

**THE BETA FOUNDATION dba BETA ACADEMY**

**FINANCIAL STATEMENTS WITH  
COMPLIANCE REPORTING**

**August 31, 2019 and 2018**

**THE BETA FOUNDATION dba BETA ACADEMY**  
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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 <i>Government Auditing Standards</i>	20-21

**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, 2019, at a meeting of the Board of Directors of such charter holder on the 16 day of Jan, 2020.

Amita Archer  
Signature of Board Secretary

[Signature]  
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, 2019 and 2018, and the related statements of activities (with comparative totals for 2018), functional expenses (with comparative totals for 2018), 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, 2019 and 2018, 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.

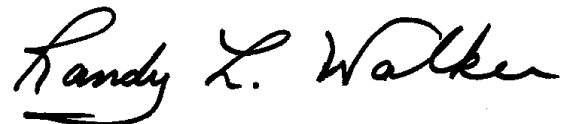
***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 16-19 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 16, 2020 on pages 20-21 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.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline for the first letter of the last name.

San Antonio, Texas  
January 16, 2020

# **FINANCIAL STATEMENTS**

**THE BETA FOUNDATION dba BETA ACADEMY**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2019 and 2018**

	<b>2019</b>	2018 (Restated)
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,057,642	\$ 1,746,023
Due from Texas Education Agency	437,790	282,710
Prepaid Expenses	224,934	129,343
Total Current Assets	3,720,366	2,158,076
<b>LONG-TERM ASSETS</b>		
Investments	1,937,646	-
Fixed Assets, net	5,062,885	408,226
Total Long-Term Assets	7,000,531	408,226
<b>TOTAL ASSETS</b>	<b>\$ 10,720,897</b>	<b>\$ 2,566,302</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 87,579	\$ 67,434
Accrued Expenses	367,827	507,425
Total Current Liabilities	455,406	574,859
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	5,842,136	-
Total Long-Term Liabilities	5,842,136	-
<b>TOTAL LIABILITIES</b>	<b>6,297,542</b>	<b>574,859</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	327,386	257,012
With Donor Restrictions	4,095,969	1,734,431
<b>TOTAL NET ASSETS</b>	<b>4,423,355</b>	<b>1,991,443</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,720,897</b>	<b>\$ 2,566,302</b>

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, 2019**  
**(with comparative totals for 2018)**

	2019			2018 Total (Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5742 Interest Income	\$ 43,345	\$ -	\$ 43,345	\$ 749
5743 Rent	5,598	-	5,598	4,334
5744 Donations	53,371	1,250,000	1,303,371	10,874
5749 Other Revenue from Local Sources	108,516	-	108,516	69,944
5751 Food Service Activity	46,209	-	46,209	37,298
5755 Enterprising Services Revenue	21,166	-	21,166	41,618
Total Local Support	<u>278,205</u>	<u>1,250,000</u>	<u>1,528,205</u>	<u>164,817</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	6,146,557	6,146,557	4,904,185
5820 State Program Revenues Distributed by TEA	-	45,470	45,470	2,429
Total State Program Revenues	<u>-</u>	<u>6,192,027</u>	<u>6,192,027</u>	<u>4,906,614</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	385,563	385,563	432,826
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	62,876	62,876	-
Total Federal Program Revenues	<u>-</u>	<u>448,439</u>	<u>448,439</u>	<u>432,826</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	5,528,928	(5,528,928)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>5,807,133</u>	<u>2,361,538</u>	<u>8,168,671</u>	<u>5,504,257</u>
<b>OPERATING EXPENSES</b>				
11 Instruction	2,998,336	-	2,998,336	2,930,080
12 Instructional Resources and Media Services	21,591	-	21,591	18,632
13 Curriculum Development and Instructional Staff Development	196,975	-	196,975	195,161
21 Instructional Leadership	39,467	-	39,467	73,779
23 School Leadership	454,574	-	454,574	442,198
31 Guidance, Counseling, and Evaluation Services	130,176	-	130,176	51,771
33 Health Services	15,363	-	15,363	6,577
35 Food Services	224,494	-	224,494	273,505
36 Extracurricular Activities	3,476	-	3,476	55,008
41 General Administration	635,995	-	635,995	549,032
51 Plant Maintenance and Operations	483,331	-	483,331	334,720
52 Security and Monitoring Services	23,465	-	23,465	11,122
53 Data Processing	210,772	-	210,772	138,964
61 Community Service	-	-	-	2,223
71 Debt Service	269,473	-	269,473	-
81 Fundraising	29,271	-	29,271	32,872
<b>TOTAL OPERATING EXPENSES</b>	<u>5,736,759</u>	<u>-</u>	<u>5,736,759</u>	<u>5,115,644</u>
<b>CHANGE IN NET ASSETS</b>	70,374	2,361,538	2,431,912	388,613
<b>NET ASSETS, Beginning of Year (Restated)</b>	<u>257,012</u>	<u>1,734,431</u>	<u>1,991,443</u>	<u>1,602,830</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 327,386</u>	<u>\$ 4,095,969</u>	<u>\$ 4,423,355</u>	<u>\$ 1,991,443</u>

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



**THE BETA FOUNDATION dba BETA ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2019**  
**(with comparative totals for 2018)**

	2019			2018 Total (Restated)	
	Program	General and Administrative	Fundraising		Total
<b><u>OPERATING EXPENSES</u></b>					
Salaries	\$ 2,538,713	\$ 532,652	\$ 5,394	<b>\$ 3,076,759</b>	\$ 3,030,926
Benefits	185,996	24,402	106	<b>210,504</b>	287,787
Payroll Taxes	37,319	6,866	67	<b>44,252</b>	40,396
Total Payroll Expenses	<u>2,762,028</u>	<u>563,920</u>	<u>5,567</u>	<b><u>3,331,515</u></b>	3,359,109
Rental Expense	375,454	70,196	-	<b>445,650</b>	412,891
Contract Labor	80,815	225,138	6,500	<b>312,453</b>	284,951
Interest	206,289	51,572	-	<b>257,861</b>	-
Supplies	231,194	12,801	11,185	<b>255,180</b>	161,823
Professional Fees	133,704	102,561	-	<b>236,265</b>	85,857
Maintenance and Repair	164,238	41,059	-	<b>205,297</b>	183,738
Food	142,627	-	-	<b>142,627</b>	155,889
Depreciation	99,594	35,694	-	<b>135,288</b>	166,476
Travel	85,598	25,936	-	<b>111,534</b>	62,685
Miscellaneous	62,002	21,346	6,016	<b>89,364</b>	45,597
Technology	26,425	47,075	-	<b>73,500</b>	49,252
Utilities	28,034	7,008	-	<b>35,042</b>	45,269
Insurance and Bonding	27,249	6,812	-	<b>34,061</b>	23,171
Furniture and Equipment	14,132	8,211	-	<b>22,343</b>	25,358
Instructional Materials	27,712	-	-	<b>27,712</b>	32,183
Amortization Expense	-	11,612	-	<b>11,612</b>	-
Dues	4,364	1,091	-	<b>5,455</b>	3,510
Educational Service Center	3,200	800	-	<b>4,000</b>	17,885
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 4,474,659</u></b>	<b><u>\$ 1,232,832</u></b>	<b><u>\$ 29,268</u></b>	<b><u>\$ 5,736,759</u></b>	<b><u>\$ 5,115,644</u></b>

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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
		(Restated)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Foundation School Program Payments	\$ 5,988,838	\$ 4,725,664
Grant Payments	497,082	447,238
Contributions	1,352,314	15,957
Miscellaneous Sources	175,357	111,212
Payments to Vendors for Goods and Services Rendered	(2,075,929)	(1,925,775)
Payments to Charter School Personnel for Services Rendered	(3,491,538)	(2,779,363)
Interest Payments	(237,436)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,208,688</b>	<b>594,933</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of Investments	(1,937,646)	-
Purchases of Furniture and Equipment	(4,789,947)	(141,724)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(6,727,593)</b>	<b>(141,724)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from Issuance of Bonds	6,295,000	-
Payment of Bond Issuance Costs	(464,476)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>5,830,524</b>	<b>-</b>
<b>NET INCREASE IN CASH FLOWS</b>	<b>1,311,619</b>	<b>453,209</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>1,746,023</b>	<b>1,292,814</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 3,057,642</b>	<b>\$ 1,746,023</b>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 2,431,912	\$ 388,613
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	135,288	166,476
Amortization	11,612	-
(Increase) in Assets:		
Due from Texas Education Agency	(155,080)	(166,538)
Prepaid Expenses	(95,591)	(31,864)
Increase (Decrease) in Liabilities:		
Accounts Payable	20,145	(70,187)
Accrued Expenses	(139,598)	308,783
Deferred Revenue	-	(350)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,208,688</b>	<b>\$ 594,933</b>

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

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**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, 2019, 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 two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the Academy's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Contributions**

The Academy accounts for contributions as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018**

**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 services and other activities of the Academy 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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as utilities, depreciation, maintenance and repair, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

**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 and hotel taxes in the State of Texas. As of August 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)**

**Recently Adopted Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Academy early adopted this new pronouncement effective September 1, 2017.

**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.

**NOTE 3 – DUE FROM TEXAS EDUCATION AGENCY**

The Academy had \$437,790 and \$282,710 in receivables due from Texas Education Agency (TEA) related to various state grants and Foundation School Program revenue at August 31, 2019 and 2018, 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 – 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 5 – FIXED ASSETS**

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

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 1,868,744	\$ -
Construction in Progress	500,700	66,294
Building and Improvements	2,366,306	53,846
Furniture and Equipment	853,914	679,576
Less Accumulated Depreciation	<u>(526,779)</u>	<u>(391,490)</u>
Total	<u>\$ 5,062,885</u>	<u>\$ 408,226</u>

Depreciation expense was \$135,288 and \$166,476 for the years ended August 31, 2019 and 2018, respectively.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 6 – INVESTMENTS**

Investments consist of money market funds held with UMB Bank, N.A. They are recorded at fair value based on quoted market prices. The fair value of investments was \$1,937,646 at August 31, 2019. Cost approximates fair value. Investment fees were \$17,573 for the year ended August 31, 2019.

Investment income consisted of the following for the year ended August 31, 2019:

Interest/Dividends	\$	43,343
Unrealized Gain		2
Total	\$	43,345

The Academy had no investments at August 31, 2018.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at August 31:

	2019	2018 (Restated)
Foundation School Program	\$ 3,399,398	\$ 1,612,527
Start-Up Grant Capital Assets	71,009	121,904
Board Development	50,000	-
Campus Expansion	575,562	-
Total	\$ 4,095,969	\$ 1,734,431

**NOTE 8 – BONDS PAYABLE**

During the year ended August 31, 2019, Education Revenue Bonds (Series 2018A and 2018B) were issued through the New Hope Cultural Education Facilities Finance Corporation. These bonds closed and funded on December 1, 2018, with all proceeds being held by UMB Bank, N.A. The bonds' proceeds will be used for expansion of the main campus. The bonds were underwritten by D.A. Davidson & Co. The interest rates on the bonds range from 5.125% to 7%, and the term of the bonds is thirty years. The bond issue included a premium of \$32,427.

Bond issuance costs were \$464,476 and are amortized over the term of the bonds. Amortization expense was \$11,612 for the year ended August 31, 2019.

As of August 31, 2019, bonds payable - long-term consisted of the following:

Series 2018A	\$	5,890,000
Series 2018B		405,000
		6,295,000
Less Bond Issuance Costs, net		(452,864)
Total	\$	5,842,136

The Academy had no bonds payable at August 31, 2018.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 8 – BONDS PAYABLE (continued)**

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

For the Year Ending August 31,	
2020	\$ -
2021	90,000
2022	100,000
2023	105,000
2024	110,000
Thereafter	<u>5,890,000</u>
Total	<u>\$ 6,295,000</u>

The bond loan agreement contains certain financial covenants, with which the Academy was in compliance for the year ended August 31, 2019.

Bond interest expense was \$257,861 for the year ended August 31, 2019.

**NOTE 9 – 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. For the years ended August 31, 2019 and 2018, rental expense was \$435,431 and \$400,038, respectively.

In addition, the Academy maintains several copier leases with varying expiration dates between August 2019 and August 2021. The total monthly payments under these leases are \$1,038. For the years ended August 31, 2019 and 2018, copier lease expense was \$10,219 and \$12,180, respectively.

Future minimum lease payments are as follows:

Year Ending August 31,	
2020	\$ 346,562
2021	<u>2,992</u>
Total	<u>\$ 349,554</u>

**NOTE 10 – HEALTH INSURANCE PLAN**

During the years ended August 31, 2019 and 2018, 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, 2019 and 2018. All premiums were paid to licensed insurers. The Academy's contributions towards health insurance were \$98,239 and \$113,144 for the years ended August 31, 2019 and 2018, respectively.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 11 – 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 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 - \$176,942,454,000  
Accumulated Benefit Obligations - \$181,752,796,715  
The plan is 76.9% 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 \$78,022 and \$96,786 for the years ended August 31, 2019 and 2018, respectively, which include \$41,715 and \$39,548, 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 12 – 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 BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

	<u>2019</u>		<u>2018</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and Cash Equivalents	\$ 3,057,642	\$ 3,057,642	\$ 1,746,023	\$ 1,746,023
Due from Texas				
Education Agency	\$ 437,790	\$ 437,790	\$ 282,710	\$ 282,710
Prepaid Expenses	\$ 224,934	\$ 224,934	\$ 129,343	\$ 129,343
Financial Liabilities:				
Accounts Payable	\$ 87,579	\$ 87,579	\$ 67,434	\$ 67,434
Accrued Expenses	\$ 367,827	\$ 367,827	\$ 507,425	\$ 507,425

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

The Charter Holder’s financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments (Note 6).

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects the Academy’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 3,057,642	\$ 1,746,023
Investments	1,937,646	-
Due from Texas Education Agency	437,790	282,710
Total Financial Assets	<u>5,433,078</u>	<u>2,028,733</u>
Donor Restrictions (net of Foundation School Program)	<u>(696,571)</u>	<u>(121,904)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 4,736,507</u>	<u>\$ 1,906,829</u>

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)**

Although some of the financial assets are subject to donor or other contractual restrictions, restrictions are part of the entity's mission that make them available for general expenditure within one year of the statement of financial position date. The Academy has a goal to maintain financial assets on hand to meet at least 180 days of normal operating expenses which are, on average, approximately \$466,000 per month, given full programmatic expenditures.

**NOTE 14 – PRIOR PERIOD RESTATEMENT**

During the year ended August 31, 2019, an evaluation of accrued payroll revealed \$119,417 in payroll expenses that should have been accrued as of August 31, 2018. Correction of this misstatement resulted in an increase of \$119,417 in accrued expenses and a corresponding decrease in net assets with donor restrictions at August 31, 2018.

**NOTE 15 – SUBSEQUENT EVENTS**

The Academy has evaluated subsequent events through January 16, 2020, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**THE BETA FOUNDATION dba BETA ACADEMY**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2019 and 2018**

	<b>2019</b>	2018 (Restated)
<b>Expenses</b>		
6100 Payroll Costs	\$ <b>3,331,515</b>	\$ 3,359,109
6200 Professional and Contracted Services	<b>1,220,894</b>	1,016,022
6300 Supplies and Materials	<b>539,175</b>	439,074
6400 Other Operating Costs	<b>375,702</b>	301,439
6500 Debt	<b>269,473</b>	-
	<b>Total Expenses</b> \$ <b>5,736,759</b>	\$ 5,115,644

See independent auditor's report.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2019**

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

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ -	\$ 3,057,642	\$ -
1510 Land and Improvements	-	1,868,744	-
1520 Buildings and Improvements	-	2,867,006	-
1539 Furniture and Equipment	30,583	437,245	386,086
<b>Total Capital Assets</b>	<b>\$ 30,583</b>	<b>\$ 8,230,637</b>	<b>\$ 386,086</b>

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

*Per Schedule of Capital Assets:*

1510 Land and Improvements	\$ 1,868,744
1520 Buildings and Improvements	2,867,006
1539 Furniture and Equipment	853,914
	5,589,664
<i>Less Accumulated Depreciation:</i>	(526,779)

**Total Fixed Assets per Statements of Financial Position:** **\$ 5,062,885**

See independent auditor's report.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5742 Interest Income	\$ 762	\$ 43,345	\$ 43,345	\$ -
5743 Rent	5,201	5,601	5,598	(3)
5744 Donations	13,049	736,684	1,303,371	566,687
5749 Other Revenue from Local Sources	67,181	76,089	108,516	32,427
5751 Food Service Activity	35,131	49,248	46,209	(3,039)
5755 Enterprising Services Revenue	34,264	21,166	21,166	-
<b>Total Local Support</b>	<u>155,588</u>	<u>932,133</u>	<u>1,528,205</u>	<u>596,072</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	235,908	5,984,325	6,146,557	162,232
5820 State Program Revenues Distributed by TEA	5,195,510	39,729	45,470	5,741
<b>Total State Program Revenues</b>	<u>5,431,418</u>	<u>6,024,054</u>	<u>6,192,027</u>	<u>167,973</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	413,141	414,261	385,563	(28,698)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	27,000	62,876	35,876
<b>Total Federal Program Revenues</b>	<u>413,141</u>	<u>414,261</u>	<u>448,439</u>	<u>(28,698)</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>6,000,147</u>	<u>7,370,448</u>	<u>8,168,671</u>	<u>735,347</u>
<b>EXPENSES</b>				
11 Instructional	3,077,995	3,406,864	2,998,336	408,528
12 Instructional Resources and Media Services	21,890	25,766	21,591	4,175
13 Curriculum Development and Instructional Staff Development	220,103	261,444	196,975	64,469
21 Instructional Leadership	99,246	49,477	39,467	10,010
23 School Leadership	561,114	565,489	454,574	110,915
31 Guidance, Counseling, and Evaluation Services	52,487	151,924	130,176	21,748
33 Health Services	7,892	13,500	15,363	(1,863) (1)
35 Food Services	271,263	259,843	224,494	35,349
36 Extracurricular Activities	16,303	4,000	3,476	524
41 General Administration	598,875	726,713	635,995	90,718
51 Plant Maintenance and Operations	460,314	494,694	483,331	11,363
52 Security and Monitoring Services	3,206	23,500	23,465	35
53 Data Processing Services	138,073	226,969	210,772	16,197
61 Community Services	2,668	-	-	-
71 Debt Service	-	237,436	269,473	(32,037) (2)
81 Fundraising	23,666	34,659	29,271	5,388
<b>TOTAL EXPENSES</b>	<u>5,555,095</u>	<u>6,482,278</u>	<u>5,736,759</u>	<u>745,519</u>
<b>CHANGE IN NET ASSETS</b>	445,052	888,170	2,431,912	1,480,866
<b>NET ASSETS, Beginning of Year (Restated)</b>	<u>1,991,443</u>	<u>1,991,443</u>	<u>1,991,443</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 2,436,495</u>	<u>\$ 2,879,613</u>	<u>\$ 4,423,355</u>	<u>\$ 1,480,866</u>

See independent auditor's report.

**THE BETA FOUNDATION dba BETA ACADEMY**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2019**

(1) Unfavorable variance is due to more health supplies being purchased than were budgeted based on the needs of the Academy.

(2) Unfavorable variance is due to bond issuance cost amortization expense not being included in the original and final budget.

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, 2019, 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 16, 2020.

**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.

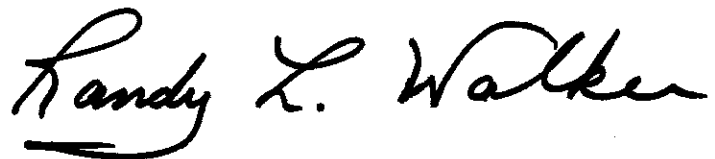
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **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 16, 2020