85,728
Athletic Activities	38,294	-	38,294	7,090
Other Local Revenue	2,852	-	2,852	904
Interest Income	835	-	835	240
Facility Usage	350	-	350	-
Proceeds from Hospital Sale	-	-	-	550,000
Total Local Support	<u>767,752</u>	<u>295,627</u>	<u>1,063,379</u>	<u>1,333,862</u>
State Program Revenues:				
Foundation School Program Act Revenues	-	9,831,160	9,831,160	8,412,633
State Program Revenues Distributed by Texas Education Agency	-	173,821	173,821	33,458
Total State Program Revenues	<u>-</u>	<u>10,004,981</u>	<u>10,004,981</u>	<u>8,446,091</u>
Federal Program Revenues:				
Federal Revenues Distributed Through Agencies Other than TEA	-	-	-	29,399
Federal Revenues Distributed by Texas Education Agency	-	471,451	471,451	514,177
Total Federal Program Revenues	<u>-</u>	<u>471,451</u>	<u>471,451</u>	<u>543,576</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	10,574,405	(10,574,405)	-	-
TOTAL REVENUE AND OTHER SUPPORT	<u>11,342,157</u>	<u>197,654</u>	<u>11,539,811</u>	<u>10,323,529</u>
EXPENSES				
Program Services (Charter School):				
Instruction	5,225,767	-	5,225,767	4,158,807
Instructional Resources and Media Services	56,234	-	56,234	69,709
Curriculum Development and Instructional Staff Development	84,463	-	84,463	45,805
Instructional Leadership	167,955	-	167,955	183,133
School Leadership	677,463	-	677,463	558,251
Guidance, Counseling, and Evaluation Services	244,260	-	244,260	308,877
Health Services	52,549	-	52,549	50,735
Student Transportation	65,174	-	65,174	52,418
Food Services	201,338	-	201,338	154,833
Extracurricular Activities	299,278	-	299,278	191,800
General Administration	357,261	-	357,261	446,331
Plant Maintenance and Operations	1,296,233	-	1,296,233	1,131,392
Data Processing	319,212	-	319,212	310,913
Debt Service	11,461	-	11,461	4,452
Fundraising	181,142	-	181,142	92,157
Support Services (Foundation):				
Bond Interest	706,553	-	706,553	517,249
Depreciation and Amortization	423,380	-	423,380	249,473
Supplies and Equipment	93,448	-	93,448	-
Salaries and Benefits	72,253	-	72,253	72,772
Miscellaneous Expense	39,215	-	39,215	18,718
Loss on Sale of Fixed Asset	32,911	-	32,911	-
Professional Fees	9,384	-	9,384	28,940
TOTAL EXPENSES	<u>10,616,934</u>	<u>-</u>	<u>10,616,934</u>	<u>8,646,765</u>
CHANGE IN NET ASSETS	725,223	197,654	922,877	1,676,764
NET ASSETS, Beginning of Year	<u>2,518,192</u>	<u>2,556,695</u>	<u>5,074,887</u>	<u>3,398,123</u>
NET ASSETS, End of Year	<u>\$ 3,243,415</u>	<u>\$ 2,754,349</u>	<u>\$ 5,997,764</u>	<u>\$ 5,074,887</u>

The accompanying notes are an integral part of this financial statement.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATED STATEMENTS OF CASH FLOWS
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 922,877	\$ 1,676,764
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Loss on Sale of Fixed Asset	32,911	-
Depreciation and Amortization	592,876	372,540
Investment Income	(131,848)	(58,640)
Decrease (Increase) in Assets:		
Accounts Receivable	24	421
Due from Texas Education Agency	89,600	(170,357)
Bond Principal Refund Receivable	-	102,227
Other Receivables	(30,601)	54,103
Prepaid Expenses	4,521	9,449
Increase (Decrease) in Liabilities:		
Accounts Payable	700,388	(323,939)
Accrued Expenses	18,523	124,681
Deferred Revenue	(6,436)	50,288
Other Liabilities	15,334	(10,142)
	<u>2,208,169</u>	<u>1,827,395</u>
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(8,796,525)	(1,377,025)
Escrow Funds Received for Roadway Improvements	140,471	-
Proceeds from Sale of Fixed Asset	38,000	-
	<u>(8,618,054)</u>	<u>(1,377,025)</u>
Net Cash Used By Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(52,098)	-
Payments on Long-Term Debt	(37,735)	(37,892)
Proceeds from Issuance of Bonds	10,704,000	-
Payments into Sinking Fund	(154,168)	(165,334)
Payment of Bond Issue Costs	(490,863)	-
Payments on Bonds Payable	(125,000)	(115,000)
	<u>9,844,136</u>	<u>(318,226)</u>
Net Cash Provided (Used) By Financing Activities		
Net Increase in Cash Flows	3,434,251	132,144
Cash and Cash Equivalents, Beginning of Year	3,064,869	2,932,725
Cash and Cash Equivalents, End of Year	\$ 6,499,120	\$ 3,064,869
 Supplemental Disclosures		
Interest	\$ 718,014	\$ 521,701
Asset Acquired through Capital Lease Obligation	\$ 180,826	\$ -

The accompanying notes are an integral part of this financial statement.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity and Corporate Operations

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

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

As of August 31, 2014, Orenda Charter School operates at five campus locations. Since the Charter Holder receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Basis of Presentation

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

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

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

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

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

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

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

Basis of Presentation (continued)

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

Permanently Restricted - Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2014 and 2013, the Charter Holder had no permanently restricted net assets.

Grant Funds

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

Use of Estimates

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

Income Taxes

The Charter Holder is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is also exempt from income and sales taxes. As of August 31, 2014, the tax years that remain subject to examination by taxing authorities begin with 2011.

Investments

The security investments that are purchased are held principally for the purpose of selling them in the near term and are classified as trading securities. Trading securities are recorded at fair value based on quoted market prices. Unrealized appreciation or depreciation in value of investments is recognized in the statement of activities as the difference between cost and market value between periods.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

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

Cash and Cash Equivalents

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

Contributions

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

Property and Equipment

Property and equipment are defined as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from four to thirty years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Subsequent Events

The Charter Holder has evaluated subsequent events through January 12, 2015, which is the date the financial statements were available to be issued.

Note 2 - Investments

Investments held at August 31 consisted of the following:

Orenda Education Foundation					
		2014		2013	
		<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash/Money Accounts		\$ 133	\$ 133	\$ 42,696	\$ 42,696
Fixed Income - Bonds		12,174	11,558	84,967	84,508
Equities		-	-	269,069	232,722
Mutual Funds		863,674	756,274	351,289	346,607
Total		\$ 875,981	\$ 767,965	\$ 748,021	\$ 706,533

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 2 - Investments (continued)

Orenda Charter School					
		2014		2013	
		Fair Value	Cost	Fair Value	Cost
Cash/Money Accounts	\$	1,642	\$ 1,642	\$ 11,067	\$ 11,067
Fixed Income - CDs		291,819	290,012	278,506	277,015
Total		\$ 293,461	\$ 291,654	\$ 289,573	\$ 288,082

Investment income consists of the following at August 31:

Orenda Education Foundation			
		2014	2013
Interest/Dividends	\$	30,293	\$ 20,576
Unrealized Gain		95,457	35,681
Total		\$ 125,750	\$ 56,257

Orenda Charter School			
		2014	2013
Interest/Dividends	\$	3,576	\$ 2,383
Unrealized Gain		312	-
Total		\$ 3,888	\$ 2,383

Note 3 - Due from State and Federal Government

At August 31, 2014 and 2013, the Charter Holder had \$864,231 and \$953,831, respectively, in receivables due from Texas Education Agency (TEA) related to various state grants and Foundation School Program revenue. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Note 4 - Temporarily Restricted Net Assets

At August 31, 2014 and 2013, the Foundation's temporarily restricted net assets consisted of \$-0- and \$10,000, respectively, for a new weight room on the Gateway College Preparatory Campus. The School's temporarily restricted net assets consisted of \$2,754,349 and \$2,546,695, respectively, for the Foundation School Program.

ORENDA EDUCATION
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NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 5 - Property and Equipment

Property and equipment consist of the following at August 31:

	Orenda Education Foundation	
	2014	2013
Land and Improvements, net	\$ 1,161,622	\$ 1,302,093
Construction in Progress	-	617,140
Buildings and Improvements	15,523,022	6,223,633
Furniture and Equipment	6,985	6,135
	16,691,629	8,149,001
Less Accumulated Depreciation	(262,143)	(108,920)
 Total Property and Equipment	 \$ 16,429,486	 \$ 8,040,081

As of August 31, 2014, land and improvements of \$1,161,622 is net of \$140,471 in escrow funds received during the year for future roadway improvements. These funds consist of \$137,716 used to obtain a certificate of deposit as collateral for a letter of credit with a local financial institution and 2% for bank fees. The beneficiary of the letter of credit is the City of Georgetown.

	Orenda Charter School	
	2014	2013
Buildings and Improvements	\$ 883,570	\$ 877,181
Vehicles	236,944	236,944
Furniture and Equipment	437,225	223,363
	1,557,739	1,337,488
Less Accumulated Depreciation	(422,864)	(253,368)
 Total Property and Equipment	 \$ 1,134,875	 \$ 1,084,120

Depreciation expense for the years ended August 31, 2014 and 2013 was \$325,809 and \$228,189, respectively. Amortization expense of \$33,151 and \$-0- related to a capital lease obligation (Note 8) is included in depreciation for the years ended August 31, 2014 and 2013, respectively. Furthermore, there was a loss on sale of assets of \$32,911 and \$-0- for the years ended August 31, 2014 and 2013, respectively.

ORENDA EDUCATION
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NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 6 - Concentration of Credit Risk

The Charter Holder maintains several cash and investment accounts in various financial institutions and investment companies. Cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000, and investment account balances are insured by the Securities Investor Protection Corporation up to \$500,000. At August 31, 2014 and 2013, respectively, uninsured cash and investment account balances totaled \$1,497,380 and \$511,264, not including reconciling items.

Note 7 - Long Term Debt

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

	2014	2013
Loan payable to A+ Federal Credit Union, due in monthly installments of principal and interest of \$1,954.02; interest rate at 4.50%; maturing in August 2015, at which time all unpaid principal and interest is payable in full; secured by school bus.	\$ 19,318	\$ 41,835
Loan payable to Bank of America, due in monthly installments of principal and interest of \$1,362.19; interest rate at 4.20%; maturing in October 2015, at which time all unpaid principal and interest is payable in full; secured by two vans.	18,579	33,797
Total Long-Term Debt	\$ 37,897	\$ 75,632

Future scheduled maturities of loans payable are as follows:

For The Year Ending August 31,	
2015	\$ 35,187
2016	2,710
Total	\$ 37,897

Note 8 - Capital Lease Payable

The Charter Holder entered into a capital lease agreement in October 2013 with Dell Financial Services to purchase computer equipment. The lease is payable in 36 monthly installments of \$5,540.50 and expires September 1, 2016, at which time the lease provides for transfer of ownership for \$1. The computer equipment is carried at a cost of \$180,826 less accumulated depreciation of \$33,151 and \$-0- at August 31, 2014 and 2013, respectively.

ORENDA EDUCATION
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NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 8 - Capital Lease Payable (continued)

The related future minimum lease payments under this capital lease are as follows:

Years Ended August 31,		
2015	\$	66,492
2016		66,492
2017		5,557
		138,541
Less: Interest (6.870%)		(9,813)
Present Value of Minimum Lease Payments	\$	128,728

As of August 31, 2014, the current portion and long-term portion of the capital lease payable are \$59,492 and \$69,236, respectively, net of interest. Interest expense on the capital lease was \$8,848 and \$-0- for the years ended August 31, 2014 and 2013, respectively.

Note 9 - Bonds Payable

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

The Charter Holder's bond obligations also include Taxable Education Revenue Bonds (Series 2013B) and Education Revenue Bonds (Series 2013A) issued through the Arlington Higher Education Finance Corporation. These bonds closed and funded on October 16, 2013, with all proceeds being held by Regions Corporate Trust. The bonds' proceeds will be used for expansion of the Gateway College Preparatory Campus and were underwritten by Regions Corporate Trust. The interest rates on the Series 2013A and Series 2013B bonds are 2.58% and 3.87%, respectively, and the terms of the bonds are three years.

As of August 31, 2014, the outstanding balance on bonds payable was \$20,974,000, consisting of bonds payable - current portion of \$379,000 and bonds payable - long-term of \$20,595,000. As of August 31, 2013, the outstanding balance on bonds payable was \$10,395,000, consisting of bonds payable - current portion of \$125,000 and bonds payable - long-term of \$10,270,000.

ORENDA EDUCATION
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NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 9 - Bonds Payable (continued)

Issuance costs paid for these bonds at date of issuance totaled \$2,494,229. Amortization expense related to these costs during the years ended August 31, 2014 and 2013 was \$267,067 and \$144,351, respectively.

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

For the Year Ending August 31,	
2015	\$ 379,000
2016	403,000
2017	10,347,000
2018	165,000
2019	180,000
Thereafter	<u>9,500,000</u>
Total	<u>\$20,974,000</u>

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

The Charter Holder makes monthly principal payments to the sinking fund in anticipation of payments to be made to the bondholders when due. The balance of the sinking fund as of August 31, 2014 and 2013 was \$506,793 and \$352,625, respectively.

Note 10 - Intercompany Transactions

Orenda Charter School (the School) reimburses Orenda Education Foundation (the Foundation) each month for certain expenses incurred to sponsor the school charter and to provide governance, executive planning, and financial and management services for the School. The total amount of these expenses was \$115,000 for the years ended August 31, 2014 and 2013, respectively. This transaction is eliminated in the consolidated financial statements. However, the amount is reflected as professional services revenue in the statement of activities included in the specific purpose financial statements of the Foundation.

Furthermore, the School reimburses the Foundation for making the monthly bond payments for the Series A, B, and Q bonds. The total amount of these payments was \$1,242,766 and \$783,288 for the years ended August 31, 2014 and 2013, respectively. This transaction is eliminated in the consolidated financial statements. Because the Foundation is accepting the debt service payments in lieu of facility lease payments from the School, the amount is reflected as rent revenue in the statement of activities included in the specific purpose financial statements of the Foundation.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 10 - Intercompany Transactions (continued)

As of August 31, 2014 and 2013, there was a payable from the School to the Foundation for \$127,939 and \$166,452, respectively, which is for bond loan payments. The intercompany payable and corresponding intercompany receivable are eliminated in the consolidated financial statements.

Note 11 - Commitments and Contingencies

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

Note 12 - Operating Leases

The Charter Holder has multiple operating lease agreements for office equipment and instructional facilities. Rent expense for the years ended August 31, 2014 and 2013 was \$731,025 and \$787,223 respectively.

The following is a schedule of the operating lease obligations subsequent to August 31, 2014:

Year Ending August 31,	
2015	\$ 469,221
2016	101,951
2017	26,730
2018	<u>21,874</u>
Total	<u>\$ 619,776</u>

Note 13 - Regulated Industry

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

ORENDA EDUCATION
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NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 14 - Proceeds from Hospital Sale

During the years ended August 31, 2014 and 2013, the Charter Holder received \$-0- and \$550,000, respectively, in proceeds from the sale of healthcare assets owned by the Charter Holder and sold several years ago. The proceeds represent a final payment adjustment to the sales price in the Asset Purchase Agreement.

Note 15 - Pension Plan Obligations

Plan Description

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

Funding Policy

Under provisions in state law, plan members are required to contribute 6.4% of their annual covered salary and the state of Texas contributes an amount equal to 6.4% of the Charter Holder's covered payroll. The Charter Holder employees' contributions to TRS for the years ended August 31, 2014 and 2013 were \$344,904 and \$283,425, respectively, equal to the required contributions for the year. Other contributions made from federal and private grants and from the School for the years ended August 31, 2014 and 2013 were \$17,956 and \$15,901, respectively, equal to the required contributions for the year.

Note 16 - Fair Value of Financial Instruments

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

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 16 - Fair Value of Financial Instruments (continued)

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

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

The Charter Holder's financial instruments (Level 1) are as follows at August 31, 2014:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and Cash Equivalents	\$ 6,499,120	\$ 6,499,120
Investments	\$ 1,169,442	\$ 1,169,442
Accounts Receivable	\$ 13,378	\$ 13,378
Due from Texas Education Agency	\$ 864,231	\$ 864,231
Other Receivables	\$ 33,328	\$ 33,328
Prepaid Expenses	\$ 81,831	\$ 81,831
Financial Liabilities:		
Accounts Payable	\$ 1,011,841	\$ 1,011,841
Accrued Expenses	\$ 447,364	\$ 447,364
Deferred Revenue	\$ 66,437	\$ 66,437
Other Liabilities	\$ 42,998	\$ 42,998
Loans Payable - current portion	\$ 35,187	\$ 35,187
Bonds Payable - current portion	\$ 379,000	\$ 379,000
Capital Lease Payable - current portion	\$ 59,492	\$ 59,492

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

Note 17 - Health Care Coverage

During the years ended August 31, 2014 and 2013, employees of the Charter Holder were covered by a health insurance plan. The Charter Holder contributed \$225 per employee per month to the plan during the year ended August 31, 2013. The amount was increased to \$350 per employee per month for the year ended August 31, 2014. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

ORENDA EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,450,180	\$ 1,682,907
Investments	875,981	748,021
Due from Orenda Education Charter School	127,939	166,452
Total Current Assets	5,454,100	2,597,380
Sinking Fund for Bonds Payable	506,793	352,625
Bond Issuance Costs, net	1,974,545	1,750,749
Property and Equipment, net	16,429,486	8,040,081
TOTAL ASSETS	\$ 24,364,924	\$ 12,740,835
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 883,245	\$ 310,858
Accrued Expenses	10,440	10,870
Bonds Payable - current portion	379,000	125,000
Total Current Liabilities	1,272,685	446,728
 LONG-TERM LIABILITIES		
Bonds Payable - long-term	20,595,000	10,270,000
Total Long-Term Liabilities	20,595,000	10,270,000
TOTAL LIABILITIES	21,867,685	10,716,728
 NET ASSETS		
Unrestricted	2,497,239	2,014,107
Temporarily Restricted	-	10,000
TOTAL NET ASSETS	2,497,239	2,024,107
TOTAL LIABILITIES AND NET ASSETS	\$ 24,364,924	\$ 12,740,835

See independent auditor's report.

ORENDA EDUCATION CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,048,940	\$ 1,381,962
Investments	293,461	289,573
Accounts Receivable	13,378	13,402
Due from Texas Education Agency	864,231	953,831
Other Receivables	33,328	2,727
Prepaid Expenses	81,831	86,352
Total Current Assets	3,335,169	2,727,847
Property and Equipment, net	1,134,875	1,084,120
TOTAL ASSETS	\$ 4,470,044	\$ 3,811,967
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 128,596	\$ 595
Accrued Expenses	436,924	417,971
Due to Orenda Education Foundation	127,939	166,452
Deferred Revenue	66,437	72,873
Other Liabilities	42,998	27,664
Loans Payable - current portion	35,187	37,099
Capital Lease Payable - current portion	59,492	-
Total Current Liabilities	897,573	722,654
LONG-TERM LIABILITIES		
Loans Payable - long-term	2,710	38,533
Capital Lease Payable - long-term	69,236	-
Total Long-Term Liabilities	71,946	38,533
TOTAL LIABILITIES	969,519	761,187
NET ASSETS		
Unrestricted	746,176	504,085
Temporarily Restricted	2,754,349	2,546,695
TOTAL NET ASSETS	3,500,525	3,050,780
TOTAL LIABILITIES AND NET ASSETS	\$ 4,470,044	\$ 3,811,967

See independent auditor's report.

ORENDA EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Rent	\$ 1,242,766	\$ -	\$ 1,242,766	\$ 783,288
Contributions	373,073	-	373,073	359,781
Investment Income	125,750	-	125,750	56,257
Professional Services	115,000	-	115,000	115,000
Miscellaneous Income	2,852	-	2,852	379
Interest Income	835	-	835	240
Proceeds from Hospital Sale	-	-	-	550,000
Net Assets Released from Restrictions	10,000	(10,000)	-	-
TOTAL REVENUE AND OTHER SUPPORT	1,870,276	(10,000)	1,860,276	1,864,945
EXPENSES				
Bond Interest	706,553	-	706,553	517,249
Depreciation and Amortization	423,380	-	423,380	249,473
Supplies and Equipment	93,448	-	93,448	-
Salaries and Benefits	72,253	-	72,253	72,772
Miscellaneous Expense	49,215	-	49,215	18,718
Loss on Sale of Fixed Asset	32,911	-	32,911	-
Professional Fees	9,384	-	9,384	28,940
TOTAL EXPENSES	1,387,144	-	1,387,144	887,152
CHANGE IN NET ASSETS	483,132	(10,000)	473,132	977,793
NET ASSETS, Beginning of Year	2,014,107	10,000	2,024,107	1,046,314
NET ASSETS, End of Year	\$ 2,497,239	\$ -	\$ 2,497,239	\$ 2,024,107

See independent auditor's report.

ORENDA EDUCATION CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
5729 Other Local Revenue	\$ -	\$ -	\$ -	\$ 525
5742 Earnings from Temporary Deposits and Investments	3,888	-	3,888	2,383
5743 Facility Usage	350	-	350	-
5744 Donations	15,000	-	15,000	3,500
5749 E-Rate Revenue	-	101,997	101,997	85,728
5751 Food Service Activity	-	193,630	193,630	104,617
5752 Athletic Activities	38,294	-	38,294	7,090
5769 Miscellaneous Revenue from Intermediate Sources	217,710	-	217,710	163,362
Total Local Support	<u>275,242</u>	<u>295,627</u>	<u>570,869</u>	<u>367,205</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	9,831,160	9,831,160	8,412,633
5820 State Program Revenues Distributed by Texas Education Agency	-	173,821	173,821	33,458
Total State Program Revenues	<u>-</u>	<u>10,004,981</u>	<u>10,004,981</u>	<u>8,446,091</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed Through Agencies Other than TEA	-	-	-	29,399
5920 Federal Revenues Distributed by Texas Education Agency	-	471,451	471,451	514,177
Total Federal Program Revenues	<u>-</u>	<u>471,451</u>	<u>471,451</u>	<u>543,576</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	10,564,405	(10,564,405)	-	-
TOTAL REVENUE AND OTHER SUPPORT	<u>10,839,647</u>	<u>207,654</u>	<u>11,047,301</u>	<u>9,356,872</u>
EXPENSES				
11 Instruction	5,225,767	-	5,225,767	4,158,807
12 Instructional Resources and Media Services	56,234	-	56,234	69,709
13 Curriculum Development and Instructional Staff Development	84,463	-	84,463	45,805
21 Instructional Leadership	167,955	-	167,955	183,133
23 School Leadership	677,463	-	677,463	558,251
31 Guidance, Counseling, and Evaluation Services	244,260	-	244,260	308,877
33 Health Services	52,549	-	52,549	50,735
34 Student Transportation	65,174	-	65,174	52,418
35 Food Services	201,338	-	201,338	154,833
36 Extracurricular Activities	299,278	-	299,278	191,800
41 General Administration	472,261	-	472,261	561,331
51 Plant Maintenance and Operations	1,296,233	-	1,296,233	1,131,392
53 Data Processing	319,212	-	319,212	310,913
71 Debt Service	1,254,227	-	1,254,227	787,740
81 Fundraising	181,142	-	181,142	92,157
TOTAL EXPENSES	<u>10,597,556</u>	<u>-</u>	<u>10,597,556</u>	<u>8,657,901</u>
CHANGE IN NET ASSETS	242,091	207,654	449,745	698,971
NET ASSETS, Beginning of Year	504,085	2,546,695	3,050,780	2,351,809
NET ASSETS, End of Year	<u>\$ 746,176</u>	<u>\$ 2,754,349</u>	<u>\$ 3,500,525</u>	<u>\$ 3,050,780</u>

See independent auditor's report.

ORENDA EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
August 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 473,132	\$ 977,793
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Loss on Sale of Fixed Asset	32,911	-
Depreciation and Amortization	423,380	249,473
Investment Income	(127,960)	(56,257)
Decrease in Assets:		
Due from Orenda Education Charter School	38,513	18,915
Bond Principal Refund Receivable	-	102,227
Increase (Decrease) in Liabilities:		
Accounts Payable	572,387	(273,876)
Accrued Expenses	(430)	90
Net Cash Provided By Operating Activities	1,411,933	1,018,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(8,757,100)	(1,244,695)
Escrow Funds Received for Roadway Improvements	140,471	-
Proceeds from Sale of Fixed Asset	38,000	-
Net Cash Used By Investing Activities	(8,578,629)	(1,244,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	10,704,000	-
Payments into Sinking Fund	(154,168)	(165,334)
Payment of Bond Issue Costs	(490,863)	-
Payments on Bonds Payable	(125,000)	(115,000)
Net Cash Provided (Used) By Financing Activities	9,933,969	(280,334)
Net Increase (Decrease) in Cash Flows	2,767,273	(506,664)
Cash and Cash Equivalents, Beginning of Year	1,682,907	2,189,571
Cash and Cash Equivalents, End of Year	\$ 4,450,180	\$ 1,682,907
 Supplemental Disclosures		
Interest	\$ 706,553	\$ 517,249

See independent auditor's report.

ORENDA EDUCATION CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
August 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 449,745	\$ 698,971
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation	169,496	123,067
Investment Income	(3,888)	(2,383)
Decrease (Increase) in Assets:		
Accounts Receivable	24	421
Due from Texas Education Agency	89,600	(170,357)
Other Receivables	(30,601)	54,103
Prepaid Expenses	4,521	9,449
Increase (Decrease) in Liabilities:		
Accounts Payable	128,001	(50,063)
Accrued Expenses	18,953	124,591
Due to Orenda Education Foundation	(38,513)	(18,915)
Deferred Revenue	(6,436)	50,288
Other Liabilities	15,334	(10,142)
Net Cash Provided By Operating Activities	796,236	809,030
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(39,425)	(132,330)
Net Cash Used By Investing Activities	(39,425)	(132,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(52,098)	-
Payments on Long-Term Debt	(37,735)	(37,892)
Net Cash Used By Financing Activities	(89,833)	(37,892)
Net Increase in Cash Flows	666,978	638,808
Cash and Cash Equivalents, Beginning of Year	1,381,962	743,154
Cash and Cash Equivalents, End of Year	\$ 2,048,940	\$ 1,381,962
 Supplemental Disclosures		
Interest	\$ 11,461	\$ 4,452
Asset Acquired through Capital Lease Obligation	\$ 180,826	\$ -

See independent auditor's report.

SUPPLEMENTAL INFORMATION

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Orenda Education		
Expenses		
6100 Payroll Costs	\$ 6,137,899	\$ 5,044,005
6200 Professional and Contracted Services	1,870,398	1,970,548
6300 Supplies and Materials	1,019,584	546,610
6400 Other Operating Costs	603,972	419,550
6500 Debt	985,081	666,052
	<u>10,616,934</u>	<u>8,646,765</u>
Total Expenses	\$ 10,616,934	\$ 8,646,765

Orenda Education Foundation		
Expenses		
6100 Payroll Costs	\$ 72,253	\$ 72,772
6200 Professional and Contracted Services	9,384	28,940
6300 Supplies and Materials	93,448	-
6400 Other Operating Costs	228,439	123,840
6500 Debt	973,620	661,600
	<u>1,377,144</u>	<u>887,152</u>
Total Expenses (net of eliminating entries)	\$ 1,377,144	\$ 887,152

Orenda Education Charter School		
Expenses		
6100 Payroll Costs	\$ 6,065,646	\$ 4,971,233
6200 Professional and Contracted Services	1,861,014	1,941,608
6300 Supplies and Materials	926,136	546,610
6400 Other Operating Costs	375,533	295,710
6500 Debt	11,461	4,452
	<u>9,239,790</u>	<u>7,759,613</u>
Total Expenses (net of eliminating entries)	\$ 9,239,790	\$ 7,759,613

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
SCHEDULE OF CAPITAL ASSETS
August 31, 2014

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

Orenda Education	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 4,450,180	\$ 2,048,940	\$ -
1510 Land and Improvements	1,161,622	-	-
1520 Buildings and Improvements	15,523,022	883,570	-
1531 Vehicles	-	236,944	-
1539 Furniture and Equipment	6,985	437,225	-
Total Capital Assets	\$ 21,141,809	\$ 3,606,679	\$ -

Orenda Education Foundation	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 4,450,180	\$ -	\$ -
1510 Land and Improvements	1,161,622	-	-
1520 Buildings and Improvements	15,523,022	-	-
1539 Furniture and Equipment	6,985	-	-
Total Capital Assets	\$ 21,141,809	\$ -	\$ -

Orenda Education Charter School	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 2,048,940	\$ -
1520 Buildings and Improvements	-	883,570	-
1531 Vehicles	-	236,944	-
1539 Furniture and Equipment	-	437,225	-
Total Capital Assets	\$ -	\$ 3,606,679	\$ -

See independent auditor's report.

**ORENDA EDUCATION CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
Year Ended August 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 83,000	\$ 98,000	\$ 121,235	\$ 23,235
5750 Revenue from Cocurricular/Enterprising	147,000	213,500	231,924	18,424
5760 Revenues from Intermediate Sources	185,500	199,000	217,710	18,710
Total Local Support	<u>415,500</u>	<u>510,500</u>	<u>570,869</u>	<u>60,369</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	10,307,568	9,997,961	9,831,160	(166,801)
5820 State Program Revenues Distributed by Texas Education Agency	-	42,779	173,821	131,042
Total State Program Revenues	<u>10,307,568</u>	<u>10,040,740</u>	<u>10,004,981</u>	<u>(35,759)</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed through Agencies Other than TEA	31,066	-	-	-
5920 Federal Revenues Distributed by Texas Education Agency	412,610	471,451	471,451	-
Total Federal Program Revenues	<u>443,676</u>	<u>471,451</u>	<u>471,451</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>11,166,744</u>	<u>11,022,691</u>	<u>11,047,301</u>	<u>24,610</u>
EXPENSES				
11 Instructional	5,209,615	5,316,631	5,225,767	90,864
12 Instructional Resources and Media Services	79,758	64,258	56,234	8,024
13 Curriculum Development and Instructional Staff Development	43,000	83,411	84,463	(1,052)
21 Instructional Leadership	191,238	163,238	167,955	(4,717)
23 School Leadership	717,446	715,112	677,463	37,649
31 Guidance, Counseling & Evaluation Services	338,813	278,274	244,260	34,014
33 Health Services	59,708	59,708	52,549	7,159
34 Student Transportation	65,455	74,455	65,174	9,281
35 Food Services	156,328	192,328	201,338	(9,010)
36 Extracurricular Activities	217,250	287,250	299,278	(12,028)
41 General Administration	575,000	475,000	472,261	2,739
51 Plant Maintenance and Operations	1,319,012	1,314,512	1,296,233	18,279
53 Data Processing Services	311,757	311,757	319,212	(7,455)
71 Debt Service	1,464,650	1,247,566	1,254,227	(6,661)
81 Fundraising	87,533	177,033	181,142	(4,109)
TOTAL EXPENSES	<u>10,836,563</u>	<u>10,760,533</u>	<u>10,597,556</u>	<u>162,977</u>
CHANGE IN NET ASSETS	330,181	262,158	449,745	187,587
NET ASSETS, Beginning of Year	<u>3,045,749</u>	<u>2,458,070</u>	<u>3,050,780</u>	<u>592,710</u>
NET ASSETS, End of Year	<u>\$ 3,375,930</u>	<u>\$ 2,720,228</u>	<u>\$ 3,500,525</u>	<u>\$ 780,297</u>

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
August 31, 2014
(with comparative totals for 2013)

	2014				2013 Total
	Orenda Education Foundation	Orenda Education Charter School	Eliminating Entries	Total	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,450,180	\$ 2,048,940	\$ -	\$ 6,499,120	\$ 3,064,869
Investments	875,981	293,461	-	1,169,442	1,037,594
Accounts Receivable	-	13,378	-	13,378	13,402
Due from Texas Education Agency	-	864,231	-	864,231	953,831
Due from Orenda Education Charter School	127,939	-	(127,939)	-	-
Other Receivables	-	33,328	-	33,328	2,727
Prepaid Expenses	-	81,831	-	81,831	86,352
Total Current Assets	5,454,100	3,335,169	(127,939)	8,661,330	5,158,775
Sinking Fund for Bonds Payable	506,793	-	-	506,793	352,625
Bond Issuance Costs, net	1,974,545	-	-	1,974,545	1,750,749
Property and Equipment, net	16,429,486	1,134,875	-	17,564,361	9,124,201
TOTAL ASSETS	\$ 24,364,924	\$ 4,470,044	\$ (127,939)	\$ 28,707,029	\$ 16,386,350
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts Payable	\$ 883,245	\$ 128,596	\$ -	\$ 1,011,841	\$ 311,453
Accrued Expenses	10,440	436,924	-	447,364	428,841
Due to Orenda Education Foundation	-	127,939	(127,939)	-	-
Deferred Revenue	-	66,437	-	66,437	72,873
Other Liabilities	-	42,998	-	42,998	27,664
Loans Payable - current portion	-	35,187	-	35,187	37,099
Bonds Payable - current portion	379,000	-	-	379,000	125,000
Capital Lease Payable - current portion	-	59,492	-	59,492	-
Total Current Liabilities	1,272,685	897,573	(127,939)	2,042,319	1,002,930
LONG-TERM LIABILITIES					
Loans Payable - long-term	-	2,710	-	2,710	38,533
Bonds Payable - long-term	20,595,000	-	-	20,595,000	10,270,000
Capital Lease Payable - long-term	-	69,236	-	69,236	-
Total Long-Term Liabilities	20,595,000	71,946	-	20,666,946	10,308,533
TOTAL LIABILITIES	21,867,685	969,519	(127,939)	22,709,265	11,311,463
NET ASSETS					
Unrestricted	2,497,239	746,176	-	3,243,415	2,518,192
Temporarily Restricted	-	2,754,349	-	2,754,349	2,556,695
TOTAL NET ASSETS	2,497,239	3,500,525	-	5,997,764	5,074,887
TOTAL LIABILITIES AND NET ASSETS	\$ 24,364,924	\$ 4,470,044	\$ (127,939)	\$ 28,707,029	\$ 16,386,350

See independent auditor's report.

ORENDA EDUCATION
dba ORENDA CHARTER SCHOOLS
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014				2013 Total
	Orenda Education Foundation	Orenda Education Charter School	Eliminating Entries	Total	
REVENUES AND OTHER SUPPORT					
Local Support:					
Contributions	\$ 373,073	\$ 15,000	\$ (10,000)	\$ 378,073	\$ 363,281
Miscellaneous Revenue from Intermediate Sources	-	217,710	-	217,710	163,362
Food Service Activity	-	193,630	-	193,630	104,617
Earnings from Temporary Deposits and Investments	125,750	3,888	-	129,638	58,640
E-Rate Revenue	-	101,997	-	101,997	85,728
Athletic Activities	-	38,294	-	38,294	7,090
Other Local Revenue	2,852	-	-	2,852	904
Interest Income	835	-	-	835	240
Facility Usage	-	350	-	350	-
Proceeds from Hospital Sale	-	-	-	-	550,000
Professional Services	115,000	-	(115,000)	-	-
Rent	1,242,766	-	(1,242,766)	-	-
Total Local Support	<u>1,860,276</u>	<u>570,869</u>	<u>(1,367,766)</u>	<u>1,063,379</u>	<u>1,333,862</u>
State Program Revenues:					
Foundation School Program Act Revenues	-	9,831,160	-	9,831,160	8,412,633
State Program Revenues Distributed by Texas Education Agency	-	173,821	-	173,821	33,458
Total State Program Revenues	<u>-</u>	<u>10,004,981</u>	<u>-</u>	<u>10,004,981</u>	<u>8,446,091</u>
Federal Program Revenues:					
Federal Revenues Distributed Through Agencies Other than TEA	-	-	-	-	29,399
Federal Revenues Distributed by Texas Education Agency	-	471,451	-	471,451	514,177
Total Federal Program Revenues	<u>-</u>	<u>471,451</u>	<u>-</u>	<u>471,451</u>	<u>543,576</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,860,276</u>	<u>11,047,301</u>	<u>(1,367,766)</u>	<u>11,539,811</u>	<u>10,323,529</u>
EXPENSES					
Program Services (Charter School):					
Instruction	-	5,225,767	-	5,225,767	4,158,807
Instructional Resources and Media Services	-	56,234	-	56,234	69,709
Curriculum Development and Instructional Staff Development	-	84,463	-	84,463	45,805
Instructional Leadership	-	167,955	-	167,955	183,133
School Leadership	-	677,463	-	677,463	558,251
Guidance, Counseling, and Evaluation Services	-	244,260	-	244,260	308,877
Health Services	-	52,549	-	52,549	50,735
Student Transportation	-	65,174	-	65,174	52,418
Food Services	-	201,338	-	201,338	154,833
Extracurricular Activities	-	299,278	-	299,278	191,800
General Administration	-	472,261	(115,000)	357,261	446,331
Plant Maintenance and Operations	-	1,296,233	-	1,296,233	1,131,392
Data Processing	-	319,212	-	319,212	310,913
Debt Service	-	1,254,227	(1,242,766)	11,461	4,452
Fundraising	-	181,142	-	181,142	92,157
Support Services (Foundation):					
Bond Interest	706,553	-	-	706,553	517,249
Depreciation and Amortization	423,380	-	-	423,380	249,473
Supplies and Equipment	93,448	-	-	93,448	-
Salaries and Benefits	72,253	-	-	72,253	72,772
Miscellaneous Expense	49,215	-	(10,000)	39,215	18,718
Loss on Sale of Fixed Asset	32,911	-	-	32,911	-
Professional Fees	9,384	-	-	9,384	28,940
TOTAL EXPENSES	<u>1,387,144</u>	<u>10,597,556</u>	<u>(1,367,766)</u>	<u>10,616,934</u>	<u>8,646,765</u>
CHANGE IN NET ASSETS	<u>473,132</u>	<u>449,745</u>	<u>-</u>	<u>922,877</u>	<u>1,676,764</u>
NET ASSETS, Beginning of Year	<u>2,024,107</u>	<u>3,050,780</u>	<u>-</u>	<u>5,074,887</u>	<u>3,398,123</u>
NET ASSETS, End of Year	<u>\$ 2,497,239</u>	<u>\$ 3,500,525</u>	<u>\$ -</u>	<u>\$ 5,997,764</u>	<u>\$ 5,074,887</u>

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Orenda Education (the Charter Holder) dba Orenda Charter Schools (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Holder's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

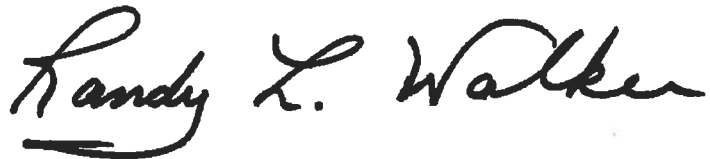
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Holder's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Antonio, Texas

January 12, 2015