

THE BETA FOUNDATION dba BETA ACADEMY
FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2021 and 2020

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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) X approved disapproved for the year ended August 31, 2021, at a meeting of the Board of Directors of such charter holder on the 24 day of January , 2022.

Anita Archer

Signature of Board Secretary

Daniel Meely

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, 2021 and 2020, and the related statements of activities (with comparative totals for 2020), functional expenses (with comparative totals for 2020), 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, 2021 and 2020, 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 17-23 and the schedule of expenditures of federal and state awards on page 24, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 24, 2022 on pages 26-27 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.

Randy Walker & Co.

San Antonio, Texas
January 24, 2022

FINANCIAL STATEMENTS

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENTS OF FINANCIAL POSITION
August 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,511,024	\$ 5,354,423
Due from Texas Education Agency	831,853	425,793
Due from Other	264,465	1,083,517
Prepaid Expenses	280,039	217,280
Total Current Assets	6,887,381	7,081,013
 LONG-TERM ASSETS		
Investments	2,110,035	6,907,094
Property and Equipment, net	26,115,143	19,577,011
Total Long-Term Assets	28,225,178	26,484,105
 TOTAL ASSETS		
	\$ 35,112,559	\$ 33,565,118
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,035	\$ 45,512
Accrued Expenses	538,159	440,916
Retainage Payable	341,665	694,999
Deferred Revenue	50,000	-
PPP Loan Payable - current	-	419,832
Bonds Payable - current	425,000	90,000
Total Current Liabilities	1,358,859	1,691,259
 LONG-TERM LIABILITIES		
PPP Loan Payable - long-term	-	341,468
Bonds Payable - long-term, net	22,276,839	22,662,449
Total Long-Term Liabilities	22,276,839	23,003,917
TOTAL LIABILITIES	23,635,698	24,695,176
 NET ASSETS		
Without Donor Restrictions	9,738,896	1,779,849
With Donor Restrictions	1,737,965	7,090,093
TOTAL NET ASSETS	11,476,861	8,869,942
 TOTAL LIABILITIES AND NET ASSETS		
	\$ 35,112,559	\$ 33,565,118

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, 2021
(with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Earnings from Temporary Deposits and Investments	\$ 28,970	\$ -	\$ 28,970	\$ 117,120
5743 Rent	5,952	-	5,952	4,888
5744 Donations	11,473	1,003,414	1,014,887	3,569,050
5745 Insurance Recovery	14,363	-	14,363	-
5749 Other Revenue from Local Sources	91,694	15,684	107,378	142,687
5751 Food Service Activity	30,203	-	30,203	55,025
5755 Enterprising Services Revenue	-	-	-	4,759
5758 Bond Premium	-	-	-	696,301
5759 Revenue from Book Fair	-	-	-	6,491
5769 E-Rate Revenue	19,902	-	19,902	135,028
Total Local Support	<u>202,557</u>	<u>1,019,098</u>	<u>1,221,655</u>	<u>4,731,349</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	11,691,151	11,691,151	7,966,003
5820 State Program Revenues Distributed by TEA	-	76,274	76,274	129,733
Total State Program Revenues	<u>-</u>	<u>11,767,425</u>	<u>11,767,425</u>	<u>8,095,736</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	1,105,607	1,105,607	1,050,478
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	152,468	152,468	3,758
5940 Federal Revenues Distributed Directly from the Federal Government	761,300	-	761,300	-
Total Federal Program Revenues	<u>761,300</u>	<u>1,258,075</u>	<u>2,019,375</u>	<u>1,054,236</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	19,396,726	(19,396,726)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>20,360,583</u>	<u>(5,352,128)</u>	<u>15,008,455</u>	<u>13,881,321</u>
OPERATING EXPENSES				
11 Instruction	5,511,874	-	5,511,874	3,841,196
12 Instructional Resources and Media Services	69,081	-	69,081	35,869
13 Curriculum Development and Instructional Staff Development	536,884	-	536,884	150,633
21 Instructional Leadership	-	-	-	81,468
23 School Leadership	1,210,616	-	1,210,616	1,338,550
31 Guidance, Counseling, and Evaluation Services	231,358	-	231,358	45,227
33 Health Services	63,646	-	63,646	56,602
35 Food Services	392,846	-	392,846	328,462
36 Extracurricular Activities	17,101	-	17,101	16,651
41 General Administration	860,308	-	860,308	722,770
51 Plant Maintenance and Operations	1,599,461	-	1,599,461	1,036,034
52 Security and Monitoring Services	9,615	-	9,615	13,677
53 Data Processing Services	352,434	-	352,434	324,888
61 Community Service	68,687	-	68,687	55,139
71 Debt Service	1,236,328	-	1,236,328	1,187,848
81 Fundraising	241,297	-	241,297	199,720
TOTAL OPERATING EXPENSES	<u>12,401,536</u>	<u>-</u>	<u>12,401,536</u>	<u>9,434,734</u>
CHANGE IN NET ASSETS	7,959,047	(5,352,128)	2,606,919	4,446,587
NET ASSETS, Beginning of Year	<u>1,779,849</u>	<u>7,090,093</u>	<u>8,869,942</u>	<u>4,423,355</u>
NET ASSETS, End of Year	<u>\$ 9,738,896</u>	<u>\$ 1,737,965</u>	<u>\$ 11,476,861</u>	<u>\$ 8,869,942</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, 2021
(with comparative totals for 2020)

	2021			2020 Total	
	Program	General and Administrative	Fundraising		Total
OPERATING EXPENSES					
Salaries	\$ 5,954,575	\$ 499,599	\$ 141,678	\$ 6,595,852	\$ 5,003,916
Benefits	656,855	53,599	19,379	729,833	455,745
Payroll Taxes	104,490	6,799	428	111,717	74,692
Total Payroll Expenses	6,715,920	559,997	161,485	7,437,402	5,534,353
Interest	897,703	239,388	59,847	1,196,938	1,148,458
Contract Labor	313,588	316,099	67,112	696,799	436,121
Supplies	535,422	22,520	49,190	607,132	356,547
Depreciation	491,838	73,584	18,396	583,818	330,150
Rental Expense	408,536	17,424	4,110	430,070	471,321
Maintenance and Repair	252,239	67,263	16,816	336,318	214,259
Food	201,354	-	-	201,354	185,157
Miscellaneous	146,970	32,044	2,475	181,489	156,110
Utilities	126,593	33,758	8,440	168,791	110,519
Insurance and Bonding	117,901	31,440	7,860	157,201	43,708
Technology	80,388	30,136	2,074	112,598	42,648
Professional Fees	36,971	58,819	-	95,790	101,543
Instructional Materials	66,435	-	-	66,435	17,284
Furniture and Equipment	45,841	3,749	938	50,528	134,788
Amortization	29,542	7,878	1,970	39,390	39,390
Travel	17,496	8,018	120	25,634	99,118
Dues	11,209	540	-	11,749	13,260
Educational Service Center	2,100	-	-	2,100	-
TOTAL OPERATING EXPENSES	\$ 10,498,046	\$ 1,502,657	\$ 400,833	\$ 12,401,536	\$ 9,434,734

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 11,025,828	\$ 8,355,358
Grant Payments	3,173,964	722,560
Contributions	1,049,809	2,575,541
Miscellaneous Sources	221,846	1,156,342
Payments to Vendors for Goods and Services Rendered	(4,382,006)	(2,319,873)
Payments to Charter School Personnel for Services Rendered	(7,340,159)	(4,881,535)
Interest Payments	(1,177,790)	(1,130,111)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,571,492	4,478,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Investments	4,797,059	(4,969,448)
Purchases of Property and Equipment	(7,121,950)	(14,844,276)
NET CASH USED BY INVESTING ACTIVITIES	(2,324,891)	(19,813,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on PPP Loan	-	761,300
Proceeds from Issuance of Bonds	-	17,600,000
Payments on Bonds Payable	(90,000)	-
Payment of Bond Issuance Costs	-	(729,077)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(90,000)	17,632,223
NET INCREASE IN CASH FLOWS	156,601	2,296,781
CASH AND CASH EQUIVALENTS, Beginning of Year	5,354,423	3,057,642
CASH AND CASH EQUIVALENTS, End of Year	\$ 5,511,024	\$ 5,354,423
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 2,606,919	\$ 4,446,587
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	583,818	330,150
Amortization	39,390	39,390
Forgiveness of PPP Loan	(761,300)	-
(Increase) Decrease in Assets:		
Due from Texas Education Agency	(406,060)	11,997
Due from Other	819,052	(1,083,517)
Prepaid Expenses	(62,759)	7,654
(Decrease) Increase in Liabilities:		
Accounts Payable	(41,477)	(42,067)
Accrued Expenses	97,243	73,089
Retainage Payable	(353,334)	694,999
Deferred Revenue	50,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,571,492	\$ 4,478,282

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

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

The Beta Foundation dba Beta Academy (the Academy) is a 501(c)(3) 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, 2021, the Academy operates two campuses 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 (FASB) 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, 2021 and 2020

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 thirty 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 may 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, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

New Accounting Pronouncements

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. 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, 2021 and 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update was followed up in 2018 by ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-09, *Codification Improvements*. These pronouncements provide guidance regarding the reporting and disclosure requirements of investments, effective for periods beginning after December 15, 2018. The Academy adopted these pronouncements effective September 1, 2019.

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Academy adopted this pronouncement effective September 1, 2019.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The Academy adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The Academy adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

Revenue - Exchange Transactions

The Academy receives revenue from student meal sales, fundraising events, student activities, and merchandise sales, which are exchange transactions. The revenue is reported at the amount that reflects the consideration to which the Academy expects to be entitled in exchange for providing the meals, holding the events, and conducting the student activities. Revenue is recognized as performance obligations are satisfied, which is at a point in time when the sale occurs, the event is held, or the activity is conducted. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2021 and 2020.

For the years ended August 31, 2021 and 2020, substantially all fundraising income consisted of contributions (non-exchange) which are recognized as revenue when received and are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 2 – REGULATED INDUSTRY

A portion of the Academy’s activities and revenues are a result of contracts with Texas Education Agency (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 AND OTHER

The Academy had \$831,853 and \$425,793 in receivables due from TEA related to various state grants and Foundation School Program revenue at August 31, 2021 and 2020, respectively. The Academy also had \$264,465 and \$1,083,517 in receivables due from a private foundation and governmental entities (non-TEA) at August 31, 2021 and 2020, 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:

	2021	2020
Land and Improvements	\$ 1,868,744	\$ 1,868,744
Construction in Progress	15,300,180	10,771,096
Building and Improvements	8,678,217	6,344,828
Furniture and Equipment	1,708,749	1,449,272
Less Accumulated Depreciation	(1,440,747)	(856,929)
Total	\$ 26,115,143	\$ 19,577,011

Depreciation expense was \$583,818 and \$330,150 for the years ended August 31, 2021 and 2020, respectively. Furthermore, a retainage payable of \$341,665 and \$694,999 related to Phase 2 construction of the new campus was recorded as of August 31, 2021 and 2020, respectively. Fixed asset additions are included in net assets released from restrictions in the statement of activities.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

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 \$2,110,035 and \$6,907,094 at August 31, 2021 and 2020, respectively.

Investment income consisted of the following for the years ended August 31:

	2021	2020
Interest/Dividends	\$ 420	\$ 117,118
Unrealized Gain	28,550	2
Total	\$ 28,970	\$ 117,120

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Foundation School Program	\$ 935,185	\$ 4,386,740
Campus Expansion	596,503	2,587,194
Start-Up Grant Capital Assets	64,971	64,971
Success for All Facilitator	50,000	-
Summer School	47,258	-
Technology	20,000	20,000
New Campus Gym Needs	8,000	5,000
Advocacy	6,767	-
School Safety	6,710	-
Food Service	900	900
Science Program	630	630
Training	565	565
Feasibility Study	476	-
COVID Purchases	-	24,093
Total	\$ 1,737,965	\$ 7,090,093

NOTE 8 – PAYCHECK PROTECTION PROGRAM

During the year ended August 31, 2020, the Academy received a Paycheck Protection Program (PPP) loan of \$761,300 from the Small Business Administration as part of the CARES Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. The amount was expended according to the time and purpose restrictions defined by the PPP. The School applied and was approved for forgiveness of the PPP loan in December 2020. Therefore, the loan forgiveness has been recognized as federal program revenue in the statement of activities for the year ended August 31, 2021.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 9 – BONDS PAYABLE

During the year ended August 31, 2020, Education Revenue Bonds (Series 2019A and Taxable Series 2019B) were issued through the New Hope Cultural Education Facilities Finance Corporation. These bonds closed and funded on September 1, 2019, 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 3.375% to 5%, and the term of the bonds is thirty years. The bond issue included a premium of \$696,301.

During the year ended August 31, 2019, Education Revenue Bonds (Series 2018A and Taxable Series 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 \$1,193,553 as of August 31, 2021 and 2020, and are amortized over the term of the bonds. Amortization expense was \$39,390 for the years ended August 31, 2021 and 2020.

Bonds payable - long-term consisted of the following at August 31:

	2021	2020
Series 2018A	\$ 5,890,000	\$ 5,890,000
Series 2018B	315,000	405,000
Series 2019A	17,205,000	17,205,000
Series 2019B	395,000	395,000
	23,805,000	23,895,000
Less Current Maturities	(425,000)	(90,000)
Less Bond Issuance Costs, net	(1,103,161)	(1,142,551)
Total	\$ 22,276,839	\$ 22,662,449

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

Years Ending August 31,		
2022	\$	425,000
2023		445,000
2024		470,000
2025		490,000
2026		510,000
Thereafter		21,465,000
Total	\$	23,805,000

The bond loan agreement contains certain financial covenants with which the Academy was in compliance for the years ended August 31, 2021 and 2020.

Bond interest expense was \$1,196,938 and \$1,148,458 for the years ended August 31, 2021 and 2020, respectively.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 10 – OPERATING LEASES

The Academy has multiple facility lease agreements with Christian Temple Assembly of God with varying monthly rates and expiration dates. For the years ended August 31, 2021 and 2020, rental expense under these agreements was \$410,711 and \$454,464, respectively.

In addition, the Academy maintains several copier and storage unit leases with varying monthly rates and expiration dates. For the years ended August 31, 2021 and 2020, copier and storage lease expenses were \$19,359 and \$16,857, respectively.

Future minimum lease payments are as follows:

Years Ending August 31,	
2022	\$ 395,717
2023	395,717
2024	395,717
2025	378,717
Total	<u>\$ 1,565,868</u>

NOTE 11 – 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’s current assets and liabilities as presented in the statements of financial position are Level 1. The Academy has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

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

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 12 – HEALTH INSURANCE PLAN

During the years ended August 31, 2021 and 2020, employees of the Academy were covered by a health insurance plan. The Academy contributed a maximum of \$225 per month per employee towards the monthly insurance premium. All premiums were paid to licensed insurers. The Academy's contributions towards health insurance were \$216,309 and \$143,168 for the years ended August 31, 2021 and 2020, respectively.

NOTE 13 – 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 - \$223,172,755,000
Accumulated Benefit Obligations - \$218,037,583,497
The plan is 79.1% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary and the state of Texas contributes an amount equal to 7.5% of the Academy's covered payroll.

The Academy's contributions to TRS were \$385,136 and \$231,816 for the years ended August 31, 2021 and 2020, respectively, which include \$100,643 and \$69,994, 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.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 14 – 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.

	2021	2020
Cash and Cash Equivalents	\$ 5,511,024	\$ 5,354,423
Investments	2,110,035	6,907,094
Due from Texas Education Agency and Other	1,096,318	1,509,310
Total Financial Assets	8,717,377	13,770,827
Donor Restrictions (net of Foundation School Program)	(802,780)	(2,703,353)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 7,914,597	\$ 11,067,474

The Academy’s primary sources of cash flow include Foundation School Program funds from TEA, which are classified as net assets with donor restrictions on the statements of financial position. However, restrictions are part of the Academy’s mission that make them available for general expenditure within one year of the statement of financial position date. The Academy has a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 15 – CONCENTRATION OF CREDIT RISK

The Academy maintains cash accounts at three financial institutions, as well as several investment accounts with an investment company. Cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. Investment account balances are insured by the Securities Investor Protection Corporation up to \$500,000. At August 31, 2021 and 2020, uninsured cash balances totaled \$5,336,752 and \$4,708,768, respectively, without consideration of reconciling items. At August 31, 2021 and 2020, uninsured investment balances totaled \$1,610,036 and \$6,407,094, respectively.

NOTE 16 – SUBSEQUENT EVENTS

As a result of the ongoing COVID-19 pandemic, the Academy continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

The Academy has evaluated subsequent events through January 24, 2022, 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, 2021 and 2020

EXPENSES	<u>2021</u>	<u>2020</u>
6100 Payroll Costs	\$ 7,437,402	\$ 5,534,353
6200 Professional and Contracted Services	1,705,709	1,303,478
6300 Supplies and Materials	1,062,206	766,709
6400 Other Operating Costs	959,891	642,346
6500 Debt	<u>1,236,328</u>	<u>1,187,848</u>
TOTAL EXPENSES	<u><u>\$ 12,401,536</u></u>	<u><u>\$ 9,434,734</u></u>

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF CAPITAL ASSETS
August 31, 2021

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	\$ -	\$ 5,511,024	\$ -
1510 Land and Improvements	-	1,868,744	-
1520 Buildings and Improvements	2,687,854	21,212,351	78,192
1539 Furniture and Equipment	205,529	956,461	546,759
Total Capital Assets	\$ 2,893,383	\$ 29,548,580	\$ 624,951

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	23,978,397
1539 Furniture and Equipment	1,708,749
	27,555,890
<i>Less Accumulated Depreciation:</i>	(1,440,747)

Total Fixed Assets per Statements of Financial Position: **\$ 26,115,143**

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2021

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Earnings from Temporary Deposits and Investments	\$ -	\$ 28,970	\$ 28,970	\$ -
5743 Rent	-	5,952	5,952	-
5744 Donations	300,000	1,014,885	1,014,887	2
5745 Insurance Recovery	-	14,363	14,363	-
5749 Other Revenue from Local Sources	113,000	107,378	107,378	-
5751 Food Service Activity	-	30,203	30,203	-
5769 E-Rate Revenue	-	19,902	19,902	-
Total Local Support	413,000	1,221,653	1,221,655	2
State Program Revenues:				
5810 Foundation School Program Act Revenues	10,876,024	11,691,151	11,691,151	-
5820 State Program Revenues Distributed by TEA	40,000	76,274	76,274	-
Total State Program Revenues	10,916,024	11,767,425	11,767,425	-
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	689,619	1,105,607	1,105,607	-
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	305,901	152,468	152,468	-
5940 Federal Revenues Distributed Directly from the Federal Government	-	761,300	761,300	-
Total Federal Program Revenues	995,520	2,019,375	2,019,375	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	12,324,544	15,008,453	15,008,455	2
OPERATING EXPENSES				
11 Instruction	5,949,185	5,511,871	5,511,874	(3)
12 Instructional Resources and Media Services	62,388	69,077	69,081	(4)
13 Curriculum Development and Instructional Staff Development	202,107	536,883	536,884	(1)
21 Instructional Leadership	138,153	-	-	-
23 School Leadership	937,336	1,210,544	1,210,616	(72)
31 Guidance, Counseling, and Evaluation Services	150,512	231,358	231,358	-
33 Health Services	76,512	63,646	63,646	-
34 Student Transportation	-	-	-	-
35 Food Services	491,228	392,846	392,846	-
36 Extracurricular Activities	-	17,101	17,101	-
41 General Administration	1,226,339	860,308	860,308	-
51 Plant Maintenance and Operations	746,812	1,599,461	1,599,461	-
52 Security and Monitoring Services	12,000	9,615	9,615	-
53 Data Processing Services	118,334	352,434	352,434	-
61 Community Services	-	68,687	68,687	-
71 Debt Service	1,300,000	1,236,328	1,236,328	-
81 Fundraising	232,850	241,298	241,297	1
TOTAL OPERATING EXPENSES	11,643,756	12,401,457	12,401,536	(79)
CHANGE IN NET ASSETS	680,788	2,606,996	2,606,919	(77)
NET ASSETS, Beginning of Year	8,869,942	8,869,942	8,869,942	-
NET ASSETS, End of Year	\$ 9,550,730	\$ 11,476,938	\$ 11,476,861	\$ (77)

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2021

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,251,449
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 769,236

Section B: Bilingual Education Programs

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 117,465
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 55,579

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
August 31, 2021

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
Flagship Campus	10929 Almeda Genoa Rd. Houston, Texas 77075	\$ 2,411,314	\$ 241,131	\$ 2,170,183	\$ -
Total Real Property Ownership Interest		<u>\$ 2,411,314</u>	<u>\$ 241,131</u>	<u>\$ 2,170,183</u>	<u>\$ -</u>

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2021

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid during FY</u>	<u>Principal Balance Due</u>
Latisha Andrews	Mark Andrews	Spouse	Contractor	Marketing/Website	State	Monthly	\$ 21,159	\$ -
Martha Smith	Elite Cabinets	Brother	Contractor	Furniture Builder	Local, Federal, State	When invoiced	\$ 70,481	\$ -

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
For the Year Ended August 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid during FY
Latisha Andrews	Martha Smith	Mother	Compensation	Bi-Weekly	Salary	State	\$ 129,501
Latisha Andrews	Jennifer Sartor	Sister	Compensation	Bi-Weekly	Salary	State	\$ 123,629
Latisha Andrews	Dana Hinson	Sister	Compensation	Bi-Weekly	Salary	State	\$ 12,242
Jennifer Sartor	Martha Smith	Mother	Compensation	Bi-Weekly	Salary	State	\$ 129,501
Jennifer Sartor	Dana Hinson	Sister	Compensation	Bi-Weekly	Salary	State	\$ 12,242
Jennifer Sartor	Latisha Andrews	Sister	Compensation	Bi-Weekly	Salary	State	\$ 162,766
Martha Smith	Jennifer Sartor	Daughter	Compensation	Bi-Weekly	Salary	State	\$ 123,629
Martha Smith	Dana Hinson	Daughter	Compensation	Bi-Weekly	Salary	State	\$ 12,242
Martha Smith	Latisha Andrews	Daughter	Compensation	Bi-Weekly	Salary	State	\$ 162,766
Kendra Hampton	Karissa Crucey	Sister	Compensation	Bi-Weekly	Salary	State	\$ 27,765

See independent auditor's report.

SINGLE AUDIT SECTION

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2021

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture:			
Pass-Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 63,409
National School Lunch Program	10.555	N/A	167,304
Total National Child Nutrition Cluster			<u>230,713</u>
<i>Total U.S. Department of Agriculture</i>			<u>230,713</u>
U.S. Department of Education:			
Pass-Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	20610101101870	276,727
Special Education Grants to States	84.027A	206600011018706000	161,068
Special Education - Preschool Grants	84.173A	206610011018706000	1,865
Charter Schools	84.282A	185901057110005	382,164
English Language Acquisition Grants	84.365A	20671001101870	22,976
Supporting Effective Instruction State Grants	84.367A	20694501101870	1,100
Student Support and Academic Enrichment Program	84.424A	20680101101870	17,065
Education Stabilization Fund	84.425D	N/A	22,343
Education Stabilization Fund	84.425U	N/A	25,083
Total Pass-Through Texas Education Agency			<u>910,391</u>
<i>Total U.S. Department of Education</i>			<u>910,391</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>1,141,104</u>
Texas Education Agency:			
Textbook and Kindergarten Materials	N/A	25002101	45,890
School Safety and Security Grant	N/A	19055301101870	25,000
<i>Total Texas Education Agency</i>			<u>70,890</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>70,890</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 1,211,994</u>

See accompanying notes to schedule of expenditures of federal and state awards.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of The Beta Foundation dba Beta Academy (the Academy) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - NON-PROFIT CHARTER SCHOOL CHART OF ACCOUNTS

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

NOTE 4 - OTHER DISCLOSURES

There were no loans or loan guarantees outstanding at year end.

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

The Academy did not disburse any federal or state awards to subrecipients for the year ended August 31, 2021.

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2022.

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) as a basis for designing 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. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 financial statements. 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.

Randy Walker & Co.

San Antonio, Texas
January 24, 2022

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited The Beta Foundation dba Beta Academy’s (the Academy’s) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy’s major federal programs for the year ended August 31, 2021. The Academy’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Randy Walker & Co.

San Antonio, Texas
January 24, 2022

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

Major Programs

Federal

84.282A Charter Schools	
84.010A Title I Grants to Local Educational Agencies	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	No

Findings - Financial Statements Audit None

Findings and Questioned Costs - Major Federal Award Programs Audit None

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2021

Prior Year Findings - Financial Statement Audit None

Prior Year Findings - Federal Awards Audit None