

THE BETA FOUNDATION dba BETA ACADEMY

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2018 and 2017

THE BETA FOUNDATION dba BETA ACADEMY
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2018 and 2017

Table of Contents

Certificate of Board	1
Independent Auditor's Report	2-3
Financial Statements	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-14
Schedule of Expenses	15
Schedule of Capital Assets	16
Budgetary Comparison Schedule	17
Notes to Budgetary Comparison Schedule	18
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 <i>Government Auditing Standards</i>	19-20
Supplementary Information	
Summary of Audit Findings	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, 2018, at a meeting of the Board of Directors of such charter holder on the 8 day of November, 2018.


Signature of Board Secretary


Signature of Board President

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Beta Foundation dba Beta Academy (the Academy), a nonprofit organization, which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities (with comparative totals for 2017), functional expenses (with comparative totals for 2017), 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

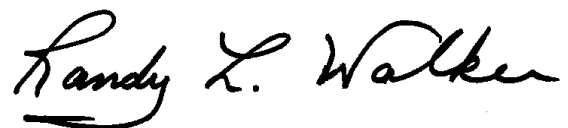
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The specific-purpose schedules on pages 15-18 and the summary of audit findings on page 21 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 November 8, 2018, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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

San Antonio, Texas
November 8, 2018

FINANCIAL STATEMENTS

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENTS OF FINANCIAL POSITION
August 31, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,746,023	\$ 1,292,814
Due from Texas Education Agency	282,710	116,172
Prepaid Expenses	129,343	97,479
TOTAL CURRENT ASSETS	2,158,076	1,506,465
Fixed Assets, net	408,226	432,978
TOTAL ASSETS	\$ 2,566,302	\$ 1,939,443
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 67,434	\$ 137,621
Accrued Expenses	388,008	198,642
Deferred Revenue	-	350
TOTAL CURRENT LIABILITIES	455,442	336,613
NET ASSETS		
Without Donor Restrictions	257,012	90,699
With Donor Restrictions	1,853,848	1,512,131
TOTAL NET ASSETS	2,110,860	1,602,830
TOTAL LIABILITIES AND NET ASSETS	\$ 2,566,302	\$ 1,939,443

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, 2018
(with comparative totals for 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ 749	\$ -	\$ 749	\$ 241
5743 Rent	4,334	-	4,334	4,567
5744 Donations	10,874	-	10,874	52,357
5749 Other Revenue from Local Sources	69,944	-	69,944	38,566
5751 Food Service Activity	37,298	-	37,298	28,668
5755 Enterprising Services Revenue	41,618	-	41,618	11,361
Total Local Support	164,817	-	164,817	135,760
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	4,904,185	4,904,185	4,135,818
5820 State Program Revenues Distributed by Texas Education Agency	-	2,429	2,429	66,923
Total State Program Revenues	-	4,906,614	4,906,614	4,202,741
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	432,826	432,826	382,734
Total Federal Program Revenues	-	432,826	432,826	382,734
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	4,997,723	(4,997,723)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	5,162,540	341,717	5,504,257	4,721,235
OPERATING EXPENSES				
11 Instruction	2,810,663	-	2,810,663	2,171,457
12 Instructional Resources and Media Services	18,632	-	18,632	26,789
13 Curriculum Development and Instructional Staff Development	195,161	-	195,161	141,439
21 Instructional Leadership	73,779	-	73,779	-
23 School Leadership	442,198	-	442,198	316,858
31 Guidance, Counseling, and Evaluation Services	51,771	-	51,771	94,769
33 Health Services	6,577	-	6,577	8,309
35 Food Services	273,505	-	273,505	240,588
36 Extracurricular Activities	55,008	-	55,008	2,829
41 General Administration	549,032	-	549,032	506,200
51 Plant Maintenance and Operations	334,720	-	334,720	568,056
52 Security and Monitoring Services	11,122	-	11,122	6,249
53 Data Processing	138,964	-	138,964	154,944
61 Community Service	2,223	-	2,223	-
81 Fundraising	32,872	-	32,872	22,484
TOTAL OPERATING EXPENSES	4,996,227	-	4,996,227	4,260,971
CHANGE IN NET ASSETS	166,313	341,717	508,030	460,264
NET ASSETS, Beginning of Year	90,699	1,512,131	1,602,830	1,142,566
NET ASSETS, End of Year	\$ 257,012	\$ 1,853,848	\$ 2,110,860	\$ 1,602,830

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, 2018
(with comparative totals for 2017)

	2018			2017 Total	
	Program	General and Administrative	Fundraising		Total
<u>OPERATING EXPENSES</u>					
Salaries	\$ 2,251,317	\$ 653,171	\$ 7,021	\$ 2,911,509	\$ 2,386,011
Benefits	186,855	43,535	177	287,787	142,934
Payroll Taxes	31,675	8,018	703	40,396	33,824
Total Payroll Expenses	2,469,847	704,724	7,901	3,239,692	2,562,769
Rental Expense	312,066	100,825	-	412,891	394,799
Contract Labor	230,810	54,141	-	284,951	250,695
Maintenance and Repair	148,828	34,910	-	183,738	182,197
Depreciation	134,605	31,871	-	166,476	142,695
Supplies	120,991	8,782	32,050	161,823	207,179
Food	155,889	-	-	155,889	134,705
Professional Fees	50,059	35,798	-	85,857	112,187
Travel	51,986	10,699	-	62,685	52,141
Technology	35,156	14,096	-	49,252	1,200
Miscellaneous	34,061	10,719	817	45,597	67,565
Utilities	36,668	8,601	-	45,269	42,334
Instructional Materials	32,183	-	-	32,183	38,238
Furniture and Equipment	18,377	6,981	-	25,358	8,715
Insurance and Bonding	-	23,171	-	23,171	36,190
Educational Service Center	4,292	13,593	-	17,885	27,362
Dues	-	3,510	-	3,510	-
TOTAL OPERATING EXPENSES	\$ 3,835,818	\$ 1,062,421	\$ 40,768	\$ 4,996,227	\$ 4,260,971

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, 2018 and 2017

	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Foundation School Program Payments	\$ 4,725,664	\$ 4,263,264
Grant Payments	447,238	435,114
Contributions	15,957	57,165
Miscellaneous Sources	111,212	73,280
Payments to Vendors for Goods and Services Rendered	(1,925,775)	(1,579,215)
Payments to Charter School Personnel for Services Rendered	(2,779,363)	(2,493,743)
NET CASH PROVIDED BY OPERATING ACTIVITIES	594,933	755,865
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Furniture and Equipment	(141,724)	(140,220)
NET CASH USED BY INVESTING ACTIVITIES	(141,724)	(140,220)
 NET INCREASE IN CASH FLOWS	453,209	615,645
CASH AND CASH EQUIVALENTS, Beginning of Year	1,292,814	677,169
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,746,023	\$ 1,292,814
 Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 508,030	\$ 460,264
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	166,476	142,695
(Increase) Decrease in Assets:		
Due from Texas Education Agency	(166,538)	107,238
Prepaid Expenses	(31,864)	(90,905)
(Decrease) Increase in Liabilities:		
Accounts Payable	(70,187)	67,197
Accrued Expenses	189,366	69,026
Deferred Revenue	(350)	350
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 594,933	\$ 755,865

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

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

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, 2018, 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, 2018 and 2017

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 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, 2018, the tax years that remain subject to examination by taxing authorities begin with 2015.

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, 2019. 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, 2018 and 2017

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 has early adopted this new pronouncement effective September 1, 2017, and the prior year presentation is conformed.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Reclassifications were made due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously reported three classes. Net assets, previously classified at August 31, 2017 as “unrestricted” are now classified as “without donor restrictions”. Net assets previously classified as “temporarily restricted” and “permanently restricted” are now classified as “with donor restrictions”. The reclassifications had no effect on the previously reported change in net assets.

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 \$282,710 and \$116,172 in receivables due from Texas Education Agency (TEA) related to various state grants and Foundation School Program revenue at August 31, 2018 and 2017, 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.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 5 – FIXED ASSETS

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

	2018	2017
Furniture and Equipment	\$ 679,576	\$ 617,037
Building Improvements	53,846	40,954
Construction in Progress	66,294	-
Less Accumulated Depreciation	(391,490)	(225,013)
Total	\$ 408,226	\$ 432,978

Depreciation expense was \$166,476 and \$142,695 for the years ended August 31, 2018 and 2017, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Foundation School Program	\$ 1,731,944	\$ 1,284,574
Start-Up Grant Capital Assets	121,904	207,557
STEM Grant	-	20,000
Total	\$ 1,853,848	\$ 1,512,131

NOTE 7 – OPERATING LEASES

The Academy has a rental lease agreement with Christian Temple Assembly of God. The monthly lease payments under the agreement are \$33,117 during the school year and \$14,000 in the summer months. The agreement is effective until July 31, 2020. In September 2017 and 2016, the Academy amended the original agreement to include provisions for additional rental space for monthly payments of \$6,665 and \$4,485, respectively, for nine months during the school year. For the years ended August 31, 2018 and 2017, rental expense was \$400,038 and \$379,316, respectively.

In addition, the Academy maintains several copier leases that are in effect until August 2021. The total monthly payments under these leases are \$1,038. For the years ended August 31, 2018 and 2017, copier lease expense was \$12,180 and \$14,445, respectively.

Future minimum lease payments are as follows:

Year Ending August 31,		
2019	\$	352,505
2020		332,562
2021		2,992
Total	\$	688,059

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 8 – HEALTH INSURANCE PLAN

During the years ended August 31, 2018 and 2017, 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, 2018 and 2017. All premiums were paid to licensed insurers. The Academy's contributions towards health insurance were \$113,144 and \$54,407 for the years ended August 31, 2018 and 2017, respectively.

NOTE 9 – PENSION PLAN OBLIGATIONS

Plan Description

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

The 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 - \$165,379,342,000
Accumulated Benefit Obligations - \$181,753,000,000
The plan is 80.5% 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 \$59,456 and \$50,128 for the years ended August 31, 2018 and 2017, respectively, which include \$39,548 and \$34,421, 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, 2018 and 2017

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 1,746,023	\$ 1,746,023	\$ 1,292,814	\$ 1,292,814
Due from Texas				
Education Agency	\$ 282,710	\$ 282,710	\$ 116,172	\$ 116,172
Prepaid Expenses	\$ 129,343	\$ 129,343	\$ 97,479	\$ 97,479
Financial Liabilities:				
Accounts Payable	\$ 67,434	\$ 67,434	\$ 137,621	\$ 137,621
Accrued Expenses	\$ 388,008	\$ 388,008	\$ 198,642	\$ 198,642
Deferred Revenue	\$ -	\$ -	\$ 350	\$ 350

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

NOTE 11 – SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through November 8, 2018, which is the date the financial statements were available to be issued.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2018 and 2017

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Academy has approximately \$1,573,291 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. This consists of cash and cash equivalents of \$1,746,023 and receivables of \$282,710, net of accounts payable of \$67,434 and accrued expenses of \$388,008 as of year-end. 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 90 days of normal operating expenses which are, on average, approximately \$402,000 per month, given full programmatic expenditures.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2018 and 2017

Expenses	<u>2018</u>	<u>2017</u>
6100 Payroll Costs	\$ 3,239,692	\$ 2,562,769
6200 Professional and Contracted Services	1,016,022	988,485
6300 Supplies and Materials	439,074	411,126
6400 Other Operating Costs	301,439	298,591
6500 Debt Interest Expense	-	-
Total Expenses	<u>\$ 4,996,227</u>	<u>\$ 4,260,971</u>

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF CAPITAL ASSETS
August 31, 2018

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

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,746,023	\$ -
1520 Building Improvements		120,140	
1539 Furniture and Equipment	30,583	281,370	367,623
Total Capital Assets	\$ 30,583	\$ 2,147,533	\$ 367,623

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

Per Schedule of Capital Assets:

1520 Building Improvements	\$ 120,140
1539 Furniture and Equipment	679,576

Less Accumulated Depreciation:

(391,490)

Total Fixed Assets per Statements of Financial Position:

\$ 408,226

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance From</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ -	\$ 750	\$ 749	\$ (1)
5743 Rent	-	4,300	4,334	34
5744 Donations	9,000	11,350	10,874	(476)
5749 Other Revenue from Local Sources	30,500	70,150	69,944	(206)
5751 Food Service Activity	28,900	36,500	37,298	798
5755 Enterprising Services Revenue	12,000	41,000	41,618	618
Total Local Support	<u>80,400</u>	<u>164,050</u>	<u>164,817</u>	<u>767</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	4,943,127	4,597,275	4,904,185	306,910
5820 State Program Revenues Distributed by Texas Education Agency	-	-	2,429	2,429
Total State Program Revenues	<u>4,943,127</u>	<u>4,597,275</u>	<u>4,906,614</u>	<u>309,339</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	482,682	437,627	432,826	(4,801)
Total Federal Program Revenues	<u>482,682</u>	<u>437,627</u>	<u>432,826</u>	<u>(4,801)</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>5,506,209</u>	<u>5,198,952</u>	<u>5,504,257</u>	<u>305,305</u>
EXPENSES				
11 Instructional	2,738,920	2,598,962	2,810,663	(211,701)
12 Instructional Resources and Media Services	2,143	19,145	18,632	513
13 Curriculum Development and Instructional Staff Development	111,545	173,287	195,161	(21,874) (1)
21 Instructional Leadership	110,110	70,354	73,779	(3,425)
23 School Leadership	313,275	424,978	442,198	(17,220)
31 Guidance, Counseling, and Evaluation Services	155,486	47,770	51,771	(4,001)
33 Health Services	6,800	6,577	6,577	-
35 Food Services	242,959	263,408	273,505	(10,097)
36 Extracurricular Activities	8,500	53,451	55,008	(1,557)
41 General Administration	594,925	544,730	549,032	(4,302)
51 Plant Maintenance and Operations	578,875	323,107	334,720	(11,613)
52 Security and Monitoring Services	2,000	11,005	11,122	(117)
53 Data Processing Services	107,640	138,100	138,964	(864)
61 Community Services	2,000	3,350	2,223	1,127
81 Fundraising	15,000	35,600	32,872	2,728
TOTAL EXPENSES	<u>4,990,178</u>	<u>4,713,824</u>	<u>4,996,227</u>	<u>(282,403)</u>
CHANGE IN NET ASSETS	516,031	485,128	508,030	22,902
NET ASSETS, Beginning of Year	<u>1,602,830</u>	<u>1,602,830</u>	<u>1,602,830</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 2,118,861</u>	<u>\$ 2,087,958</u>	<u>\$ 2,110,860</u>	<u>\$ 22,902</u>

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2018

(1) Board approval of 403(b) contributions that related to FY'18 occurred after year-end. The Academy will submit this amount for board approval before the end of the fiscal year starting with the 2018-2019 fiscal year to include accrual for audit going forward.

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, 2018, 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 November 8, 2018.

Internal Control Over Financial Reporting

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

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

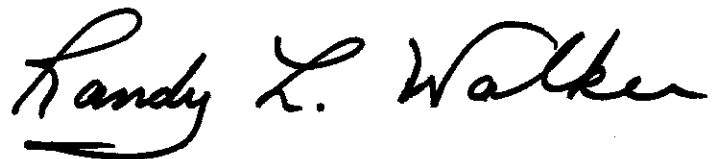
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Antonio, Texas
November 8, 2018

SUPPLEMENTARY INFORMATION

THE BETA FOUNDATION dba BETA ACADEMY
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

See independent auditor's report.