

THE BETA FOUNDATION dba BETA ACADEMY

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2017 and 2016

THE BETA FOUNDATION dba BETA ACADEMY
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2017 and 2016

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THE BETA FOUNDATION dba BETA ACADEMY

Federal Employer Identification Number: 45-3019142

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Directors of such charter holder on the 11th day of January, 2018.



Signature of Board Secretary



Signature of Board President

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Beta Foundation dba
Beta Academy
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of The Beta Foundation dba Beta Academy (the Academy), a nonprofit organization, which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities (with comparative totals for 2016) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

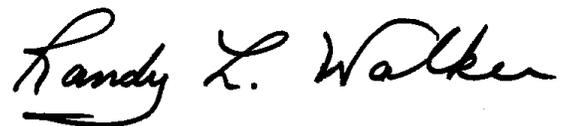
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The specific-purpose schedules on pages 13-16 and the summary of audit findings on page 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



San Antonio, Texas
January 11, 2018

FINANCIAL STATEMENTS

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENTS OF FINANCIAL POSITION
August 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,292,814	\$ 677,169
Due from Texas Education Agency	116,172	223,410
Prepaid Expenses	97,479	6,574
TOTAL CURRENT ASSETS	1,506,465	907,153
Fixed Assets, net	432,978	435,453
TOTAL ASSETS	\$ 1,939,443	\$ 1,342,606
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 137,621	\$ 70,424
Accrued Expenses	198,642	129,616
Deferred Revenue	350	-
TOTAL CURRENT LIABILITIES	336,613	200,040
NET ASSETS		
Unrestricted	90,699	42,673
Temporarily Restricted	1,512,131	1,099,893
TOTAL NET ASSETS	1,602,830	1,142,566
TOTAL LIABILITIES AND NET ASSETS	\$ 1,939,443	\$ 1,342,606

The accompanying notes are an integral part of these financial statements.

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
(with comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ 241	\$ -	\$ 241	\$ -
5743 Rent	4,567	-	4,567	-
5744 Donations	32,357	20,000	52,357	2,446
5749 Other Revenue from Local Sources	38,566	-	38,566	61,256
5751 Food Service Activity	28,668	-	28,668	23,475
5755 Enterprising Services Revenue	11,361	-	11,361	-
Total Local Support	<u>115,760</u>	<u>20,000</u>	<u>135,760</u>	<u>87,177</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	4,135,818	4,135,818	3,933,634
5820 State Program Revenues Distributed by				
Texas Education Agency	-	66,923	66,923	22,552
Total State Program Revenues	<u>-</u>	<u>4,202,741</u>	<u>4,202,741</u>	<u>3,956,186</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency	-	382,734	382,734	282,643
Total Federal Program Revenues	<u>-</u>	<u>382,734</u>	<u>382,734</u>	<u>282,643</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	<u>4,193,237</u>	<u>(4,193,237)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>4,308,997</u>	<u>412,238</u>	<u>4,721,235</u>	<u>4,326,006</u>
EXPENSES				
11 Instruction	2,171,457	-	2,171,457	1,680,247
12 Instructional Resources and Media Services	26,789	-	26,789	-
13 Curriculum Development and Instructional				
Staff Development	141,439	-	141,439	93,914
23 School Leadership	316,858	-	316,858	308,710
31 Guidance, Counseling, and Evaluation Services	94,769	-	94,769	29,495
33 Health Services	8,309	-	8,309	16,167
34 Student Transportation	-	-	-	23,200
35 Food Services	240,588	-	240,588	156,328
36 Extracurricular Activities	2,829	-	2,829	1,652
41 General Administration	506,200	-	506,200	404,285
51 Plant Maintenance and Operations	568,056	-	568,056	576,644
52 Security and Monitoring Services	6,249	-	6,249	774
53 Data Processing	154,944	-	154,944	104,532
61 Community Service	-	-	-	3
71 Debt Service	-	-	-	7,100
81 Fundraising	22,484	-	22,484	16,870
TOTAL EXPENSES	<u>4,260,971</u>	<u>-</u>	<u>4,260,971</u>	<u>3,419,921</u>
CHANGE IN NET ASSETS	48,026	412,238	460,264	906,085
NET ASSETS, Beginning of Year	<u>42,673</u>	<u>1,099,893</u>	<u>1,142,566</u>	<u>236,481</u>
NET ASSETS, End of Year	<u>\$ 90,699</u>	<u>\$ 1,512,131</u>	<u>\$ 1,602,830</u>	<u>\$ 1,142,566</u>

The accompanying notes are an integral part of these financial statements.

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Foundation School Program Payments	\$ 4,263,264	\$ 3,753,073
Grant Payments	435,114	356,564
Contributions	57,165	2,446
Miscellaneous Sources	73,280	87,730
Payments to Vendors for Goods and Services Rendered	(1,579,215)	(1,354,414)
Payments to Charter School Personnel for Services Rendered	(2,493,743)	(1,925,565)
NET CASH PROVIDED BY OPERATING ACTIVITIES	755,865	919,834
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Furniture and Equipment	(140,220)	(242,835)
NET CASH USED BY INVESTING ACTIVITIES	(140,220)	(242,835)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on Line of Credit	-	(200,000)
Payments on Short-Term Loans	-	(69,500)
NET CASH USED BY INVESTING ACTIVITIES	-	(269,500)
NET INCREASE IN CASH FLOWS	615,645	407,499
CASH AND CASH EQUIVALENTS, Beginning of Year	677,169	269,670
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,292,814	\$ 677,169
 Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 460,264	\$ 906,085
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	142,695	82,319
Decrease (Increase) in Assets:		
Due from Texas Education Agency	107,238	(126,192)
Prepaid Expenses	(90,905)	(6,574)
Increase (Decrease) in Liabilities:		
Accounts Payable	67,197	(9,614)
Accrued Expenses	69,026	73,810
Deferred Revenue	350	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 755,865	\$ 919,834
 Supplemental Disclosures:		
Interest	\$ -	\$ 7,100

The accompanying notes are an integral part of these financial statements.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

The Beta Foundation dba Beta Academy (the Academy) is a not-for-profit organization incorporated under the laws of the State of Texas. The Academy is organized to educate, train, and prepare individuals to function well in society and to provide education opportunities and experiences. The Academy shall seek to own and operate an Open-Enrollment Charter School as provided under the Texas Education Code for the benefits of students in Texas, providing such students with education opportunity and programs as it deems appropriate to further its tax exempt purpose.

In April 2014, the State Board of Education of the State of Texas granted the Academy 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 Contract for Charter, Beta Academy has been open for enrollment since the academic year 2015-2016.

As of August 31, 2017, the Academy operates one campus located in Houston, Texas. Since the Academy receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Basis of Presentation

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

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

- *Unrestricted* - Unrestricted net assets are not subject to donor-imposed stipulations.
- *Temporarily Restricted* - Temporarily restricted net assets are those resources, subject to donor-imposed restrictions, that will be satisfied by the actions of the Academy and/or the passage of time.
- *Permanently Restricted* - Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2017 and 2016, the Academy had no permanently restricted net assets.

Contributions

The Academy 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.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Fixed Assets

Fixed assets are stated at historical cost. Fixed assets are defined as assets with an individual cost of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of three to five years.

Functional Allocation of Expenses

The costs of providing the programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and supporting services benefited.

Grant Funds

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

Use of Estimates

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

Income Taxes

The Beta Foundation dba Beta Academy is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy is also exempt from sales taxes. As of August 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014.

NOTE 2 – REGULATED INDUSTRY

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

THE BETA FOUNDATION dba BETA ACADEMY

NOTES TO FINANCIAL STATEMENTS

August 31, 2017 and 2016

NOTE 3 – DUE FROM TEXAS EDUCATION AGENCY

The Academy had \$116,172 and \$223,410 in receivables due from Texas Education Agency (TEA) related to various state grants and Foundation School Program revenue at August 31, 2017 and 2016, respectively. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 4 – FIXED ASSETS

At August 31, the cost and accumulated depreciation of fixed assets were as follows:

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 617,037	\$ 517,771
Building Improvements	40,954	-
Less Accumulated Depreciation	<u>(225,013)</u>	<u>(82,318)</u>
Total	<u>\$ 432,978</u>	<u>\$ 435,453</u>

Depreciation expense was \$142,695 and \$82,319 for the years ended August 31, 2017 and 2016, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at August 31:

	<u>2017</u>	<u>2016</u>
Foundation School Program	\$ 1,284,574	\$ 875,624
Start-Up Grant Capital Assets	207,557	223,051
STEM Grant	20,000	-
Instructional Materials Allotment	<u>-</u>	<u>1,218</u>
Total	<u>\$ 1,512,131</u>	<u>\$ 1,099,893</u>

NOTE 6 – OPERATING LEASES

The Academy has a rental lease agreement with Christian Temple Assembly of God. The monthly lease payments under the agreement are \$33,117 during the school year and \$14,000 in the summer months. The agreement is effective until July 31, 2020. In September 2016, the school amended the original agreement to include provisions for additional rental space for monthly payments of \$4,485 for nine months during the school year. For the years ended August 31, 2017 and 2016, rental expense was \$379,316 and \$371,735, respectively.

In addition, the school maintains several copier leases that are in effect until August 2021. The total monthly payments under these leases are \$1,037. For the years ended August 31, 2017 and 2016, copier lease expense was \$14,445 and \$0-, respectively.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 6 – OPERATING LEASES (continued)

Future minimum lease payments are as follows:

Year Ending August 31,		
2018	\$	352,505
2019		352,505
2020		332,562
2021		<u>2,992</u>
Total	\$	<u>1,040,564</u>

NOTE 7 – HEALTH INSURANCE PLAN

During the years ended August 31, 2017 and 2016, employees of the Academy were covered by a health insurance plan. The Academy contributed a maximum of 50 percent of employee premiums to the plan during the years ended August 31, 2017 and 2016. All premiums were paid to licensed insurers. The Academy's contributions towards health insurance were \$54,407 and \$19,421 for the years ended August 31, 2017 and 2016, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

NOTE 9 – PENSION PLAN OBLIGATIONS

Plan Description

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

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 9 – PENSION PLAN OBLIGATIONS (continued)

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$152,925,647,396
Accumulated Benefit Obligations - \$171,797,150,487
The plan is 78% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary and the state of Texas contributes an amount equal to 6.0% of the Academy's covered payroll.

The Academy's contributions to TRS were \$50,128 and \$13,326 for the years ended August 31, 2017 and 2016, respectively, which include \$34,421 and \$10,989, respectively, in Non-OASDI participating surcharges. The Academy's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The three levels of inputs used to measure fair value are as follows:

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

The Academy has no Level 2 or Level 3 assets or liabilities.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Academy’s financial instruments (Level 1) were as follows at August 31:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 1,292,814	\$ 1,292,814	\$ 677,169	\$ 677,169
Due from Texas				
Education Agency	\$ 116,172	\$ 116,172	\$ 223,410	\$ 223,410
Prepaid Expenses	\$ 97,479	\$ 97,479	\$ 6,574	\$ 6,574
Financial Liabilities:				
Accounts Payable	\$ 137,621	\$ 137,621	\$ 70,424	\$ 70,424
Accrued Expenses	\$ 198,642	\$ 198,642	\$ 129,616	\$ 129,616
Deferred Revenue	\$ 350	\$ 350	\$ -	\$ -

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

NOTE 11 – SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through January 11, 2018, which is the date the financial statements were available to be issued.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2017 and 2016

Expenses	2017	2016
6100 Payroll Costs	\$ 2,562,769	\$ 1,999,375
6200 Professional and Contracted Services	988,485	866,201
6300 Supplies and Materials	411,126	363,833
6400 Other Operating Costs	298,591	183,412
6500 Debt Interest Expense	-	7,100
Total Expenses	\$ 4,260,971	\$ 3,419,921

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF CAPITAL ASSETS
August 31, 2017

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

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,292,814	\$ -
1520 Building Improvements		40,954	
1539 Furniture and Equipment	21,710	236,576	358,751
Total Capital Assets	\$ 21,710	\$ 1,570,344	\$ 358,751

Reconciliation of Fixed Assets on Schedule of Capital Assets to Statements of Financial Position:

Per Schedule of Capital Assets:

1520 Building Improvements	\$ 40,954
1539 Furniture and Equipment	617,037

Less Accumulated Depreciation:

(225,013)

Total Fixed Assets per Statements of Financial Position:

\$ 432,978

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ -	\$ -	\$ 241	\$ 241
5743 Rent	-	-	4,567	4,567
5744 Donations	30,200	56,895	52,357	(4,538)
5749 Other Revenue from Local Sources	10,400	38,952	38,566	(386)
5751 Food Service Activity	21,000	29,200	28,668	(532)
5755 Enterprising Services Revenue	-	11,362	11,361	(1)
Total Local Support	<u>61,600</u>	<u>136,409</u>	<u>135,760</u>	<u>(649)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	4,209,261	4,209,261	4,135,818	(73,443)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	66,923	66,923
Total State Program Revenues	<u>4,209,261</u>	<u>4,209,261</u>	<u>4,202,741</u>	<u>(6,520)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	437,855	424,718	382,734	(41,984)
Total Federal Program Revenues	<u>437,855</u>	<u>424,718</u>	<u>382,734</u>	<u>(41,984)</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>4,708,716</u>	<u>4,770,388</u>	<u>4,721,235</u>	<u>(49,153)</u>
EXPENSES				
11 Instructional	2,498,209	2,387,976	2,171,457	216,519
12 Instructional Resources and Media Services	-	28,477	26,789	1,688
13 Curriculum Development and Instructional Staff Development	130,399	159,325	141,439	17,886
23 School Leadership	376,507	333,357	316,858	16,499
31 Guidance, Counseling, and Evaluation Services	73,176	98,000	94,769	3,231
33 Health Services	7,000	8,400	8,309	91
35 Food Services	163,062	240,778	240,588	190
36 Extracurricular Activities	3,650	3,133	2,829	304
41 General Administration	601,566	503,949	506,200	(2,251)
51 Plant Maintenance and Operations	530,192	569,238	568,056	1,182
52 Security and Monitoring Services	-	6,250	6,249	1
53 Data Processing Services	178,200	153,013	154,944	(1,931)
61 Community Services	200	-	-	-
81 Fundraising	28,500	22,485	22,484	1
TOTAL EXPENSES	<u>4,590,661</u>	<u>4,514,381</u>	<u>4,260,971</u>	<u>253,410</u>
CHANGE IN NET ASSETS	118,055	256,007	460,264	204,257
NET ASSETS, Beginning of Year	<u>1,142,566</u>	<u>1,142,566</u>	<u>1,142,566</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 1,260,621</u>	<u>\$ 1,398,573</u>	<u>\$ 1,602,830</u>	<u>\$ 204,257</u>

See independent auditor's report.

OTHER REPORTING REQUIRED

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

To the Board of Directors
The Beta Foundation dba
Beta Academy
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Beta Foundation dba Beta Academy (the Academy), a nonprofit organization, which comprise the statement of financial position as of August 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy’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 Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’s internal control.

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

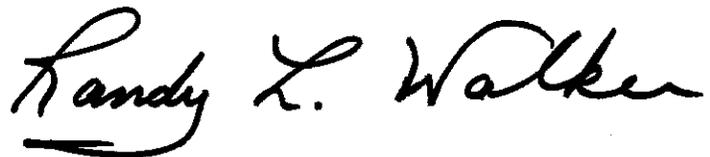
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, sweeping initial "R" and a distinct "L" and "W".

San Antonio, Texas
January 11, 2018

SUPPLEMENTARY INFORMATION

THE BETA FOUNDATION dba BETA ACADEMY
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

See independent auditor's report.