

# **New Frontiers Public Schools, Inc.**

Financial Report  
August 31, 2017 and 2016

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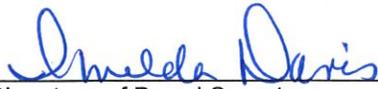
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New Frontiers Public Schools, Inc.

Federal Employer Identification Number: 31-1598661  
Certificate of Board

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We, the undersigned, certify that the attached financial and compliance report of the above-named charter holder was reviewed and (check one)  approved  disapproved for the year ended August 31, 2017, at a meeting of the governing body of the charter holder on the 11 day of December, 2017.



Signature of Board Secretary



Signature of Board President

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

[Attach list as necessary]



RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
New Frontiers Public Schools, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of New Frontiers Public Schools, Inc. (NFPS, Inc.), which comprise the statements of financial position as of August 31, 2017 and 2016, the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 NFPS, Inc.'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 NFPS, Inc.'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 NFPS, Inc. as of August 31, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audits of the financial statements were conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplemental information is presented for purposes of 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, 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 December 11, 2017, on our consideration of NFPS, 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 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 NFPS, Inc.'s internal control over financial reporting and compliance.

*RSM US LLP*

San Antonio, Texas  
December 11, 2017

## **Financial Statements**

New Frontiers Public Schools, Inc.

Statements of Financial Position  
August 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,802,364	\$ 2,742,316
Due from state	541,657	451,310
Due from federal agencies	107,314	90,492
<b>Total current assets</b>	<b>3,451,335</b>	<b>3,284,118</b>
Noncurrent assets:		
Restricted cash:		
Debt service reserve fund	194,540	58,645
Repair and replacement fund	144,994	134,744
Property and equipment, net	6,027,311	6,088,242
Property held for future use	840,463	840,463
<b>Total noncurrent assets</b>	<b>7,207,308</b>	<b>7,122,094</b>
<b>Total assets</b>	<b>\$ 10,658,643</b>	<b>\$ 10,406,212</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Trade payables	\$ 131,132	\$ 111,411
Construction payables	-	34,850
Payroll deductions and withholdings	12,100	39,726
Accrued interest	36,868	19,045
Due to student groups	13,584	13,267
Current maturities of bonds payable	250,000	240,000
<b>Total current liabilities</b>	<b>443,684</b>	<b>458,299</b>
Noncurrent liabilities:		
Bonds payable, less current maturities and bond issuance costs, net of accumulated amortization	5,670,940	5,900,286
<b>Total liabilities</b>	<b>6,114,624</b>	<b>6,358,585</b>
Net assets:		
Unrestricted	56,114	50,026
Temporarily restricted	4,487,905	3,997,601
<b>Total net assets</b>	<b>4,544,019</b>	<b>4,047,627</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,658,643</b>	<b>\$ 10,406,212</b>

See notes to financial statements.

**New Frontiers Public Schools, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended August 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and other support:</b>			
Local support:			
E-Rate Program	\$ -	\$ 33,244	\$ 33,244
Food service	-	15,290	15,290
Interest income	992	-	992
Co-curricular, enterprising services or activities	26,324	-	26,324
<b>Total local support</b>	<b>27,316</b>	<b>48,534</b>	<b>75,850</b>
State program revenues:			
Foundation School Program	-	6,370,680	6,370,680
Textbook allotment	-	51,462	51,462
Food service	-	2,847	2,847
<b>Total state program revenues</b>	<b>-</b>	<b>6,424,989</b>	<b>6,424,989</b>
Federal program revenues:			
Title I, Part C—Migrant	-	3,579	3,579
Title I, Part A—Grants to Local Education Agencies	-	294,341	294,341
Title I, Part A—Priority and Focus School Grant	-	117,778	117,778
Title III, Part A—English Language Enhancement	-	11,032	11,032
Child Nutrition	-	461,460	461,460
IDEA B—Formula	-	154,858	154,858
IDEA B—Preschool	-	2,452	2,452
Title II, Part A—Improving Teacher Quality	-	50,212	50,212
Fresh Fruit and Vegetable Program	-	4,114	4,114
Federal interest subsidy	-	148,558	148,558
<b>Total federal program revenues</b>	<b>-</b>	<b>1,248,384</b>	<b>1,248,384</b>
Net assets released from restrictions:			
Restrictions satisfied by payments	7,231,603	(7,231,603)	-
<b>Total revenues and other support</b>	<b>7,258,919</b>	<b>490,304</b>	<b>7,749,223</b>

(Continued)

**New Frontiers Public Schools, Inc.**

**Statement of Activities and Changes in Net Assets (Continued)  
Year Ended August 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Expenses:			
11 Instructional	\$ 3,384,710	\$ -	\$ 3,384,710
13 Curriculum development and instructional staff development	77,518	-	77,518
21 Instructional leadership	302	-	302
23 School leadership	574,109	-	574,109
31 Guidance, counseling and evaluation services	160,151	-	160,151
33 Health services	46,378	-	46,378
34 Student (pupil) transportation	42,358	-	42,358
35 Food services	523,956	-	523,956
36 Extracurricular activities	6,100	-	6,100
41 General administration	644,221	-	644,221
51 Plant maintenance and operations	983,385	-	983,385
53 Data processing services	200,435	-	200,435
61 Community services	92,064	-	92,064
71 Debt service	508,524	-	508,524
81 Fundraising	8,620	-	8,620
<b>Total expenses</b>	<u>7,252,831</u>	<u>-</u>	<u>7,252,831</u>
<b>Change in net assets</b>	6,088	490,304	496,392
Net assets at beginning of year	<u>50,026</u>	<u>3,997,601</u>	<u>4,047,627</u>
Net assets at end of year	<u>\$ 56,114</u>	<u>\$ 4,487,905</u>	<u>\$ 4,544,019</u>

See notes to financial statements.

**New Frontiers Public Schools, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended August 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Local support:			
E-Rate Program	\$ -	\$ 34,421	\$ 34,421
Food service	-	16,710	16,710
Interest income	2,285	-	2,285
Contributions	-	10,000	10,000
Co-curricular, enterprising services or activities	32,375	-	32,375
<b>Total local support</b>	<u>34,660</u>	<u>61,131</u>	<u>95,791</u>
State program revenues:			
Foundation School Program	-	6,169,279	6,169,279
Textbook allotment	-	18,465	18,465
Food service	-	2,964	2,964
<b>Total state program revenues</b>	<u>-</u>	<u>6,190,708</u>	<u>6,190,708</u>
Federal program revenues:			
Title I, Part C—Migrant	-	7,635	7,635
Title I, Part A—Grants to Local Education Agencies	-	278,452	278,452
Title I, Part A—Priority and Focus School Grant	-	19,000	19,000
Title III, Part A—English Language Enhancement	-	9,232	9,232
Child Nutrition	-	446,677	446,677
IDEA B—Formula	-	145,552	145,552
IDEA B—Preschool	-	2,252	2,252
Title II, Part A—Improving Teacher Quality	-	48,688	48,688
Federal interest subsidy	-	159,457	159,457
<b>Total federal program revenues</b>	<u>-</u>	<u>1,116,945</u>	<u>1,116,945</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>7,195,305</u>	<u>(7,195,305)</u>	<u>-</u>
<b>Total revenues and other support</b>	<u>7,229,965</u>	<u>173,479</u>	<u>7,403,444</u>

(Continued)

**New Frontiers Public Schools, Inc.**

**Statement of Activities and Changes in Net Assets (Continued)**  
**Year Ended August 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Expenses:			
11 Instructional	\$ 3,456,843	\$ -	\$ 3,456,843
13 Curriculum development and instructional staff development	110,595	-	110,595
21 Instructional leadership	527	-	527
23 School leadership	492,885	-	492,885
31 Guidance, counseling and evaluation services	137,837	-	137,837
33 Health services	78,394	-	78,394
34 Student (pupil) transportation	11,257	-	11,257
35 Food services	545,866	-	545,866
41 General administration	773,265	-	773,265
51 Plant maintenance and operations	939,739	-	939,739
52 Security and monitoring services	816	-	816
53 Data processing services	130,216	-	130,216
61 Community services	28,178	-	28,178
71 Debt service	503,904	-	503,904
81 Fundraising	10,198	-	10,198
<b>Total expenses</b>	<b>7,220,520</b>	<b>-</b>	<b>7,220,520</b>
<b>Change in net assets</b>	<b>9,445</b>	<b>173,479</b>	<b>182,924</b>
Net assets at beginning of year	40,581	3,824,122	3,864,703
Net assets at end of year	<b>\$ 50,026</b>	<b>\$ 3,997,601</b>	<b>\$ 4,047,627</b>

See notes to financial statements.

**New Frontiers Public Schools, Inc.**

**Statements of Cash Flows**  
**Years Ended August 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 496,392	\$ 182,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	356,718	384,166
Amortization of bond issuance costs	20,654	20,654
Changes in assets and liabilities:		
Due from state	(90,347)	(64,889)
Due from federal agencies	(16,822)	(41,034)
Trade payables	19,721	75,391
Construction payables	(34,850)	34,850
Payroll deductions and withholdings	(27,626)	(36,446)
Accrued interest	17,823	(827)
Due to student groups	317	12,232
<b>Net cash provided by operating activities</b>	<b>741,980</b>	<b>567,021</b>
Cash flows from investing activities:		
Capital expenditures	(295,787)	(7,697)
Construction in progress expenditures	-	(34,850)
<b>Net cash used in investing activities</b>	<b>(295,787)</b>	<b>(42,547)</b>
Cash flows from financing activities:		
Bond principal payment	(240,000)	(230,000)
<b>Net cash used in financing activities</b>	<b>(240,000)</b>	<b>(230,000)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>206,193</b>	<b>294,474</b>
Cash, cash equivalents and restricted cash at beginning of year	2,935,705	2,641,231
Cash, cash equivalents and restricted cash at end of year	\$ 3,141,898	\$ 2,935,705
Cash and cash equivalents	\$ 2,802,364	\$ 2,742,316
Restricted cash:		
Debt service reserve fund	194,540	58,645
Repair and replacement fund	144,994	134,744
Cash, cash equivalents and restricted cash at end of year	\$ 3,141,898	\$ 2,935,705
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 314,860	\$ 324,086

See notes to financial statements.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Organization:** Effective August 1, 2017, New Frontiers Charter School, Inc. changed its name to New Frontiers Public Schools, Inc. (NFPS, Inc.). NFPS, Inc. is a Texas nonprofit corporation located in San Antonio, Texas. NFPS, Inc. is governed by a Board of Directors (the Board) composed of six members, in accordance with the open-enrollment charter described below. The Board is selected pursuant to the bylaws of NFPS, Inc. and has the authority to make decisions, appoint the chief executive officer and significantly influence operations. The Board has the primary accountability for the fiscal affairs of NFPS, Inc.

In 1998, the State Board of Education (SBOE) of the state of Texas granted NFPS, Inc. 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 SBOE and the terms of the applicable Contract for Charter, the SBOE established New Frontiers Charter School, formerly San Antonio Advantage Charter School, in the summer of 1998. Effective August 1, 2017, New Frontiers Charter School changed its name to New Frontiers Public Schools (the School). The School serves kindergarten through ninth grade, but is authorized to render services to prekindergarten through 12th grade, with a maximum enrollment of 1,176 students. The terms of the current applicable Contract for Charter are from August 1, 2008, to July 31, 2018.

NFPS, Inc. opened the Frank L. Madla Early College High School in the 2014-2015 school year. The school began serving ninth grade students and will add one grade level per year through the 2018 school year. It is anticipated that the early college high school will serve approximately 425 students in grades nine through 12.

Effective August 1, 2017, New Frontiers Middle School changed its name to Frank L. Madla Accelerated Collegiate Academy.

NFPS, Inc. only operates the School and does not conduct any other charter or noncharter activities. NFPS, Inc.'s sole mission is to provide educational services to students in the community in which the School operates. Therefore, the School's resources are expended solely for the benefit of its students.

NFPS, Inc. receives substantially all its funding from the Texas Education Agency (TEA) based on the School's average daily attendance. Since NFPS, Inc. receives funding from local, state and federal government sources, it must comply with the eligibility requirements of the entities providing those funds.

**Basis of presentation:** The financial statements of NFPS, Inc. have been prepared on the accrual basis of accounting applicable to nonprofit organizations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing nonprofit accounting and financial reporting principles.

Revenues and other support are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, as applicable, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reclassified to unrestricted net assets and reported as net assets released from restrictions.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Unrestricted:** Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.

**Temporarily restricted:** Temporarily restricted net assets are those resources subject to donor-imposed restrictions that will be satisfied by the actions of NFPS, Inc. or the passage of time. This temporarily restricted description requires NFPS, Inc. to use state funding for the benefit of educating students enrolled in the School. At fiscal year-end, temporarily restricted net assets represent the net assets of the food service fund, which must be used for future food service activities, state funds that may be used in the following fiscal years and any unspent state foundation monies.

**Permanently restricted:** Permanently restricted net assets are those resources subject to donor-imposed restrictions that will be maintained permanently. The donors of these resources require that the principal be invested in perpetuity and permit the income earned, including unrealized appreciation, to be used, all or in part, for unrestricted or temporarily restricted purposes. As of August 31, 2017 and 2016, NFPS, Inc. had no permanently restricted net assets.

**Cash and cash equivalents:** NFPS, Inc. considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of all cash on hand and in banks and money market accounts.

**Restricted cash:** Restricted cash is limited as to its use under the terms of the bond indenture. The restricted cash represents amounts restricted for payment of long-term debt, interest expense and repair and replacement expenses.

**Cash balance and credit risk:** NFPS, Inc. maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Interest-bearing accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. In addition, NFPS, Inc. has an agreement with its bank institution where the bank provides pledged collateral in NFPS, Inc.'s name in the event deposits exceed FDIC limits. NFPS, Inc. has not experienced any losses in such accounts.

**Revenue recognition:** Capitation received, including base capitation, entitlements and special services, is recognized in the period services are provided and eligibility requirements are met. Revenues from the state of Texas are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

NFPS, Inc. reports all its state funding and federal awards as restricted support. When these restrictions are fulfilled, that is, when the stipulated time restriction ends or purpose restriction (i.e., eligible expenditures are incurred) is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

E-Rate Program revenue is earned by a discount received from certain vendors for technology-related expenses. The expenses are grossed up to the amount that would have been paid without the applicable discount and local revenue is recorded in the amount of the discount.

**Due from state:** Due from state consists of the instructional day's accrual and underpayments for the foundation school program made to NFPS, Inc. from TEA.

**Due from federal agencies:** Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables. Advances from government agencies are recorded as deferred revenues. 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 awards.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Regulated industry:** The majority of NFPS, Inc.'s activities and revenues are a result of contracts with TEA. NFPS, Inc.'s operations are concentrated in the education field. As such, NFPS, Inc. operates in a heavily regulated environment. The operations of NFPS, Inc. 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 or 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.

**Allowance for doubtful accounts for due from state/federal agencies:** The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. NFPS, Inc. considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded in these financial statements.

**Bond issuance costs:** Bond issuance costs are amortized over the term of the respective financing.

**Property and equipment:** Property and equipment are stated at cost, if purchased, or at fair value if donated. Additions and improvements are capitalized, while ordinary repairs and maintenance are charged to expense as incurred. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful life of the asset. The capitalization threshold for NFPS, Inc. is \$5,000.

Asset Classification	Estimated Useful Life in Years
Buildings and improvements	25
Improvements—other than building	5
Furniture and equipment	10
Computer software	5
Vehicles	5

**Property held for future use:** Property held for future use is valued at the lower of cost or realizable value and represents property and land purchased by NFPS, Inc. that has not been put into service as of August 31, 2017. The property will be used for future expansion and will not be depreciated until it is put into its intended use.

**Due to student groups:** Due to student groups represents cash that belongs to various student fundraising groups that is being held by NFPS, Inc.

**Federal income taxes:** NFPS, Inc. is a nonprofit organization and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), except to the extent it has unrelated business income. As such, no provision for federal income taxes has been made in the accompanying financial statements. NFPS, Inc. generally is no longer subject to income tax examinations by federal authorities for the years prior to August 31, 2013.

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

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Advertising costs:** NFPS, Inc. expenses advertising costs when they are incurred. Advertising costs for the years ended August 31, 2017 and 2016, totaled \$29,568 and \$3,207, respectively.

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

**Subsequent events:** NFPS, Inc. has evaluated subsequent events that occurred after August 31, 2017, through the date of this report on December 11, 2017. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements. No events occurred subsequent to year-end that required disclosure.

**Reclassification:** Certain reclassifications have been made in the prior-year statement of activities and changes in net assets to conform to the current-year presentation with no effect on change in net assets.

**Adopted accounting pronouncement:** In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. NFPS, Inc. has adopted this accounting pronouncement effective September 1, 2016. Bond issuance costs were reclassified from other assets to long-term liabilities on the statement of financial position.

**Recent accounting pronouncements:** In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The standard is effective for annual reporting periods beginning after December 15, 2018.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restriction” and “net assets without donor restriction,” and expands disclosures about the nature and amount of any donor restrictions. The ASU is effective for annual periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted.

NFPS, Inc. has not yet selected a transition method for the recent accounting pronouncements above and is currently evaluating the effect these standards will have on its financial statements.

**New Frontiers Public Schools, Inc.**

**Notes to Financial Statements**

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**Note 2. Functional Expenses**

Functional expenses consists of the following:

	August 31	
	2017	2016
Program activity:		
School education	\$ 6,091,466	\$ 5,926,273
General and administration (G&A):		
Debt service	508,524	503,904
Other G&A	644,221	780,145
	<u>1,152,745</u>	<u>1,284,049</u>
Fundraising	8,620	10,198
	<u>\$ 7,252,831</u>	<u>\$ 7,220,520</u>

**Note 3. Due From State/Due From Federal Agencies**

Due from state and due from federal agencies consist of the following:

	August 31	
	2017	2016
Due from state:		
Foundation School Program:		
Days of instruction	\$ 510,441	\$ 447,611
Settlement of current-year underpayment	31,216	3,699
Total due from state	<u>\$ 541,657</u>	<u>\$ 451,310</u>
Due from federal agencies:		
Child Nutrition Cluster	\$ 28,628	\$ 33,458
Title I, Part A—Grants to Local Education Agencies	38,334	-
Title II, Part A—Improving Teacher Quality	9,508	25,104
IDEA B—Cluster	8,181	31,930
E-Rate Program	22,663	-
Total due from federal agencies	<u>\$ 107,314</u>	<u>\$ 90,492</u>

**New Frontiers Public Schools, Inc.**

**Notes to Financial Statements**

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**Note 4. Property and Equipment**

Property and equipment consist of the following:

	August 31	
	2017	2016
Land and improvements	\$ 209,664	\$ 209,664
Buildings and improvements	7,541,794	7,216,857
Furniture and equipment	988,234	988,232
Computer software	26,696	26,698
Vehicles	14,484	8,784
Construction in progress	-	34,850
	<u>8,780,872</u>	<u>8,485,085</u>
Less accumulated depreciation	<u>2,753,561</u>	<u>2,396,843</u>
Net property and equipment	<u>\$ 6,027,311</u>	<u>\$ 6,088,242</u>

Depreciation expense totaled \$356,718 and \$384,166, respectively, for the years ended August 31, 2017 and 2016.

**Note 5. Bonds Payable**

In October 2010, NFPS, Inc. received \$7,580,000 in bond proceeds to fund the purchase of school facilities; major renovations of the purchased building, including the construction of additional parking spaces and a covered outdoor physical education pavilion; and the purchase and installation of portable modular classroom buildings.

The bonds outstanding are in the form of Education Revenue Bonds Series 2010A and 2010Q issued by the Texas Public Finance Authority Charter School Finance Corporation (TPFACSF). The Series 2010A bonds qualify for tax-exempt status.

The Series 2010A bonds outstanding total \$3,185,000, bear interest at 5.80 percent per annum and are payable semiannually on February 15 and August 15 of each year. The Series 2010A bonds mature during 2040 and are secured by a first lien on substantially all assets of NFPS, Inc.

The Series 2010Q bonds outstanding total \$2,945,000, bear interest at 8.75 percent per annum and are payable semiannually on February 15 and August 15 of each year. The Series 2010Q bonds mature during 2027 and are secured by substantially all assets of NFPS, Inc.

**New Frontiers Public Schools, Inc.**

**Notes to Financial Statements**

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**Note 5. Bonds Payable (Continued)**

Bonds payable consist of the following:

	August 31	
	2017	2016
Series 2010A	\$ 3,185,000	\$ 3,185,000
Series 2010Q	2,945,000	3,185,000
	<u>6,130,000</u>	<u>6,370,000</u>
Less current maturities	250,000	240,000
Less bond issuance costs	209,060	229,714
	<u>209,060</u>	<u>229,714</u>
Bonds payable, less current maturities and bond issuance costs, net of accumulated amortization	<u>\$ 5,670,940</u>	<u>\$ 5,900,286</u>

Aggregate maturities required on bonds payable at August 31, 2017, are as follows:

Years ending August 31:		
2018		\$ 250,000
2019		260,000
2020		265,000
2021		275,000
2022		285,000
Thereafter		4,795,000
		<u>\$ 6,130,000</u>

As part of the loan agreements for the bonds, NFPS, Inc. is required to establish and maintain several trustee-held funds, which are not available for general use. The loan agreements contain certain financial covenants.

NFPS, Inc. receives an annual Qualified School Construction Bond federal subsidy to assist in the payment of interest on the bonds. During the years ended August 31, 2017 and 2016, NFPS, Inc. received the subsidy benefit of \$148,558 and \$159,457, respectively, which was paid directly to the bond trustee on behalf of NFPS, Inc. and is reported as revenue in the accompanying statements of activities and changes in net assets.

In 2017, the net interest cost paid of these bonds was \$314,860, which consists of interest paid of \$463,418, less the federal subsidy benefit of \$148,558. In 2016, the net interest cost paid of these bonds was \$324,086, which consists of interest paid of \$483,543, less the federal subsidy benefit of \$159,457.

**Debt covenants:** The bonds contain certain financial covenants with which NFPS, Inc. must stay in compliance.

**Revenue fund:** NFPS, Inc. is required to transfer revenues from its operating account to the revenue fund on a monthly basis. These revenues are transferred on a monthly basis to the debt service reserve fund and, therefore, the balance is \$-0- at August 31, 2017 and 2016.

**Debt service reserve fund:** Amounts in this fund are used to meet debt service requirements of the bonds payable and are reserved by NFPS, Inc. These funds totaled \$194,540 and \$58,645 as of August 31, 2017 and 2016, respectively.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 5. Bonds Payable (Continued)

**Reserve fund guaranty:** In addition, in connection with the Texas Credit Enhancement Program for Charter Schools and a guaranty agreement dated October 1, 2010, between NFPS, Inc. and TPFACSCFC, a reserve fund guaranty was established on behalf of NFPS, Inc. for the maximum amount of \$600,000. The reserve fund guaranty is held on deposit with the Texas Comptroller of Public Accounts solely to provide security for repayment of the bonds. The funds are not available for the current debt service payments of NFPS, Inc., but serve as a guaranty if future payments are unable to be made by NFPS, Inc. If the trustee draws on the guaranty to make a payment, NFPS, Inc. is then obligated to reimburse TPFACSCFC for any amounts paid on its behalf. This guaranty expires on the earlier of August 15, 2040, or upon full payments of the bonds.

**Repair and replacement fund:** This fund is used to pay for major repairs and renovations on an as-needed basis. As of August 31, 2017 and 2016, the balance in this fund totaled \$144,994 and \$134,744, respectively. On November 29, 2017, NFPS, Inc. deposited an additional \$1,000 into this trustee-held fund.

#### Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	August 31	
	2017	2016
Child Nutrition Program	\$ 93,464	\$ 137,740
Title I, Part A	8,748	8,748
Summer Program 2017	-	10,000
Foundation School Program	4,385,693	3,841,113
	<u>\$ 4,487,905</u>	<u>\$ 3,997,601</u>

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

	Years Ended August 31	
	2017	2016
Child Nutrition Program	\$ 519,843	\$ 445,000
Federal programs	638,367	512,128
Foundation School Program	5,881,591	6,044,299
E-Rate Program	33,244	34,421
Federal interest subsidy	148,558	159,457
Contributions	10,000	-
	<u>\$ 7,231,603</u>	<u>\$ 7,195,305</u>

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 7. Operating Leases

NFPS, Inc. leases property and equipment under noncancelable operating leases. Rental expense for the years ended August 31, 2017 and 2016, totaled \$118,221 and \$112,296, respectively.

Future minimum payments on long-term noncancelable operating leases at August 31, 2017, are as follows:

Years ending August 31:	
2018	\$ 143,466
2019	43,025
2020	16,260
2021	16,260
2022	8,130
	<u>\$ 227,141</u>

#### Note 8. Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

**Grants:** NFPS, Inc. receives a portion of its funding from federal and state programs that are governed by various rules and regulations of the grantors. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### Note 9. Pension Plan Obligations

**Plan description:** NFPS, Inc. participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit plan that is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the IRC. The Texas legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

TRS' plan differs from single-employer plans in the following ways:

- Charters are legally separate entities from the state and each other.
- Assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another charter or ISD.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 9. Pension Plan Obligations (Continued)

- The unfunded obligations get passed along to other charters or ISDs.
- There is no withdrawal penalty for leaving TRS.

**Pension plan fiduciary net position:** Detailed information about TRS' fiduciary net position is available in a separately issued comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling +1 512 542 6592.

**Benefits provided:** TRS provides service and disability retirement, as well as death and survivor benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65, with five years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55, with five years of service credit or earlier than 55, with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62, depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas legislature, as noted in the plan description above.

**Contributions:** Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of TRS during the fiscal year. Texas Government Code, Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code Section 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code, Section 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83<sup>rd</sup> Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature GAA established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, NFPS, Inc. and the state of Texas as the only nonemployer contributing entity (NECE). The state is the employer for senior colleges, medical schools and state agencies, including TRS. In each respective role, the state contributes to the plan in accordance with state statutes and the GAA.

## New Frontiers Public Schools, Inc.

### Notes to Financial Statements

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#### Note 9. Pension Plan Obligations (Continued)

As the NECE for public education and junior colleges, the state of Texas contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below, which are paid by NFPS, Inc. NFPS, Inc. is required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source or from noneducational and general or local funds.
- When the employing district is a public junior college or junior college district, the district shall contribute to TRS an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

In addition to NFPS, Inc.'s employer contributions listed below, when employing a retiree of TRS, NFPS, Inc. shall pay both the member contribution and the state contribution as an employment after retirement surcharge. NFPS, Inc.'s contribution to TRS does not represent more than 5 percent of the total contributions to the TRS plan. There have been no changes that would affect the comparison of employer contributions from year to year.

	2017	2016
Member	7.7%	7.2%
NECE	6.8%	6.8%
Employers	6.8%	6.8%
Employer contributions	\$ 53,809	\$ 38,435
Member contributions	310,417	303,732
Non-OASDI contributions	58,996	53,504

**New Frontiers Public Schools, Inc.**

**Notes to Financial Statements**

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**Note 10. Health Care Coverage**

During the years ended August 31, 2017 and 2016, employees of NFPS, Inc. were covered by a health insurance plan. NFPS, Inc. contributed 95 percent of the employee's premium and none of dependent's premium during the years ended August 31, 2017 and 2016. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. During the year ended August 31, 2017, NFPS, Inc. paid medical premiums of \$300 and dental premiums of \$13.28 per month, per employee with an aggregate cost of \$242,001 for the year (\$229,295 in 2016). All premiums were paid to licensed insurers.

## **Supplemental Information**

**New Frontiers Public Schools, Inc.**

**Schedules of Expenses  
Years Ended August 31, 2017 and 2016**

	<b>2017</b>	2016
Expenses:		
6100 Payroll costs	<b>\$ 4,622,021</b>	\$ 4,497,618
6200 Professional and contracted services	<b>1,050,355</b>	1,075,332
6300 Supplies and materials	<b>575,567</b>	587,879
6400 Other operating costs	<b>496,364</b>	555,787
6500 Debt service costs	<b>508,524</b>	503,904
	<hr/>	<hr/>
<b>Total expenses</b>	<b>\$ 7,252,831</b>	<b>\$ 7,220,520</b>

**New Frontiers Public Schools, Inc.**

**Schedule of Ownership Interest  
August 31, 2017**

Object Code	Asset Classification	Ownership Interest		
		Local	State	Federal
1510	Property held for future use	\$ -	\$ 840,463	\$ -
1510	Land and improvements	-	209,664	-
1520	Buildings and improvements	-	7,510,593	31,201
1531	Vehicles	-	5,700	8,784
1539	Furniture and equipment	-	922,454	65,780
1549	Computer software	-	26,696	-
		<u>\$ -</u>	<u>\$ 9,515,570</u>	<u>\$ 105,765</u>

**New Frontiers Public Schools, Inc.**

**Budgetary Comparison Schedule  
Year Ended August 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget	Variance Explanations
	Original	Final		Positive (Negative)	
Revenues and other support:					
Local support:					
5740 Other revenues from local sources	\$ -	\$ 37,316	\$ 27,316	\$ (10,000)	1
5750 Other revenues from other activities	4,000	15,290	15,290	-	2
5760 Revenue from intermediate sources	-	33,244	33,244	-	3
<b>Total local support</b>	<b>4,000</b>	<b>85,850</b>	<b>75,850</b>	<b>(10,000)</b>	
State program revenues:					
5810 Foundation School Program	6,375,600	6,354,763	6,370,680	15,917	4
5820 State program revenues distributed by the Texas Education Agency	59,695	51,812	54,309	2,497	5
<b>Total state program revenues</b>	<b>6,435,295</b>	<b>6,406,575</b>	<b>6,424,989</b>	<b>18,414</b>	
Federal program revenues:					
5910 Federal revenues distributed through government entities other than state or federal agencies	-	148,558	148,558	-	
5920 Federal revenues distributed by the Texas Education Agency	1,028,596	1,082,565	1,099,826	17,261	
<b>Total federal program revenues</b>	<b>1,028,596</b>	<b>1,231,123</b>	<b>1,248,384</b>	<b>17,261</b>	
<b>Total revenues and other support</b>	<b>7,467,891</b>	<b>7,723,548</b>	<b>7,749,223</b>	<b>25,675</b>	
Expenses:					
11 Instructional	3,669,617	3,359,128	3,384,710	(25,582)	
13 Curriculum development and instructional staff development	125,103	77,517	77,518	(1)	6
21 Instructional leadership	-	302	302	-	7
23 School leadership	646,239	574,110	574,109	1	8
31 Guidance, counseling and evaluation services	234,411	160,150	160,151	(1)	9
33 Health services	57,320	46,378	46,378	-	10
34 Student (pupil) transportation	30,820	42,356	42,358	(2)	11
35 Food services	427,623	503,836	523,956	(20,120)	12
36 Extracurricular activities	-	6,100	6,100	-	13
41 General administration	782,952	641,545	644,221	(2,676)	14
51 Plant maintenance and operations	721,229	973,060	983,385	(10,325)	15
52 Security and monitoring services	2,500	-	-	-	16
53 Data processing services	159,849	200,434	200,435	(1)	17
61 Community services	87,138	92,063	92,064	(1)	
71 Debt service	463,418	508,524	508,524	-	
81 Fundraising	-	8,620	8,620	-	18
<b>Total expenses</b>	<b>7,408,219</b>	<b>7,194,123</b>	<b>7,252,831</b>	<b>(58,708)</b>	
<b>Change in net assets</b>	<b>59,672</b>	<b>529,425</b>	<b>496,392</b>	<b>(33,033)</b>	
Net assets at beginning of year	4,047,627	4,047,627	4,047,627	-	
Net assets at end of year	\$ 4,107,299	\$ 4,577,052	\$ 4,544,019	\$ (33,033)	

**New Frontiers Public Schools, Inc.**

**State Compliance Matters—Budget Variance  
Year Ended August 31, 2017**

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The final budgeted amounts varied by more than 10 percent of the original budget as follows:

- 1 Object Code 5740 did not have any monies budgeted for revenue at the beginning of the fiscal year.
- 2 Object Code 5751 for fund 161 had a total of \$5,745 that was not budgeted in the original budget for staff meals.  
Object Code 5751 for fund 240 had a total of \$5,545 that was not budgeted in the original budget for student meals.
- 3 Object Code 5769 for fund 420 had a total of \$33,244 that was not budgeted in the in the original budget for E-Rate revenue.
- 4 Object Code 5829 for fund 410 had a total of \$6,582 that was overbudgeted in the original budget for textbooks.  
Actual expenditures for the fiscal year were less than budgeted.
- 5 Object Code 5919 for fund 420 had a total of \$148,558 that was not budgeted in the original budget for bond subsidy revenue.
- 6 Function 13 for fund 420 had a total of \$47,587 that was over budget in the original budget for travel expenses.  
Travel expenses were less than budgeted.
- 7 Function 21 for fund 212 had a total of \$302 that was not budgeted in the original budget for contract services in the shared services arrangement with ESC 20.
- 8 Function 23 for fund 420 had a total of \$46,529 that was overbudgeted in the original budget for payroll expenses.  
Function 23 for fund 420 had a total of \$25,600 that was overbudgeted in the original budget for other operating expenses.
- 9 Function 31 for fund 420 had a total of \$78,543 that was overbudgeted in the original budget for professional services.
- 10 Function 33 for fund 420 had a total of \$6,208 that was overbudgeted in the original budget for payroll expenses.  
Function 33 for fund 420 had a total of \$5,147 that was overbudgeted in the original budget for travel. Travel did not occur.
- 11 Function 34 for fund 420 had a total of \$10,566 that was not budgeted in the original budget for other operating expenses.
- 12 Function 35 for fund 240 had a total of \$96,996 that was not budgeted in the original budget for food costs.
- 13 Function 36 for fund 420 had a total of \$6,100 that was not budgeted in the original budget for extracurricular activities.
- 14 Function 41 for fund 420 had a total of \$71,027 for one FTE that was reduced in the district office.  
Function 41 for fund 420 had a total of \$70,380 that was reduced in other operating expenses due to decrease in enrollment.
- 15 Function 51 for fund 420 had a total of \$299,710 that was not budgeted in the original budget for depreciation expense.
- 16 Function 52 for fund 420 had a total of actual expenses that were coded to fund 420 function 51. Budget dollars were reclassified from function 52 to function 51.
- 17 Function 53 for fund 420 had a total of \$40,585 that was not budgeted in the original budget for professional services.
- 18 Function 81 for fund 198 had a total of \$8,620 that was not budgeted in the original budget for operating expenses.

The actual expenses varied by more than 10 percent from the final amended budget as follows:

- 1 Fund 198 Object 5749 had a donation from Folger that was reclassified to fund 161 to expend on robotics program as intended by donor.

