ANNUAL FINANCIAL REPORT

of

WAYSIDE SCHOOLS
AUSTIN, TEXAS

For the Years Ended
June 30, 2018 and 2017
# Wayside Schools

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June 30, 2018 and 2017

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<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>
WAYSIDE SCHOOLS
Certificate of Board

Wayside Schools
Name of Charter Holder

74-2869144
Federal Employer ID Number

Wayside Schools
Name of Charter School

Travis
County
227-803
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance reports of the above named Charter Holder were reviewed and (check one) ☑ approved _____ disapproved for the year ended June 30, 2018, at a meeting of the governing body of the Charter Holder on the 15th day of November, 2018.

Signature of Board Secretary

Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
Wayside Schools:

Report on the Financial Statements

We have audited the accompanying financial statements of Wayside Schools (the “Charter Holder”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter Holder’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 Charter Holder’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 June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplemental information in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for the 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 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 November 14, 2018 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Holder’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Charter Holder’s internal control over financial reporting and compliance.

Belt Harris Pechacek, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
November 14, 2018
FINANCIAL STATEMENTS
## Wayside Schools

### Statements of Financial Position - Exhibit A-1

**June 30, 2018 and 2017**

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,419,231</td>
<td>$3,129,451</td>
</tr>
<tr>
<td>Due from Texas Education Agency</td>
<td>3,282,799</td>
<td>2,479,643</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>-</td>
<td>2,086</td>
</tr>
<tr>
<td>Other receivables</td>
<td>126,748</td>
<td>169,029</td>
</tr>
<tr>
<td>Note receivable</td>
<td>-</td>
<td>45,798</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>17,037</td>
<td>76,444</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>6,845,815</td>
<td>5,902,451</td>
</tr>
</tbody>
</table>

| Noncurrent assets:     |            |            |
| Restricted cash and cash equivalents: |          |            |
| Debt service reserve   | 1,341,998  | 1,328,303  |
| Future debt service    | 975,912    | 1,037,948  |
| Project construction   | 90,999     | 10,782,736 |
| Property and equipment, net | 33,834,756 | 22,162,952 |
| **Total Assets**       | $43,089,480 | $41,214,390 |

#### Liabilities and Net Assets

| Current liabilities: |            |            |
| Accounts payable and other liabilities | $2,200,897 | $558,769 |
| Interest payable      | 705,755    | 706,455    |
| Due to other governments | 5,051     | -          |
| Deferred revenue       | 1,000      | 45,798     |
| Current portion of long-term debt | 585,000   | 415,000    |
| **Total current liabilities** | 3,497,703 | 1,726,022 |

| Bonds payable, net of discount and current portion | 33,605,763 | 34,045,559 |

| **Total Liabilities** | 37,103,466 | 35,771,581 |

| Net assets:           |            |            |
| Unrestricted          | 5,919,962  | 5,378,058  |
| Temporarily restricted | 66,052    | 64,751     |

| **Total Net Assets**  | 5,986,014  | 5,442,809  |

| **Total Liabilities and Net Assets** | $43,089,480 | $41,214,390 |

See Notes to Financial Statements.
### Wayside Schools

**Statements of Activities - Exhibit A-2**

For the Years Ended June 30, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2018 Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5740  Revenues from local sources</td>
<td>$ 1,710,681</td>
<td>$</td>
<td>$ 1,710,681</td>
<td>$ 1,764,475</td>
</tr>
<tr>
<td>5750  Revenue from cocurricular or enterprising</td>
<td>70,682</td>
<td>-</td>
<td>70,682</td>
<td>91,998</td>
</tr>
<tr>
<td>Total local support</td>
<td>1,781,363</td>
<td>-</td>
<td>1,781,363</td>
<td>1,856,473</td>
</tr>
<tr>
<td>State program revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5810  Foundation school program act revenues</td>
<td>-</td>
<td>16,685,668</td>
<td>16,685,668</td>
<td>15,045,257</td>
</tr>
<tr>
<td>5820  State program revenues distributed by Texas Education Agency</td>
<td>-</td>
<td>573,424</td>
<td>573,424</td>
<td>775,539</td>
</tr>
<tr>
<td>Total state program revenue</td>
<td>-</td>
<td>17,259,092</td>
<td>17,259,092</td>
<td>15,820,796</td>
</tr>
<tr>
<td>Federal program revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5920  Federal revenues distributed by the Texas Education Agency</td>
<td>-</td>
<td>1,640,223</td>
<td>1,640,223</td>
<td>1,410,444</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restrictions satisfied by payments</td>
<td>18,898,014</td>
<td>(18,898,014)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>20,679,377</td>
<td>1,301</td>
<td>20,680,678</td>
<td>19,087,713</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Expenses</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11  Instruction</td>
<td>9,780,906</td>
<td>-</td>
<td>9,780,906</td>
<td>9,287,963</td>
</tr>
<tr>
<td>12  Instructional resources and media services</td>
<td>132,596</td>
<td>-</td>
<td>132,596</td>
<td>129,475</td>
</tr>
<tr>
<td>13  Curriculum development and instructional staff development</td>
<td>1,094,776</td>
<td>-</td>
<td>1,094,776</td>
<td>981,211</td>
</tr>
<tr>
<td>21  Instructional leadership</td>
<td>454,104</td>
<td>-</td>
<td>454,104</td>
<td>435,373</td>
</tr>
<tr>
<td>23  School leadership</td>
<td>1,530,172</td>
<td>-</td>
<td>1,530,172</td>
<td>1,410,182</td>
</tr>
<tr>
<td>31  Guidance, counseling, and evaluation services</td>
<td>243,055</td>
<td>-</td>
<td>243,055</td>
<td>294,955</td>
</tr>
<tr>
<td>33  Health services</td>
<td>56,108</td>
<td>-</td>
<td>56,108</td>
<td>1,528</td>
</tr>
<tr>
<td>34  Transportation</td>
<td>38,517</td>
<td>-</td>
<td>38,517</td>
<td>-</td>
</tr>
<tr>
<td>35  Food services</td>
<td>722,288</td>
<td>-</td>
<td>722,288</td>
<td>677,325</td>
</tr>
<tr>
<td>36  Cocurricular/extracurricular activities</td>
<td>18,321</td>
<td>-</td>
<td>18,321</td>
<td>31,020</td>
</tr>
<tr>
<td>41  General administration</td>
<td>880,176</td>
<td>-</td>
<td>880,176</td>
<td>591,330</td>
</tr>
<tr>
<td>51  Plant maintenance and operations</td>
<td>2,578,805</td>
<td>-</td>
<td>2,578,805</td>
<td>2,502,759</td>
</tr>
<tr>
<td>52  Security and monitoring services</td>
<td>32,468</td>
<td>-</td>
<td>32,468</td>
<td>34,771</td>
</tr>
<tr>
<td>53  Data processing services</td>
<td>225,673</td>
<td>-</td>
<td>225,673</td>
<td>204,592</td>
</tr>
<tr>
<td>61  Community services</td>
<td>175,883</td>
<td>-</td>
<td>175,883</td>
<td>233,486</td>
</tr>
<tr>
<td>71  Debt service</td>
<td>2,056,383</td>
<td>-</td>
<td>2,056,383</td>
<td>2,031,543</td>
</tr>
<tr>
<td>81  Fundraising</td>
<td>117,242</td>
<td>-</td>
<td>117,242</td>
<td>87,546</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>20,137,473</td>
<td>-</td>
<td>20,137,473</td>
<td>18,935,059</td>
</tr>
</tbody>
</table>

| **Change in Net Assets** | 541,904 | 1,301 | 543,205 | 152,654 |

Beginning net assets | 5,378,058 | 64,751 | 5,442,809 | 5,290,155 |

**Ending Net Assets** | $ 5,919,962 | $ 66,052 | $ 5,986,014 | $ 5,442,809 |

See Notes to Financial Statements.
Wayside Schools  
*Statements of Cash Flows - Exhibit A-3*  
For the Years Ended June 30, 2018 and 2017

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation school program payments</td>
<td>$15,884,598</td>
<td>$14,884,528</td>
</tr>
<tr>
<td>Grant payments</td>
<td>2,213,647</td>
<td>2,185,983</td>
</tr>
<tr>
<td>Miscellaneous sources</td>
<td>1,869,442</td>
<td>1,856,473</td>
</tr>
<tr>
<td>Payments to vendors for goods and services rendered</td>
<td>(2,703,808)</td>
<td>(3,554,782)</td>
</tr>
<tr>
<td>Payments to charter school personnel for services rendered</td>
<td>(12,770,612)</td>
<td>(12,004,904)</td>
</tr>
<tr>
<td>Interest payments and amortizations</td>
<td>(2,056,383)</td>
<td>(2,031,543)</td>
</tr>
</tbody>
</table>

**Net Cash Provided by Operating Activities**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,436,884</td>
<td>1,335,755</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of capital assets</td>
<td>(12,472,182)</td>
<td>(1,920,984)</td>
</tr>
</tbody>
</table>

**Net Cash (Used) by Investing Activities**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(12,472,182)</td>
<td>(1,920,984)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Financing Activities:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of debt, net</td>
<td>(415,000)</td>
<td>(433,755)</td>
</tr>
</tbody>
</table>

**Net Cash (Used) by Financing Activities**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(415,000)</td>
<td>(433,755)</td>
</tr>
</tbody>
</table>

**Net Change in Cash and Cash Equivalents**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(10,450,298)</td>
<td>(1,018,984)</td>
</tr>
</tbody>
</table>

| Beginning cash and cash equivalents | 16,278,438 | 17,297,422 |
|---|---|
| Ending Cash and Cash Equivalents | $5,828,140 | $16,278,438 |

| Unrestricted cash and cash equivalents | $3,419,231 | $3,129,451 |
| Restricted debt service reserve cash and cash equivalents | 1,341,998 | 1,328,303 |
| Restricted future debt service cash and cash equivalents | 975,912 | 1,037,948 |
| Restricted project construction cash and cash equivalents | 90,999 | 10,782,736 |

**Ending Cash and Cash Equivalents**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,828,140</td>
<td>$16,278,438</td>
</tr>
</tbody>
</table>

**Adjustments to Reconcile to Change in Net Assets to Net Cash Provided by Operating Activities:**

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>800,378</td>
<td>787,986</td>
</tr>
<tr>
<td>Decrease in deferred charges</td>
<td>-</td>
<td>92,144</td>
</tr>
<tr>
<td>(Increase) in receivables</td>
<td>(712,991)</td>
<td>(160,729)</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>59,407</td>
<td>(16,907)</td>
</tr>
<tr>
<td>Increase in liabilities</td>
<td>1,746,885</td>
<td>480,607</td>
</tr>
</tbody>
</table>

**Net Cash Provided by Operating Activities**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,436,884</td>
<td>$1,335,755</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
Wayside Schools

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Wayside Schools (the “Charter Holder”) were prepared in conformity with accounting principles generally accepted in the United States in conjunction with the Texas Education Agency’s (TEA) Financial Accountability System Resource Guide. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles (FASB).

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a Board of Directors (the “Board”) comprised of eight members. The Board 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 has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

In March 1998, 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, Eden Park Academy was opened for the academic year 1998-1999. Eden Park Academy was organized to provide educational services to students in grades kindergarten through eighth grade and the organization’s Board governs their programs, services, activities, and functions.

On May 16, 2012, the State granted the Charter Holder’s request to change its name to Wayside Schools. The Charter Holder operates five schools: Eden Park Academy, REAL Learning Academy, Sci-Tech Preparatory, Altamira Academy, and Sci-Tech High School. The Charter Holder serves students from pre-kindergarten through twelfth grade.

Basis of Accounting and Presentation

The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

Temporarily restricted – net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Charter Holder, the charter school, and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the Charter Holder’s activities due to donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general purpose financial statements. Capital assets are defined by the Charter Holder 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 3 to 20 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 acquisition value at the date of donation, which is then treated as cost.
NOTE 2 – CAPITAL ASSETS

Capital assets at year end were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$4,930,874</td>
<td>$4,930,874</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>18,282,298</td>
<td>18,267,697</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>14,365,510</td>
<td>1,907,929</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>833,185</td>
<td>833,185</td>
</tr>
<tr>
<td><strong>Total Property and Equipment</strong></td>
<td><strong>38,411,867</strong></td>
<td><strong>25,939,685</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>4,577,111</td>
<td>3,776,733</td>
</tr>
<tr>
<td><strong>Property and Equipment, Net</strong></td>
<td><strong>$33,834,756</strong></td>
<td><strong>$22,162,952</strong></td>
</tr>
</tbody>
</table>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense for the 2018 and 2017 fiscal years was $800,378 and $787,986, respectively.

NOTE 3 – LONG-TERM DEBT

**Bonds Payable**

In December 2012, the Travis County Cultural Education Facilities Finance Corporation (the “Corporation”) issued the following bonds: $11,250,000 Education Revenue Bonds (Wayside Schools) Series 2012A, $3,515,000 Taxable Education Revenue Bonds (Wayside Schools) Series 2012B, and $6,100,000 Taxable Education Revenue Qualified Zone Academy Bonds (Wayside Schools) Series 2012Z. Proceeds of the bonds were loaned to the Charter Holder to finance the cost of acquiring, constructing, and renovating educational facilities, as well as to pay off the mortgage loan held with Horizon Bank.

The bonds are limited obligations of the Corporation, payable solely from revenues received from the Charter Holder pursuant to a series of legal agreements between the Corporation, the Charter Holder, and the Wilmington Trust National Association, who serves as Trustee.

The Taxable Education Revenue Qualified Zone Academy Bonds (Wayside Schools) Series 2012Z are designated as qualified zone academy bonds pursuant to the Internal Revenue Code. The Charter Holder is eligible to receive a cash subsidy from the United States Treasury annually through maturity on interest payments made for this series. The subsidy for fiscal year 2018 and 2017 totaled $237,768 and $237,514, respectively.

In June 2016, the Arlington Higher Education Finance Corporation (the “Corporation”) issued the following bonds: $15,985,000 Education Revenue Bonds (Wayside Schools) Series 2016A and $625,000 Education Revenue Bonds (Wayside Schools) Taxable Series 2016B. Proceeds of the bonds were loaned to the Charter Holder to finance the cost of acquisition, improvement, construction, renovation, and equipping of certain educational facilities.

The bonds are limited obligations of the Corporation, payable solely from revenues received from the Charter Holder pursuant to a series of legal agreements between the Corporation, the Charter Holder, and the Wilmington Trust National Association, who serves as Trustee.
Details of the bonds outstanding at year end are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Interest Rates</th>
<th>Maturity Date</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Revenue Bonds, Series 2012A</td>
<td>4.625-5.25%</td>
<td>8/15/2042</td>
<td>$10,870,000</td>
</tr>
<tr>
<td>Taxable Education Revenue Bonds, Series 2012B</td>
<td>6.00-6.875%</td>
<td>8/15/2027</td>
<td>2,310,000</td>
</tr>
<tr>
<td>Taxable Education Revenue Qualified Zone Academy Bonds, Series 2012Z</td>
<td>7.00%</td>
<td>8/15/2035</td>
<td>6,100,000</td>
</tr>
<tr>
<td>Education Revenue Bonds, Series 2016A</td>
<td>3.80-4.625%</td>
<td>8/15/2046</td>
<td>15,985,000</td>
</tr>
<tr>
<td>Taxable Education Revenue Bonds, Series 2016B</td>
<td>6.00%</td>
<td>8/15/2021</td>
<td>625,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$35,890,000</strong></td>
</tr>
</tbody>
</table>

The following is a summary of changes in bonds payable of the Charter Holder for the year ended June 30, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Amounts Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2012A</td>
<td>$11,070,000</td>
<td>$-</td>
<td>($200,000)</td>
<td>$10,870,000</td>
<td>$220,000</td>
</tr>
<tr>
<td>Series 2012B</td>
<td>2,525,000</td>
<td>-</td>
<td>($215,000)</td>
<td>2,310,000</td>
<td>220,000</td>
</tr>
<tr>
<td>Series 2012Z</td>
<td>6,100,000</td>
<td>-</td>
<td>-</td>
<td>6,100,000</td>
<td>-</td>
</tr>
<tr>
<td>Series 2016A</td>
<td>15,985,000</td>
<td>-</td>
<td>-</td>
<td>15,985,000</td>
<td>-</td>
</tr>
<tr>
<td>Series 2016B</td>
<td>625,000</td>
<td>-</td>
<td>-</td>
<td>625,000</td>
<td>145,000</td>
</tr>
<tr>
<td>Bond Issuance Cost</td>
<td>(1,069,722)</td>
<td>-</td>
<td>86,980</td>
<td>(982,742)</td>
<td>-</td>
</tr>
<tr>
<td>Net Discount</td>
<td>(774,719)</td>
<td>-</td>
<td>58,224</td>
<td>(716,495)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$34,460,559</td>
<td>$-</td>
<td>($269,796)</td>
<td>$34,190,763</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

**Long-term liabilities due in more than one year** $33,605,763

At June 30, 2018, future debt service requirements are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$585,000</td>
<td>$1,884,788</td>
<td>$2,469,788</td>
</tr>
<tr>
<td>2020</td>
<td>$615,000</td>
<td>$1,849,891</td>
<td>$2,464,891</td>
</tr>
<tr>
<td>2021</td>
<td>$650,000</td>
<td>$1,813,331</td>
<td>$2,463,331</td>
</tr>
<tr>
<td>2022</td>
<td>$690,000</td>
<td>$1,775,013</td>
<td>$2,465,013</td>
</tr>
<tr>
<td>2023</td>
<td>$735,000</td>
<td>$1,736,591</td>
<td>$2,471,591</td>
</tr>
<tr>
<td>2024-2028</td>
<td>$4,370,000</td>
<td>$8,045,774</td>
<td>$12,415,774</td>
</tr>
<tr>
<td>2029-2033</td>
<td>$5,430,000</td>
<td>$6,634,544</td>
<td>$12,064,544</td>
</tr>
<tr>
<td>2034-2038</td>
<td>$6,460,000</td>
<td>$4,853,975</td>
<td>$11,313,975</td>
</tr>
<tr>
<td>2039-2043</td>
<td>$8,200,000</td>
<td>$2,963,000</td>
<td>$11,163,000</td>
</tr>
<tr>
<td>2044-2047</td>
<td>$8,155,000</td>
<td>$775,960</td>
<td>$8,930,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$35,890,000</td>
<td>$32,332,867</td>
<td>$59,291,907</td>
</tr>
</tbody>
</table>
NOTE 4 – PENSION PLAN OBLIGATIONS

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, 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. Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, the defined benefit pension plan is considered to be a multiemployer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the state and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from the plan, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to the plan; and 4) there is not a withdrawal penalty for leaving the TRS.

TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701; by calling the TRS Communications Department at 1-800-223-8778; or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publication Heading.

Funding Policy and Funded Status

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The State funding policy is as follows: (1) the State constitution requires the legislature to establish a member contribution rate of not less than 6 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 of all members of the system; (2) State statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

As of August 31, 2017, TRS’ total plan assets were $147,361,922,120, accumulated benefit obligation (or total pension liability) was $179,336,534,819, and the plan was 82.17 percent funded.

Contributions

State law provides for a member contribution rate of 7.7 percent for fiscal years 2018 and 2017 and 7.2 percent for fiscal year 2016, and a State contribution rate of 6.8 percent for fiscal years 2018, 2017, and 2016. In addition, State law provides for a member contribution rate of 7.7 percent for the fiscal year, while maintaining a State contribution rate of 6.8 percent for the fiscal year.
The Charter Holder employees’ contributions to TRS for the years ending June 30, 2018, 2017, and 2016 were $841,216, $787,642 and $635,711, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ending June 30, 2018, 2017, and 2016 were $9,852, $13,883, and $29,537, respectively, equal to the required contributions for each year. These contributions did not represent more than 5 percent of the total contributions to the plan.

In addition to the Charter Holder’s contributions given above, when employing a retiree of TRS, the Charter Holder is required to pay both the employee contribution and the state contribution as an employment after retirement surcharge. The Charter Holder’s contributions for pension surcharge for fiscal years ending June 30, 2018, 2017, and 2016 were $14,733, $9,678 and $169, respectively.

The Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amounts contributed for Non-OASDI for fiscal years ending June 30, 2018, 2017, and 2016 were $163,751, $155,196, and $133,952, respectively.

NOTE 5 – RETIREE HEALTH CARE PLAN

Plan Description

The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.25 percent for fiscal year ending June 30, 2018, 1.00 percent for fiscal years 2017 and 2016 and 0.65 percent of school payroll. The Charter Holder is contributing a percentage of payroll set at 0.75 percent for fiscal year ending June 30, 2018 and 0.55 percent for fiscal years 2017 and 2016. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended June 30, 2018, 2017, and 2016, the State’s contributions to TRS-Care were $2,013, $2,066, and $4,563, respectively; the active member contributions were $71,014, $67,200, and $58,053, respectively; and the Charter Holder’s contributions were $78,308, $56,862, and $49,121, respectively; which equaled the required contributions.

NOTE 6 – HEALTH CARE COVERAGE

During the years ended June 30, 2018 and 2017, employees of the Charter Holder were covered by a health insurance plan (the “Plan”). The Charter Holder contributed up to $406 per month ($375 to medical and $31 to dental, vision, and life), per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.
NOTE 7 – DUE FROM STATE

At June 30, 2018 and 2017, the Charter Holder’s total due from state consisted of the following:

<table>
<thead>
<tr>
<th>Program</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Foundation Program</td>
<td>$2,498,879</td>
<td>$2,330,473</td>
</tr>
<tr>
<td>Title I, Part A, Improving Basic Program</td>
<td>215,406</td>
<td>33,210</td>
</tr>
<tr>
<td>National School Breakfast and Lunch Program</td>
<td>110,611</td>
<td>2,435</td>
</tr>
<tr>
<td>Title II, Part A, Teacher Principal Program</td>
<td>25,822</td>
<td>17,394</td>
</tr>
<tr>
<td>IDEA-Part B, Formula</td>
<td>115,735</td>
<td>3,476</td>
</tr>
<tr>
<td>IDEA-Part B, Preschool</td>
<td>-</td>
<td>1,453</td>
</tr>
<tr>
<td>IDEA-Part B, Discretionary</td>
<td>-</td>
<td>29,519</td>
</tr>
<tr>
<td>Title III, Part A-LE</td>
<td>30,176</td>
<td>10,130</td>
</tr>
<tr>
<td>Instructional Materials Allotment</td>
<td>114,889</td>
<td>16,202</td>
</tr>
<tr>
<td>Advanced Placement Incentives</td>
<td>-</td>
<td>2,700</td>
</tr>
<tr>
<td>Educator Excellence</td>
<td>161,111</td>
<td>32,651</td>
</tr>
<tr>
<td>Vocational Education</td>
<td>10,170</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,282,799</strong></td>
<td><strong>$2,479,643</strong></td>
</tr>
</tbody>
</table>

NOTE 8 – NOTE RECEIVABLE

On April 1, 2010, Agape Ministries entered into an agreement with the Charter Holder to pay rent owed in the amount of $126,720. The note is to be paid in monthly installments of $1,338 with 5 percent interest for 10 years.

In February 2017, Agape Ministries defaulted on the loan and began legal proceedings to recover funds with the collateral pledged. On October 31, 2017, all past due rents were paid in full.

NOTE 9 – 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 the 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 the TEA or the grantor agency.

The last three years of informational tax returns, 2017, 2016, and 2015, filed with the IRS remain subject to examination.

NOTE 10 – TEMPORARY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, the Charter Holder’s temporary restricted net assets consisted of the following:

<table>
<thead>
<tr>
<th>Program</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-K Allotment</td>
<td>$7,740</td>
<td>$6,440</td>
</tr>
<tr>
<td>Textbook Allotment</td>
<td>58,312</td>
<td>58,311</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$66,052</strong></td>
<td><strong>$64,751</strong></td>
</tr>
</tbody>
</table>
NOTE 11 – STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six week reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the years ended June 30, 2018 and 2017, the Charter Holder recognized revenues from the State foundation program funds in the amounts of $16,332,192 and $14,416,784, respectively, all of which was earned (before any possible TEA enrollment and attendance audit).

NOTE 12 – RESTRICTED CASH

Restricted cash and cash equivalents represent cash with the Charter Holder’s Trustee, Wilmington Trust, for the 2012A, 2012B, 2012Z, 2016A, and 2016B bonds. A debt service reserve for $1,341,998 has been established in accordance with bond covenants. In addition, the Trustee is holding cash on behalf of the Charter Holder for future debt service and project construction requirements on bond series’ 2012A, 2012B, 2012Z, 2016A, and 2016B in the amounts of $975,912 and $90,999, respectively. All restricted cash and cash equivalents are invested in a money market fund as of June 30, 2018.

NOTE 13 – CHARTER HOLDER OPERATIONS

The Charter Holder is Wayside Schools. Currently, the Charter Holder operates five schools: Eden Park Academy, REAL Learning Academy, Sci-Tech Preparatory, Altamira Academy, and Sci-Tech High School. The Charter Holder does not conduct any other charter or noncharter activities.

NOTE 14 – SUBSEQUENT EVENTS

Note Payable

On February 16, 2018, the Charter Holder entered into a financing agreement (the “Note) with Horizon Bank. On September 15, 2018 the Charter Holder received the proceeds related to the Note in the amount of $2,083,000 to acquire 11 new modular school buildings and other ancillary costs for set up. The Note is payable in 84 installments of $29,760 beginning on October 15, 2018. The interest rate on the note is fixed at 5.25 percent for the initial five and a half years and thereafter converting to a floating rate of the Wall Street Journal prime rate plus one percent adjusting with each change in the prime rate.

The Charter Holder has evaluated subsequent events through the date of the independent auditors’ report.
SUPPLEMENTAL INFORMATION
Wayside Schools
Schedule of Expenses - Exhibit C-1
For the Years Ended June 30, 2018 and 2017

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>6100 Payroll costs</td>
<td>$12,770,615</td>
<td>$12,004,904</td>
</tr>
<tr>
<td>6200 Professional and contracted services</td>
<td>3,016,946</td>
<td>2,530,530</td>
</tr>
<tr>
<td>6300 Supplies and materials</td>
<td>1,089,607</td>
<td>1,206,617</td>
</tr>
<tr>
<td>6400 Other operating costs</td>
<td>1,203,922</td>
<td>1,161,465</td>
</tr>
<tr>
<td>6500 Debt</td>
<td>2,056,383</td>
<td>2,031,543</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$20,137,473</strong></td>
<td><strong>$18,935,059</strong></td>
</tr>
<tr>
<td>Ownership Interest</td>
<td>Local</td>
<td>State</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>1510 Land and improvements</td>
<td>$</td>
<td>$ 4,930,874</td>
</tr>
<tr>
<td>1520 Buildings and improvements</td>
<td>-</td>
<td>$ 18,282,298</td>
</tr>
<tr>
<td>1528 Construction in progress</td>
<td>-</td>
<td>$ 14,365,510</td>
</tr>
<tr>
<td>1539 Furniture and equipment</td>
<td>-</td>
<td>$ 591,332</td>
</tr>
<tr>
<td>1541 Vehicles</td>
<td>-</td>
<td>$ 20,449</td>
</tr>
<tr>
<td><strong>Total Property and Equipment</strong></td>
<td>$</td>
<td>$ 38,190,463</td>
</tr>
</tbody>
</table>
## Revenues

<table>
<thead>
<tr>
<th>Local support:</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>5740 Other revenues from local sources</td>
<td>$1,695,525</td>
<td>$1,561,407</td>
<td>$1,710,681</td>
<td>$149,274</td>
</tr>
<tr>
<td>5750 Revenue from cocurricular or enterprising</td>
<td>100,000</td>
<td>85,251</td>
<td>70,682</td>
<td>(14,569)</td>
</tr>
<tr>
<td><strong>Total local support</strong></td>
<td>1,795,525</td>
<td>1,646,658</td>
<td>1,781,363</td>
<td>134,705</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State program revenues:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5810 Foundation school program act revenues</td>
<td>15,674,676</td>
<td>16,733,480</td>
<td>16,685,668</td>
<td>(47,812)</td>
</tr>
<tr>
<td>5820 State program revenues distributed by Texas Education Agency</td>
<td>510,590</td>
<td>595,641</td>
<td>573,424</td>
<td>(22,217)</td>
</tr>
<tr>
<td><strong>Total state program revenue</strong></td>
<td>16,185,266</td>
<td>17,329,121</td>
<td>17,259,092</td>
<td>(70,029)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Federal program revenues:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5920 Federal revenues distributed by the Texas Education Agency</td>
<td>1,519,249</td>
<td>1,638,533</td>
<td>1,640,223</td>
<td>1,690</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>19,500,040</td>
<td>20,614,312</td>
<td>20,680,678</td>
<td>66,366</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Instruction</td>
<td>9,430,077</td>
<td>9,776,628</td>
<td>9,780,906</td>
<td>(4,278)</td>
</tr>
<tr>
<td>12 Instructional resources and media services</td>
<td>124,237</td>
<td>133,866</td>
<td>132,596</td>
<td>1,270</td>
</tr>
<tr>
<td>13 Curriculum development and instructional staff development</td>
<td>851,798</td>
<td>1,097,342</td>
<td>1,094,776</td>
<td>2,566</td>
</tr>
<tr>
<td>21 Instructional leadership</td>
<td>442,596</td>
<td>453,331</td>
<td>454,104</td>
<td>(773)</td>
</tr>
<tr>
<td>23 School leadership</td>
<td>1,402,246</td>
<td>1,542,488</td>
<td>1,530,172</td>
<td>12,316</td>
</tr>
<tr>
<td>31 Guidance, counseling and evaluation services</td>
<td>285,457</td>
<td>242,733</td>
<td>243,055</td>
<td>(322)</td>
</tr>
<tr>
<td>33 Health services</td>
<td>-</td>
<td>56,108</td>
<td>56,108</td>
<td>-</td>
</tr>
<tr>
<td>34 Transportation</td>
<td>33,048</td>
<td>38,517</td>
<td>38,517</td>
<td>-</td>
</tr>
<tr>
<td>35 Food services</td>
<td>642,237</td>
<td>723,771</td>
<td>722,288</td>
<td>1,483</td>
</tr>
<tr>
<td>36 Cocurricular/extracurricular activities</td>
<td>8,106</td>
<td>18,321</td>
<td>18,321</td>
<td>-</td>
</tr>
<tr>
<td>41 General administration</td>
<td>592,333</td>
<td>866,579</td>
<td>880,176</td>
<td>(13,597)</td>
</tr>
<tr>
<td>51 Plant maintenance and operations</td>
<td>2,951,537</td>
<td>2,565,328</td>
<td>2,578,805</td>
<td>(13,477)</td>
</tr>
<tr>
<td>52 Security and monitoring services</td>
<td>67,372</td>
<td>32,342</td>
<td>32,468</td>
<td>(126)</td>
</tr>
<tr>
<td>53 Data processing services</td>
<td>209,002</td>
<td>226,977</td>
<td>225,673</td>
<td>1,304</td>
</tr>
<tr>
<td>61 Community services</td>
<td>193,203</td>
<td>164,248</td>
<td>175,883</td>
<td>(11,635)</td>
</tr>
<tr>
<td>71 Debt service</td>
<td>1,925,104</td>
<td>1,983,712</td>
<td>2,056,383</td>
<td>(72,671)</td>
</tr>
<tr>
<td>81 Fundraising</td>
<td>137,106</td>
<td>117,600</td>
<td>117,242</td>
<td>358</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>19,295,459</td>
<td>20,039,891</td>
<td>20,137,473</td>
<td>(97,582)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>204,581</td>
<td>574,421</td>
<td>543,205</td>
<td>(31,216)</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Net Assets</strong></td>
<td>$5,647,390</td>
<td>$6,017,230</td>
<td>$5,986,014</td>
<td>$(31,216)</td>
</tr>
</tbody>
</table>
COMPLIANCE, INTERNAL CONTROL, AND FEDERAL AWARDS
INDEPENDENT AUDITORS’ 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

November 14, 2018

To the Board of Directors of Wayside Schools:

We have audited, 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, the financial statements of Wayside Schools, (the “Charter Holder”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter Holder’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 over financial reporting 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 Charter Holder’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.

Belt Harris Pechacek, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 14, 2018

To the Board of Directors of
Wayside Schools:

Report on Compliance for Each Major Federal Program

We have audited Wayside Schools’ (the “Charter Holder”) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Charter Holder’s major federal programs for the year ended June 30, 2018. The Charter Holder’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter Holder’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Holder’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Charter Holder’s compliance.
Opinion on Each Major Federal Program

In our opinion, the Charter Holder complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Charter Holder is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter Holder’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Belt Harris Pechacek, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of audit report issued

Internal control over financial reporting:

One or more material weakness(es) identified?
No

One or more significant deficiency(ies) identified that are not considered to be material weaknesses?
No

Noncompliance material to financial statements noted?
No

Federal Awards

Internal control over major programs:

One or more material weakness(es) identified?
No

One or more significant deficiency(ies) identified that are not considered to be material weaknesses?
No

Type of audit report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with uniform guidance?
No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Program Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.027 &amp; 84.1723</td>
<td>Special Education Cluster</td>
</tr>
<tr>
<td>84.010</td>
<td>Title I, Part A</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between Type A and Type B programs

$750,000

Auditee qualified as low-risk auditee?
No

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.
## Wayside Schools

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1**

For the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Finding/Recommendation</th>
<th>Current Status</th>
<th>Management Explanation If Not Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Wayside Schools**

*Schedule of Expenditures of Federal Awards - Exhibit H-1*

For the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Federal Grantor/ Pass-Through Grantor/ Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. DEPARTMENT OF EDUCATION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Texas Education Agency:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESEA Title I Part A</td>
<td>84.010</td>
<td>17610101227803</td>
<td>$70,701</td>
</tr>
<tr>
<td>ESEA Title I Part A</td>
<td>84.010</td>
<td>18610101227803</td>
<td>375,595</td>
</tr>
<tr>
<td>ESEA Title I Part A School Improvement</td>
<td>84.010</td>
<td>18610123227803</td>
<td>15,654</td>
</tr>
<tr>
<td>Title II Part A Teacher and Principal</td>
<td>84.367</td>
<td>18694501227803</td>
<td>37,821</td>
</tr>
<tr>
<td>Title III Part A</td>
<td>84.365</td>
<td>17671001227803</td>
<td>15,774</td>
</tr>
<tr>
<td>Title III Part A</td>
<td>84.365</td>
<td>18671001227803</td>
<td>44,011</td>
</tr>
<tr>
<td>Vocational Education</td>
<td>84.048</td>
<td>18420006227803</td>
<td>19,971</td>
</tr>
<tr>
<td>Special Education Cluster:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDEA-B Formula*</td>
<td>84.027</td>
<td>17660001227803600</td>
<td>62,582</td>
</tr>
<tr>
<td>IDEA-B Formula*</td>
<td>84.027</td>
<td>18660001227803600</td>
<td>184,714</td>
</tr>
<tr>
<td>IDEA-B Preschool*</td>
<td>84.173</td>
<td>17661001227803600</td>
<td>173</td>
</tr>
<tr>
<td>IDEA-B Preschool*</td>
<td>84.173</td>
<td>18661001227803600</td>
<td>869</td>
</tr>
<tr>
<td><strong>Total Passed Through Texas Education Agency</strong></td>
<td></td>
<td></td>
<td>827,865</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Education</strong></td>
<td></td>
<td></td>
<td>827,865</td>
</tr>
</tbody>
</table>

| U.S. DEPARTMENT OF AGRICULTURE                        |                     |                                        |                      |
| Passed Through Texas Education Agency:               |                     |                                        |                      |
| Child Nutrition Cluster:                             |                     |                                        |                      |
| School Breakfast Program*                             | 10.553              | 71401701                               | 20,300               |
| School Breakfast Program*                             | 10.553              | 71401801                               | 79,078               |
| National School Lunch Program*                        | 10.555              | 71301701                               | 84,272               |
| National School Lunch Program*                        | 10.555              | 71301801                               | 361,181              |
| USDA Commodities                                      | 10.565              | 01057                                  | 29,758               |
| **Total Passed Through Texas Education Agency**       |                     |                                        | 574,589              |
| **Total U.S. Department of Agriculture**              |                     |                                        | 574,589              |
| **Total Expenditures of Federal Awards**             |                     |                                        | $1,402,454           |

Federal revenue per SEFA $1,402,454
Federal bond interest subsidy 237,769
A-2 Federal Revenue $1,640,223

* Indicates cluster program under 2 CFR Part 200, Appendix XI Compliance Supplement
NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM

For all federal programs, the Charter Holder used the net asset classes and codes specified by the TEA in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Charter Holder, and is presented on the accrual basis of accounting. The information in SEFA is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in SEFA may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

The Charter Holder has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.