

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Financial Statements

August 31, 2016

For the year then ended

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CERTIFICATE OF BOARD

Newman International Academy of Arlington
County-District Number: 220-817

We, the undersigned, certify that the attached annual financial reports of the above named charter holder were reviewed and:

☒ approved ☐ disapproved

for the year ended August 31, 2016, at a meeting of the board of directors of such charter holder on the 22nd day of January 2017.



Signature of Board President



Signature of Board Secretary

If the board of trustees/directors disapproved of the auditors' report, the reason(s) for disapproving it (is/are):

INDEPENDENT AUDITORS' REPORT

*To the Board of Directors
Newman International Academy of Arlington*

We have audited the accompanying financial statements of Newman International Academy of Arlington (the "School") (a nonprofit organization), which are comprised the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The School's 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. 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

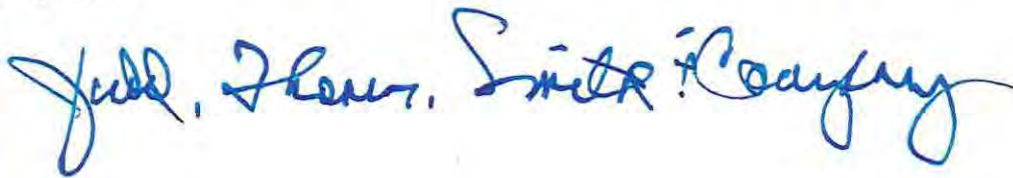
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newman International Academy of Arlington as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Newman International Academy of Arlington. In accordance with the requirements established by the Financial Accountability System Resource Guide – Special Supplement – Charter Schools issued by the Texas Education Agency, the required supplemental information has been presented in addition to the basic financial statements. This information has been subjected to the auditing procedures applied to the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2017, on our consideration of Newman International Academy of Arlington'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "Judd, Thomas Smith & Company". The signature is written in a cursive, flowing style.

Dallas, Texas
January 13, 2017

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Statement of Financial Position

As of August 31, 2016

Assets

Current assets

<i>Cash and cash equivalents</i>	\$ 405,820
<i>Restricted cash</i>	7,209,360
<i>Grants receivable</i>	771,708
<i>Other receivables</i>	29,120
<i>Prepaid expenditures</i>	13,890
<i>Total current assets</i>	<u>8,429,898</u>

Noncurrent assets

<i>Property and equipment, net</i>	10,143,300
<i>Bond costs, net</i>	904,396
<i>Other assets</i>	50,000
<i>Total noncurrent assets</i>	<u>11,097,696</u>

<i>Total assets</i>	\$ <u>19,527,594</u>
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Liabilities and Net Assets

Current liabilities

<i>Accounts payable</i>	\$ 125,133
<i>Accrued expenses</i>	824,331
<i>Due to student groups</i>	24,727
<i>Notes payable - current portion</i>	24,225
<i>Bonds payable - current portion</i>	195,000
<i>Deferred revenues</i>	3,010
<i>Total current liabilities</i>	<u>1,196,426</u>

Noncurrent liabilities

<i>Notes payable - less current portion</i>	95,858
<i>Bonds payable - less current portion</i>	18,120,000
<i>Total noncurrent liabilities</i>	<u>18,215,858</u>

<i>Total liabilities</i>	19,412,284
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Net assets

<i>Unrestricted</i>	-
<i>Temporarily restricted</i>	115,310
<i>Total net assets</i>	<u>115,310</u>

<i>Total liabilities and net assets</i>	\$ <u>19,527,594</u>
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The accompanying notes are an integral part of these financial statements

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON
Statement of Activities
For the year ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues			
Local support			
Other revenues from local sources	\$ 53,035	\$ -	\$ 53,035
Revenue from enterprising activities	106,620	-	106,620
Total local support	<u>159,655</u>	<u>-</u>	<u>159,655</u>
State program revenues			
Foundation school program	-	9,988,780	9,988,780
Available school fund program	-	158,913	158,913
Other state program revenues	-	175,213	175,213
Total state program revenues	<u>-</u>	<u>10,322,906</u>	<u>10,322,906</u>
Federal program revenues			
Title I, Part A	-	69,596	69,596
IDEA - Part B Formula	-	120,322	120,322
IDEA - Part B Preschool	-	1,814	1,814
Title II, Part A	-	15,768	15,768
National school breakfast and lunch program	-	199,314	199,314
Other federal program revenues	-	2,004	2,004
Total federal program revenues	<u>-</u>	<u>408,818</u>	<u>408,818</u>
Net assets released from restrictions	<u>11,689,014</u>	<u>(11,689,014)</u>	<u>-</u>
Total revenues	<u>11,848,669</u>	<u>(957,290)</u>	<u>10,891,379</u>
Expenses			
Program services:			
11 Instruction	6,323,027	-	6,323,027
12 Instructional resources and media services	168,897	-	168,897
13 Curriculum and instructional staff development	15,813	-	15,813
21 Instructional leadership	64,005	-	64,005
23 School leadership	1,136,816	-	1,136,816
Support services:			
31 Guidance, counseling and evaluation services	161,208	-	161,208
33 Health services	144,298	-	144,298
34 Student transportation	65,637	-	65,637
35 Food services	428,708	-	428,708
36 Extracurricular activities	362,385	-	362,385
41 General administration	855,465	-	855,465
51 Plant maintenance and operations	1,597,380	-	1,597,380
52 Security and monitoring services	44,797	-	44,797
53 Data processing services	190,681	-	190,681
71 Debt service	289,552	-	289,552
Total expenses	<u>11,848,669</u>	<u>-</u>	<u>11,848,669</u>
Change in net assets	-	(957,290)	(957,290)
Net assets, beginning of year	<u>-</u>	<u>1,072,600</u>	<u>1,072,600</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 115,310</u>	<u>\$ 115,310</u>

The accompanying notes are an integral part of these financial statements

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON
Statement of Cash Flows
For the year ended August 31, 2016

<i>Cash flows from operating activities</i>	
<i>Change in net assets</i>	\$ (957,290)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</i>	
<i>Depreciation</i>	67,075
<i>Amortization of bond costs</i>	15,073
<i>Increase in grants receivable</i>	(177,327)
<i>Increase in other receivables</i>	(533)
<i>Decrease in prepaids</i>	69,178
<i>Increase in other assets</i>	(40,000)
<i>Increase in accounts payable</i>	52,427
<i>Increase in accrued expenses</i>	469,632
<i>Increase in due to student groups</i>	4,751
<i>Increase in deferred revenues</i>	2,792
	<hr/>
<i>Net cash consumed by operating activities</i>	(494,222)
	<hr/>
<i>Cash flows from investing activities</i>	
<i>Purchase of land, building, and equipment</i>	(10,079,417)
	<hr/>
<i>Net cash consumed by investing activities</i>	(10,079,417)
	<hr/>
<i>Cash flows from financing activities</i>	
<i>Proceeds from issuance of bonds payable</i>	18,315,000
<i>Proceeds from issuance of notes payable</i>	110,546
<i>Payment of capitalized bond costs</i>	(919,469)
<i>Payments of notes payable</i>	(19,957)
	<hr/>
<i>Net cash provided by financing activities</i>	17,486,120
	<hr/>
<i>Net increase in cash and cash equivalents</i>	6,912,481
	<hr/>
<i>Cash and cash equivalents at beginning of year</i>	702,699
	<hr/>
<i>Cash and cash equivalents at end of year</i>	\$ <u><u>7,615,180</u></u>
 <i>Supplemental disclosures of cash flow information:</i>	
<i>Cash paid during the year for:</i>	
<i>Interest</i>	\$ <u><u>299,381</u></u>
<i>Income taxes</i>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of activities

Newman International Academy of Arlington ("the School") is an open enrollment charter school incorporated in March 2011 offering innovative education programs to children in a single charter school. The School is supported primarily through state foundation school program act entitlements, donor contributions, and federal grants. Approximately 94 percent of the School's support for 2016 came from state entitlements. The school does not conduct any other charter or non-charter activities.

Basis of presentation

The accompanying financial statements have been prepared on 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 or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or net assets subject to donor-imposed restrictions that have been met by the School within the same year received. State and federal revenues are reported as unrestricted net assets because it met all state and federal restrictions in the same reporting period and this accounting treatment has been applied consistently from period to period.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be or will be met, either by actions of the School and/or the passage of time. When a restriction is met in the year following receipt, 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 - Net assets subject to donor imposed stipulations that they will be maintained permanently. For the year ended August 31, 2016 there were no permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Compensated absences

Compensated absences cannot be reasonably estimated and are therefore recorded at cost when paid.

Depreciable assets

Depreciable assets are stated at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The School capitalizes all expenditures over \$5,000 to depreciable assets. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Income taxes

The School is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years beginning prior to September 1, 2012.

Date of Management's Review

Subsequent events were evaluated through January 13, 2017, which is the date the financial statements were available to be issued.

2. Due from Grantor Agencies

As of August 31, 2016, the School had earned the following revenues which were not received until after the end of the fiscal year:

Foundation entitlements	\$ 751,943
Other state grants	18,675
Federal grants	<u>1,090</u>
Total	<u>\$ 771,708</u>

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

3. Depreciable Assets

The following is a summary of property and equipment as of August 31, 2016:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ -	\$ 2,175,000	\$ -	\$ 2,175,000
Building and improvements	-	6,600,300	-	6,600,300
Vehicles	29,916	123,522	-	153,438
Furniture and equipment	174,171	-	-	174,171
Construction in progress	-	1,180,595	-	1,180,595
Total	\$ 204,087	\$ 10,079,417	\$ -	\$ 10,283,504
Less: accumulated depreciation	73,129	67,075	-	140,204
Capital assets, net	\$ 130,958	\$ 10,012,342	\$ -	\$ 10,143,300

*Depreciation expense for the year ended August 31, 2016 was \$67,075.

4. Notes payable

The School's loan activity during the year ended August 31, 2016 was as follows:

Lender	Collateral	Interest Rate	Maturity Date	Beginning Balance	Additions	Repayments	Ending Balance
Ford Credit	15 Passenger Van	6.79%	2020	\$ 29,494	\$ -	\$ 5,218	\$ 24,276
Ford Credit	Ford E350	6.79%	2021	-	30,560	4,849	25,711
Ally Financial	Ford Transport	10.69%	2022	-	30,486	3,151	27,335
Wells Fargo	Freightliner	9.00%	2022	-	49,500	6,739	42,761
				\$ 29,494	\$ 110,546	\$ 19,957	\$ 120,083

Presented below is a summary of note payment requirements to maturity:

Year ended August 31,	Principal	Interest	Total Requirements
2017	\$ 24,225	\$ 9,376	\$ 33,601
2018	26,334	7,267	33,601
2019	28,633	4,968	33,601
2020	30,532	2,478	33,010
2021	9,246	347	9,593
2022	1,113	42	1,155
	\$ 120,083	\$ 24,478	\$ 144,561

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

5. Bonds Payable

On April 22, 2016, the School issued two bond series through the Arlington Higher Education Finance Corporation. The proceeds of these bonds were used to purchase, and renovate certain buildings used for instructional purposes as well as construct additional facilities at the Cedar Hill campus. The bonds are secured by a deed of trust against those properties.

The School's bond activity during the year ended August 31, 2016 was as follows:

	Interest Rate	Maturity Date	Beginning Balance	Additions	Repayments	Ending Balance
Series 2016A	4.375% -5.625%	2019-2046	\$ -	\$16,965,000	\$ -	\$16,965,000
Series 2016B	6.25%	2017-2022	-	<u>1,350,000</u>	-	<u>1,350,000</u>
			<u>\$ -</u>	<u>\$18,315,000</u>	<u>\$ -</u>	<u>\$18,315,000</u>

At August 31, 2016, future debt service requirements pursuant to these bond issues were as follows:

Year ended August 31,	Principal	Interest	Total Requirements
2017	\$ 195,000	\$ 989,094	\$ 1,184,094
2018	205,000	976,906	1,181,906
2019	295,000	964,094	1,259,094
2020	310,000	947,156	1,257,156
2021	330,000	929,281	1,259,281
2022-2026	1,915,000	4,372,281	6,287,281
2027-2031	2,430,000	3,860,719	6,290,719
2032-2036	3,155,000	3,134,019	6,289,019
2037-2041	4,110,000	2,179,650	6,289,650
2042-2046	<u>5,370,000</u>	<u>917,125</u>	<u>6,287,125</u>
	<u>\$ 18,315,000</u>	<u>\$ 19,270,325</u>	<u>\$ 37,585,325</u>

All scheduled debt payments were made in a timely manner and the School is in compliance with all debt covenants as of August 31, 2016.

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

6. Commitments and Contingencies

The School leases a facility to house the classroom and office space which expires in August of 2018. In addition, the School leases office equipment and an offsite storage facility under leases which expire February 2017.

Minimum annual rental commitments at August 31, 2016, are as follows:

2017	\$	497,443
2018		438,992
2019		356,006
2020		356,006
2021		300,000
Thereafter		<u>442,500</u>
Total minimum lease commitments under non-cancellable operating leases	\$	<u><u>2,390,947</u></u>
Total rent expense during 2016	\$	<u><u>1,339,793</u></u>

7. Contingent Liabilities

The School participates in numerous programs that are subject to audit by the Texas Education Agency (the "TEA") and various federal audit agencies. These programs have complex compliance requirements, and should state or federal auditors find areas of substantial noncompliance, those funds may be subject to refund if so determined by administrative audit review.

8. 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 weeks reporting period, and at the close of the year. Actual attendance is calculated by the TEA, and 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.

9. Temporarily Restricted Net Assets

At August 31, 2016, the School's temporarily restricted net assets total \$1,072,600 consisting primarily of unspent funds from Foundation grants and Child Nutrition programs.

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

10. Budget Variance

Prior to the beginning of the school year, the school prepared and submitted its annual budget for the next fiscal year. However, as a result of changes in programs and average attendance, the budget has been amended as necessary. This has resulted in variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

Function 34 (Student Transportation) contained an unfavorable variance of \$28,747 from budget. The variance was primarily due to expenditures related to depreciation expense for current year additions which were not budgeted. In addition, no provision for Debt Service (Function 71) was including in the final budget. Interest expense during the current fiscal year represents amounts paid from bond proceeds rather than from general funds. As a result, no provision for these expenses was included in the final budget amendment.

Management has taken steps to ensure that future related budgets are amended to capture expenditures which are not normally budgeted.

11. Retirement Benefits

Plan Description - The School contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature.

Participating employers in the System are legal separate entities from the State and from each other. Contributions to the System by one employer may be used for the benefit of a plan member of another participating employer. The unfunded obligations are passed along to the participating employers. There is no withdrawal penalty for a plan member for leaving the System.

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Notes to Financial Statements

11. Retirement Benefits (continued)

Information with respect to the System is shown in the following table:

Name of Plan	Federal Employer ID/Plan Number	Certified Zone Status	Expiration Date of Collective Bargaining Agreement	Improvement or Rehabilitation Plan	Surcharge Paid	Contributions Made 2015-2016
Teacher Retirement System of Texas	n/a	Unknown	n/a	n/a	\$ 7,014	\$ 100,003
Total contributions made						\$ 100,003

Notes to the table:

1. Certified Zone Status (as defined by the Pension Protection Act) represents the level at which the plan is funded. Details of the funding status are as follows:
 - i. Total plan assets - \$149,780,061,824
 - ii. Accumulated benefit obligations - \$163,887,375,172
 - iii. The System is 78.43% funded.
2. There is no collective-bargaining agreement.
3. Based on the audited GASB 68 allocation schedules from the TRS website as of August 31, 2015, the year-end of the System, contributions made to the System did not represent more than 5% of the total contributions received by the System.
4. Contribution rates:

Member	7.2%
State	6.8%
Employer	6.8%

There have been no changes that would affect the comparison of employer contributions from year to year. The System's annual financial report and other required disclosure information are available by writing the General Accounting Department, Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698.

In addition, employees may contribute 0.65% of their salary and the School must contribute 0.55% of the salary of each active employee to TRS-Care (the TRS health plan for retired employees). The total amount contributed to TRS-Care for the year was \$80,015 which is equal to the employees' contributions and the School's required contributions for the year.

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON

Schedule of Expenses

For the year ended August 31, 2016

Expenses

6100	Payroll costs	\$	8,202,462
6200	Professional and contracted services		2,067,583
6300	Supplies and materials		947,518
6400	Other operating costs		331,725
6500	Interest expense	.	<u>299,381</u>

<i>Total expenses</i>		\$	<u><u>11,848,669</u></u>
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NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON
Schedule of Capital Assets
For the year ended August 31, 2016

		<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Private</u>	<u>Total</u>
1510	Land	\$ -	\$ 2,175,000	\$ -	\$ -	\$ 2,175,000
1520	Building and improvements	-	6,600,300	-	-	6,600,300
1531	Vehicles	-	153,438	-	-	153,438
1549	Furniture and equipment	-	74,391	99,780	-	174,171
1580	Construction in progress	-	1,180,595	-	-	1,180,595
Total property and equipment		<u>\$ -</u>	<u>\$ 10,183,724</u>	<u>\$ 99,780</u>	<u>\$ -</u>	<u>\$ 10,283,504</u>

NEWMAN INTERNATIONAL ACADEMY OF ARLINGTON
Budgetary Comparison Schedule
For the year ended August 31, 2016

		Budgeted Amounts		Actual	Variance
		Original	Final	Amounts	from Final Budget
<i>Local support</i>					
5740	Other revenues from local sources	\$ 12,525	\$ 53,606	\$ 53,035	\$ (571)
5751	Food service activity	43,650	84,269	106,620	22,351
	<i>Total local support</i>	<u>56,175</u>	<u>137,875</u>	<u>159,655</u>	<u>21,780</u>
<i>State program revenues</i>					
5812	Foundation school program	9,273,841	9,616,165	9,988,780	372,615
5811	Available school fund program	143,198	158,913	158,913	-
5829	State program revenues distributed by TEA	1,500	175,460	175,213	(247)
	<i>Total state program revenues</i>	<u>9,418,539</u>	<u>9,950,538</u>	<u>10,322,906</u>	<u>372,368</u>
<i>Federal program revenues</i>					
5921	National school breakfast program	16,000	21,415	24,155	2,740
5922	National school lunch program	207,500	156,785	160,313	3,528
5929	Federal revenues distributed by the TEA	-	217,292	224,350	7,058
	<i>Total federal program revenues</i>	<u>223,500</u>	<u>395,492</u>	<u>408,818</u>	<u>13,326</u>
	<i>Total revenues</i>	<u>9,698,214</u>	<u>10,483,905</u>	<u>10,891,379</u>	<u>407,474</u>
<i>Expenses</i>					
<i>Program services:</i>					
11	Instruction	5,188,132	6,357,841	6,323,027	34,814
12	Instructional resources and media	171,418	186,418	168,897	17,521
13	Curriculum and instructional staff development	5,000	18,768	15,813	2,955
21	Instructional leadership	59,528	64,028	64,005	23
23	School leadership	1,031,703	1,132,723	1,136,816	(4,093)
<i>Support services:</i>					
31	Guidance, counseling and evaluation services	111,577	162,077	161,208	869
33	Health services	137,968	144,968	144,298	670
34	Student transportation	-	36,890	65,637	(28,747)
35	Food services	368,650	429,250	428,708	542
36	Extracurricular activities	287,186	344,786	362,385	(17,599)
41	General administration	675,917	856,917	855,465	1,452
51	Plant maintenance and operations	1,447,832	1,863,832	1,597,380	266,452
52	Security and monitoring services	30,000	91,000	44,797	46,203
53	Data processing services	183,303	218,303	190,681	27,622
71	Debt service	-	-	289,552	(289,552)
	<i>Total expenses</i>	<u>9,698,214</u>	<u>11,907,801</u>	<u>11,848,669</u>	<u>59,132</u>
<i>Change in net assets</i>		-	(1,423,896)	(957,290)	466,606
<i>Net assets, beginning of year</i>		<u>1,072,600</u>	<u>1,072,600</u>	<u>1,072,600</u>	-
<i>Net assets, end of year</i>		<u>\$ 1,072,600</u>	<u>\$ (351,296)</u>	<u>\$ 115,310</u>	<u>\$ 466,606</u>

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

*Board of Directors
Newman International Academy of Arlington*

We have audited the statement of financial position, the related statements of activities and cash flows of Newman International Academy of Arlington (the "School"), as of and for the year ended August 31, 2016, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 13, 2017. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Judd - James Smith & Company

Dallas, Texas

January 13, 2017