

THE BETA FOUNDATION dba BETA ACADEMY
FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2020 and 2019

THE BETA FOUNDATION dba BETA ACADEMY
FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2020 and 2019

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	8-16
Supplementary Information	
Schedule of Expenses	17
Schedule of Capital Assets	18
Budgetary Comparison Schedule	19
Single Audit Section	
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
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>	22-23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24-25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Year Audit Findings and Questioned Costs	27

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, 2020, at a meeting of the Board of Directors of such charter holder on the January day of 22 _____, 2021.

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, 2020 and 2019, and the related statements of activities (with comparative totals for 2019), functional expenses (with comparative totals for 2019), 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, 2020 and 2019, 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 17-19 and the schedule of expenditures of federal awards on page 20 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 22, 2021 on pages 22-23 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 22, 2021

FINANCIAL STATEMENTS

THE BETA FOUNDATION dba BETA ACADEMY
STATEMENTS OF FINANCIAL POSITION
August 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,354,423	\$ 3,057,642
Due from Texas Education Agency	425,793	437,790
Due from Other	1,083,517	-
Prepaid Expenses	217,280	224,934
Total Current Assets	7,081,013	3,720,366
LONG-TERM ASSETS		
Investments	6,907,094	1,937,646
Fixed Assets, net	19,577,011	5,062,885
Total Long-Term Assets	26,484,105	7,000,531
TOTAL ASSETS	\$ 33,565,118	\$ 10,720,897
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 45,512	\$ 87,579
Accrued Expenses	440,916	367,827
Retainage Payable	694,999	-
PPP Loan Payable - current	419,832	-
Bonds Payable - current	90,000	-
Total Current Liabilities	1,691,259	455,406
LONG-TERM LIABILITIES		
PPP Loan Payable - long-term	341,468	-
Bonds Payable - long-term, net	22,662,449	5,842,136
Total Long-Term Liabilities	23,003,917	5,842,136
TOTAL LIABILITIES	24,695,176	6,297,542
NET ASSETS		
Without Donor Restrictions	1,779,849	327,386
With Donor Restrictions	7,090,093	4,095,969
TOTAL NET ASSETS	8,869,942	4,423,355
TOTAL LIABILITIES AND NET ASSETS	\$ 33,565,118	\$ 10,720,897

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, 2020
(with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ 117,120	\$ -	\$ 117,120	\$ 43,345
5743 Rent	4,888	-	4,888	5,598
5744 Donations	11,160	3,557,890	3,569,050	1,303,371
5749 Other Revenue from Local Sources	126,003	16,684	142,687	108,516
5751 Food Service Activity	36,830	18,195	55,025	46,209
5755 Enterprising Services Revenue	4,759	-	4,759	21,166
5758 Bond Premium	696,301	-	696,301	-
5759 Revenue from Book Fair	6,491	-	6,491	-
5769 E-Rate Revenue	135,028	-	135,028	-
Total Local Support	<u>1,138,580</u>	<u>3,592,769</u>	<u>4,731,349</u>	<u>1,528,205</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	7,966,003	7,966,003	6,146,557
5820 State Program Revenues Distributed by TEA	-	129,733	129,733	45,470
Total State Program Revenues	<u>-</u>	<u>8,095,736</u>	<u>8,095,736</u>	<u>6,192,027</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	1,050,478	1,050,478	385,563
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	3,758	3,758	62,876
Total Federal Program Revenues	<u>-</u>	<u>1,054,236</u>	<u>1,054,236</u>	<u>448,439</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	<u>9,748,617</u>	<u>(9,748,617)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>10,887,197</u>	<u>2,994,124</u>	<u>13,881,321</u>	<u>8,168,671</u>
OPERATING EXPENSES				
11 Instruction	3,841,196	-	3,841,196	2,998,336
12 Instructional Resources and Media Services	35,869	-	35,869	21,591
13 Curriculum Development and Instructional Staff Development	150,633	-	150,633	196,975
21 Instructional Leadership	81,468	-	81,468	39,467
23 School Leadership	1,338,550	-	1,338,550	454,574
31 Guidance, Counseling, and Evaluation Services	45,227	-	45,227	130,176
33 Health Services	56,602	-	56,602	15,363
35 Food Services	328,462	-	328,462	224,494
36 Extracurricular Activities	16,651	-	16,651	3,476
41 General Administration	722,770	-	722,770	635,995
51 Plant Maintenance and Operations	1,036,034	-	1,036,034	483,331
52 Security and Monitoring Services	13,677	-	13,677	23,465
53 Data Processing	324,888	-	324,888	210,772
61 Community Service	55,139	-	55,139	-
71 Debt Service	1,187,848	-	1,187,848	269,473
81 Fundraising	199,720	-	199,720	29,271
TOTAL OPERATING EXPENSES	<u>9,434,734</u>	<u>-</u>	<u>9,434,734</u>	<u>5,736,759</u>
CHANGE IN NET ASSETS	1,452,463	2,994,124	4,446,587	2,431,912
NET ASSETS, Beginning of Year	<u>327,386</u>	<u>4,095,969</u>	<u>4,423,355</u>	<u>1,991,443</u>
NET ASSETS, End of Year	<u>\$ 1,779,849</u>	<u>\$ 7,090,093</u>	<u>\$ 8,869,942</u>	<u>\$ 4,423,355</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, 2020
(with comparative totals for 2019)

	2020				2019 Total
	Program	General and Administrative	Fundraising	Total	
OPERATING EXPENSES					
Salaries	\$ 4,333,268	\$ 521,269	\$ 149,379	\$ 5,003,916	\$ 3,076,759
Benefits	356,050	97,674	2,021	455,745	210,504
Payroll Taxes	57,744	8,143	8,805	74,692	44,252
Total Payroll Expenses	4,747,062	627,086	160,205	5,534,353	3,331,515
Interest	918,766	229,692	-	1,148,458	257,861
Rental Expense	377,057	94,264	-	471,321	445,650
Contract Labor	174,448	261,673	-	436,121	312,453
Supplies	282,492	34,542	39,513	356,547	255,180
Depreciation	264,120	66,030	-	330,150	135,288
Maintenance and Repair	171,407	42,852	-	214,259	205,297
Food	166,641	18,516	-	185,157	142,627
Miscellaneous	142,165	13,943	2	156,110	89,364
Furniture and Equipment	121,309	13,479	-	134,788	22,343
Utilities	88,415	22,104	-	110,519	35,042
Professional Fees	33,333	68,210	-	101,543	236,265
Travel	31,512	67,606	-	99,118	111,534
Insurance and Bonding	34,966	8,742	-	43,708	34,061
Technology	34,118	8,530	-	42,648	73,500
Amortization Expense	31,512	7,878	-	39,390	11,612
Instructional Materials	17,284	-	-	17,284	27,712
Dues	10,695	2,565	-	13,260	5,455
Educational Service Center	-	-	-	-	4,000
TOTAL OPERATING EXPENSES	\$ 7,647,302	\$ 1,587,712	\$ 199,720	\$ 9,434,734	\$ 5,736,759

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 8,355,358	\$ 5,988,838
Grant Payments	722,560	497,082
Contributions	2,575,541	1,352,314
Miscellaneous Sources	1,156,342	175,357
Payments to Vendors for Goods and Services Rendered	(2,319,873)	(2,075,929)
Payments to Charter School Personnel for Services Rendered	(4,881,535)	(3,491,538)
Interest Payments	(1,130,111)	(237,436)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,478,282	2,208,688
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(4,969,448)	(1,937,646)
Purchases of Furniture and Equipment	(14,844,276)	(4,789,947)
NET CASH USED BY INVESTING ACTIVITIES	(19,813,724)	(6,727,593)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on PPP Loan	761,300	-
Proceeds from Issuance of Bonds	17,600,000	6,295,000
Payment of Bond Issuance Costs	(729,077)	(464,476)
NET CASH PROVIDED BY FINANCING ACTIVITIES	17,632,223	5,830,524
 NET INCREASE IN CASH FLOWS	2,296,781	1,311,619
CASH AND CASH EQUIVALENTS, Beginning of Year	3,057,642	1,746,023
CASH AND CASH EQUIVALENTS, End of Year	\$ 5,354,423	\$ 3,057,642
 Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 4,446,587	\$ 2,431,912
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	330,150	135,288
Amortization	39,390	11,612
(Increase) in Assets:		
Due from Texas Education Agency	11,997	(155,080)
Due from Other	(1,083,517)	-
Prepaid Expenses	7,654	(95,591)
(Decrease) Increase in Liabilities:		
Accounts Payable	(42,067)	20,145
Accrued Expenses	73,089	(139,598)
Retainage Payable	694,999	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,478,282	\$ 2,208,688

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

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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, 2020, 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, 2020 and 2019

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 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, 2020, the tax years that remain subject to examination by taxing authorities begin with 2017.

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, 2019. 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, 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, 2020 and 2019

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 new pronouncements effective September 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

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 new pronouncement effective September 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

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 \$425,793 and \$437,790 in receivables due from TEA related to various state grants and Foundation School Program revenue at August 31, 2020 and 2019, respectively. The Academy also had \$1,083,517 and \$-0- in receivables due from a private foundation and governmental entities (non-TEA) at August 31, 2020 and 2019, 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, 2020 and 2019

NOTE 5 – FIXED ASSETS

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

	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 1,868,744	\$ 1,868,744
Construction in Progress	10,771,096	500,700
Building and Improvements	6,344,828	2,366,306
Furniture and Equipment	1,449,272	853,914
Less Accumulated Depreciation	<u>(856,929)</u>	<u>(526,779)</u>
Total	<u>\$ 19,577,011</u>	<u>\$ 408,226</u>

Depreciation expense was \$330,150 and \$135,288 for the years ended August 31, 2020 and 2019, respectively. Furthermore, a retainage payable of \$694,999 and \$0- related to Phase 2 construction of the new campus was recorded as of August 31, 2020 and 2019, respectively. Fixed asset additions are included in net assets released from restrictions in the statement of activities.

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 \$6,907,094 and \$1,937,646 at August 31, 2020 and 2019, respectively.

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

	<u>2020</u>	<u>2019</u>
Interest/Dividends	\$ 117,118	\$ 43,343
Unrealized Gain	<u>2</u>	<u>2</u>
Total	<u>\$ 117,120</u>	<u>\$ 43,345</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Foundation School Program	\$ 4,386,740	\$ 3,399,398
Start-Up Grant Capital Assets	64,971	71,009
Board Development	-	50,000
Campus Expansion	2,587,194	575,562
Technology	20,000	-
Science Program	630	-
Training	565	-
Food Service	900	-
COVID Purchases	24,093	-
New Campus Gym Needs	<u>5,000</u>	<u>-</u>
Total	<u>\$ 7,090,093</u>	<u>\$ 4,095,969</u>

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 8 – 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 and \$464,476 as of August 31, 2020 and 2019, respectively, and are amortized over the term of the bonds. Amortization expense was \$39,390 and \$11,612 for the years ended August 31, 2020 and 2019, respectively.

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

	2020	2019
Series 2018A	\$ 5,890,000	\$ 5,890,000
Series 2018B	405,000	405,000
Series 2019A	17,205,000	-
Series 2019B	395,000	-
	23,895,000	6,295,000
Less Current Maturities	(90,000)	-
Less Bond Issuance Costs, net	(1,142,551)	(452,864)
Total	\$ 22,662,449	\$ 5,842,136

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

Year Ending August 31,	
2021	\$ 90,000
2022	425,000
2023	445,000
2024	470,000
2025	490,000
Thereafter	21,975,000
Total	\$ 23,895,000

The bond loan agreement contains certain financial covenants, with which the Academy was in compliance for the years ended August 31, 2020 and 2019.

Bond interest expense was \$1,148,458 and \$257,861 for the years ended August 31, 2020 and 2019, respectively.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 9 – 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, 2020 and 2019, rental expense under these agreements was \$454,464 and \$435,431, respectively.

In addition, the Academy maintains several copier leases with varying monthly rates and expiration dates. For the years ended August 31, 2020 and 2019, copier lease expense was \$16,857 and \$10,219, respectively.

Future minimum lease payments are as follows:

Year Ending August 31,		
2021	\$	398,709
2022		395,717
2023		395,717
2024		395,717
2025		395,717
Total	\$	<u>1,981,577</u>

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

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 loan is payable in monthly installment of approximately \$42,844, bears interest of 1%, and matures in April 2022, at which time all unpaid principal and interest are payable in full. The loan is subject to forgiveness provided the Academy expends the funds in accordance with the time and purpose restrictions defined by the PPP. The Academy applied for forgiveness in December 2020 and is awaiting approval.

Future schedule maturities of the loan payable are as follows:

Year Ending August 31,		
2021	\$	419,832
2022		341,468
Total	\$	<u>761,300</u>

NOTE 11 – HEALTH INSURANCE PLAN

During the years ended August 31, 2020 and 2019, 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, 2020 and 2019. All premiums were paid to licensed insurers. The Academy's contributions towards health insurance were \$143,168 and \$98,239 for the years ended August 31, 2020 and 2019, respectively.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 12 – 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 - \$184,361,871,000
Accumulated Benefit Obligations - \$209,719,687,047
The plan is 76.8% 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 \$231,816 and \$78,022 for the years ended August 31, 2020 and 2019, respectively, which include \$69,994 and \$41,715, respectively, in Non-OASDI participating surcharges. The Academy's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 13 – 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 BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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).

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.

	2020	2019
Cash and Cash Equivalents	\$ 5,354,423	\$ 3,057,642
Investments	6,907,094	1,937,646
Due from Texas Education Agency and Other	1,509,310	437,790
Total Financial Assets	13,770,827	5,433,078
 Donor Restrictions (net of Foundation School Program)	 (2,710,229)	 (696,571)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 11,060,598	\$ 4,736,507

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, 2020 and 2019, uninsured cash balances totaled \$558,939 and \$-0-, respectively, without consideration of reconciling items. At August 31, 2020 and 2019, uninsured investment balances totaled \$6,407,094 and \$1,437,646, respectively.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 16 – SUBSEQUENT EVENTS

The Academy has not experienced a decline in its student enrollment in fiscal year 2021 as a result of the ongoing COVID-19 pandemic. However, 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 22, 2021, 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, 2020 and 2019

EXPENSES	<u>2020</u>	<u>2019</u>
6100 Payroll Costs	\$ 5,534,353	\$ 3,331,515
6200 Professional and Contracted Services	1,303,478	1,220,894
6300 Supplies and Materials	766,709	539,175
6400 Other Operating Costs	642,346	375,702
6500 Debt	<u>1,187,848</u>	<u>269,473</u>
TOTAL EXPENSES	<u><u>\$ 9,434,734</u></u>	<u><u>\$ 5,736,759</u></u>

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF CAPITAL ASSETS
August 31, 2020

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	\$ -	\$ 5,354,423	\$ -
1510 Land and Improvements	-	1,868,744	-
1520 Buildings and Improvements	525,391	16,548,875	41,658
1539 Furniture and Equipment	77,656	854,137	517,479
Total Capital Assets	\$ 603,047	\$ 24,626,179	\$ 559,137

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	17,115,924
1539 Furniture and Equipment	1,449,272
	<u>20,433,940</u>
<i>Less Accumulated Depreciation:</i>	<u>(856,929)</u>

Total Fixed Assets per Statements of Financial Position: \$ 19,577,011

See independent auditor's report.

THE BETA FOUNDATION dba BETA ACADEMY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Interest Income	\$ 43,000	\$ 115,000	\$ 117,120	\$ 2,120
5743 Rent	7,500	5,000	4,888	(112)
5744 Donations	905,000	3,576,250	3,569,050	(7,200)
5749 Other Revenue from Local Sources	83,264	126,535	142,687	16,152
5751 Food Service Activity	58,721	56,221	55,025	(1,196)
5755 Enterprising Services Revenue	-	4,850	4,759	(91)
5758 Bond Premium	-	700,000	696,301	(3,699)
5759 Revenue from Book Fair	-	6,492	6,491	(1)
5769 E-Rate Revenue	-	135,100	135,028	(72)
Total Local Support	<u>1,097,485</u>	<u>4,725,448</u>	<u>4,731,349</u>	<u>5,901</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	8,352,770	8,007,224	7,966,003	(41,221)
5820 State Program Revenues Distributed by TEA	165,874	130,000	129,733	(267)
Total State Program Revenues	<u>8,518,644</u>	<u>8,137,224</u>	<u>8,095,736</u>	<u>(41,488)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	383,531	1,032,011	1,050,478	18,467
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	206,910	4,000	3,758	(242)
Total Federal Program Revenues	<u>590,441</u>	<u>1,036,011</u>	<u>1,054,236</u>	<u>18,225</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>10,206,570</u>	<u>13,898,683</u>	<u>13,881,321</u>	<u>(17,362)</u>
EXPENSES				
11 Instructional	4,082,829	3,926,846	3,841,196	85,650
12 Instructional Resources and Media Services	22,298	36,836	35,869	967
13 Curriculum Development and Instructional Staff Development	217,123	156,043	150,633	5,410
21 Instructional Leadership	67,018	81,858	81,468	390
23 School Leadership	828,368	1,354,853	1,338,550	16,303
31 Guidance, Counseling, and Evaluation Services	92,300	45,580	45,227	353
33 Health Services	71,430	58,150	56,602	1,548
35 Food Services	400,022	329,100	328,462	638
36 Extracurricular Activities	27,425	16,830	16,651	179
41 General Administration	797,097	731,995	722,770	9,225
51 Plant Maintenance and Operations	499,033	1,051,672	1,036,034	15,638
52 Security and Monitoring Services	20,767	14,467	13,677	790
53 Data Processing Services	186,119	330,041	324,888	5,153
61 Community Services	-	58,590	55,139	3,451
71 Debt Service	1,610,717	1,190,000	1,187,848	2,152
81 Fundraising	160,676	211,634	199,720	11,914
TOTAL EXPENSES	<u>9,083,222</u>	<u>9,594,495</u>	<u>9,434,734</u>	<u>159,761</u>
CHANGE IN NET ASSETS	<u>1,123,348</u>	<u>4,304,188</u>	<u>4,446,587</u>	<u>142,399</u>
NET ASSETS, Beginning of Year	<u>4,423,355</u>	<u>4,423,355</u>	<u>4,423,355</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 5,546,703</u>	<u>\$ 8,727,543</u>	<u>\$ 8,869,942</u>	<u>\$ 142,399</u>

See independent auditor's report.

SINGLE AUDIT SECTION

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

<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	\$ 37,826
National School Lunch Program	10.555	N/A	129,565
Total National Child Nutrition Cluster			<u>167,391</u>
<i>Total U.S. Department of Agriculture</i>			<u>167,391</u>
U.S. Department of Education:			
Pass-Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	20610101101870	148,585
Special Education Grants to States	84.027A	206600011018706000	58,596
Charter School Program	84.282A	185901057110005	528,857
English Language Acquisition Grants	84.365	20671001101870	5,254
Supporting Effective Instruction State Grants	84.367A	20694501101870	24,500
Student Support and Academic Enrichment Program	84.424A	20680101101870	5,950
Education Stabilization Fund	84.425D		288
Total Pass-Through Texas Education Agency			<u>772,030</u>
<i>Total U.S. Department of Education</i>			<u>772,030</u>
U.S. Department of Justice			
Pass-Through Texas Education Agency:			
School Safety and Security Grant	N/A	19055301101870	9,028
<i>Total U.S. Department of Justice</i>			<u>9,028</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 948,449</u>

See accompanying notes to schedule of expenditures of federal awards.

THE BETA FOUNDATION dba BETA ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal 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 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 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 pass any awards through to subrecipients for the year ended August 31, 2020.

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, 2020, 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 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Randy Walker & Co.

San Antonio, Texas
January 22, 2021

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) (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, 2020. 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, 2020.

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 22, 2021

THE BETA FOUNDATION dba BETA ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

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 School Program	
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 AND QUESTIONED COSTS
For the Year Ended August 31, 2020

Prior Year Findings - Financial Statement Audit	None
Prior Year Findings - Federal Awards Audit	N/A