



ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
AUGUST 31, 2011

**PB&H**  
PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

WESTLAKE ACADEMY FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Westlake Academy Foundation  
Westlake, Texas

Members of the Board:

We have audited the accompanying statement of financial position of Westlake Academy Foundation (the "Foundation") as of August 31, 2011, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Westlake Academy Foundation, as of August 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, on our consideration of the Foundation'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Pattillo, Brown & Hill, L.L.P.*

January 6, 2012

## FINANCIAL STATEMENTS

**WESTLAKE ACADEMY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**AUGUST 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 402,202	\$ 53,086	\$ 500,000	\$ 955,288
Unconditional promises to give less allowance for uncollectible unconditional promises of \$3,833	-	44,085	-	44,085
Other receivables	<u>12,758</u>	<u>-</u>	<u>-</u>	<u>12,758</u>
 Total assets	 <u>\$ 414,960</u>	 <u>\$ 97,171</u>	 <u>\$ 500,000</u>	 <u>\$ 1,012,131</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accrued expenses and other payables	<u>\$ 8,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,791</u>
Total liabilities	8,791	-	-	8,791
 Net assets	 <u>406,169</u>	 <u>97,171</u>	 <u>500,000</u>	 <u>1,003,340</u>
 Total liabilities and net assets	 <u>\$ 414,960</u>	 <u>\$ 97,171</u>	 <u>\$ 500,000</u>	 <u>\$ 1,012,131</u>

See accompanying notes to financial statements.

**WESTLAKE ACADEMY FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions:				
Gallery Night	\$ 210,762	\$ -	\$ -	\$ 210,762
Blacksmith	525,283	-	-	525,283
Capital campaign	-	8,354	-	8,354
Westlake Baja	-	89,620	-	89,620
Fund-an-Item	-	300	-	300
Endowment	-	-	250,000	250,000
Miscellaneous	1,249	-	-	1,249
Interest and dividend income	718	1,123	-	1,841
Released from restrictions	405,599	( 405,599)	-	-
Total revenues, gains and other support	<u>1,143,611</u>	<u>( 306,202)</u>	<u>250,000</u>	<u>1,087,409</u>
<b>FUNCTIONAL EXPENSES</b>				
Program services	566,161	-	-	566,161
Support services	307,211	-	-	307,211
Total allocations and functional expenses	<u>873,372</u>	<u>-</u>	<u>-</u>	<u>873,372</u>
<b>INCREASE IN NET ASSETS</b>	270,239	( 306,202)	250,000	214,037
<b>NET ASSETS, BEGINNING</b>	<u>135,930</u>	<u>403,373</u>	<u>250,000</u>	<u>789,303</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 406,169</u>	<u>\$ 97,171</u>	<u>\$ 500,000</u>	<u>\$ 1,003,340</u>

See accompanying notes to financial statements.

**WESTLAKE ACADEMY FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED AUGUST 31, 2011**

	Blacksmith Annual Program	Fund 100	Total Program Services	Fund Raising Capital Campaign	Fund Raising Gallery Night
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	-	-	-	-
Professional expense	-	-	-	-	-
Contracted expenses	-	20,000	20,000	-	6,230
Advertising	-	-	-	-	1,055
Special events	-	-	-	-	-
Office supplies	-	-	-	-	390
Dues and subscriptions	-	-	-	-	-
Postage and shipping	-	-	-	-	1,018
Printing and copying	-	-	-	-	815
Training and meetings	-	-	-	-	-
Credit card services and bank fees	-	-	-	1,090	815
Venue expenses	-	-	-	-	24,756
Bad debt	-	-	-	1,468	-
Miscellaneous expense	-	-	-	-	833
Blacksmith expenses	524,038	-	524,038	-	-
Contribution to Westlake Academy	-	22,123	22,123	-	-
Contribution to Town of Westlake	-	-	-	76,275	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 Total functional expenses	 \$ <u>524,038</u>	 \$ <u>42,123</u>	 \$ <u>566,161</u>	 \$ <u>78,833</u>	 \$ <u>35,912</u>

See accompanying notes to financial statements.



Fund Raising General	Westlake Baja	Fund-an-Item	Alumni Relations	Management and General	Total Supporting Services	Total Functional Expenses
\$ 63,600	\$ -	\$ -	\$ -	\$ -	\$ 63,600	\$ 63,600
1,403	-	-	-	-	1,403	1,403
-	-	-	-	3,601	3,601	3,601
2,268	47,730	-	-	-	56,228	76,228
2,513	3,529	-	1,694	-	8,791	8,791
603	-	-	-	-	603	603
-	-	-	-	1,064	1,454	1,454
-	-	-	-	949	949	949
-	1,170	-	-	700	2,888	2,888
-	-	-	-	99	914	914
-	-	-	-	2,182	2,182	2,182
-	1,682	10	-	8,040	11,637	11,637
-	-	-	-	-	24,756	24,756
-	-	-	-	7,015	8,483	8,483
-	-	-	-	-	833	833
-	-	-	-	-	-	524,038
-	-	41,164	-	1,450	42,614	64,737
-	-	-	-	-	76,275	76,275
<u>\$ 70,387</u>	<u>\$ 54,111</u>	<u>\$ 41,174</u>	<u>\$ 1,694</u>	<u>\$ 25,100</u>	<u>\$ 307,211</u>	<u>\$ 873,372</u>

**WESTLAKE ACADEMY FOUNDATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

	<u>Unrestricted</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 214,037
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Discount of unconditional promises to give	( 811)
Changes in operating assets and liabilities:	
Decrease in unconditional promises to give	82,911
Increase in other receivables	5,846
Increase in accounts payable and accrued expenses	( 42,639)
Decrease in deferred revenue	<u>-</u>
Net cash provided by operating activities	<u>259,344</u>
<b>NET INCREASE IN CASH</b>	259,344
<b>CASH, BEGINNING</b>	<u>695,944</u>
<b>CASH, ENDING</b>	<u>\$ 955,288</u>

See accompanying notes to financial statements.

# WESTLAKE ACADEMY FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

### I. NATURE OF BUSINESS

Westlake Academy Foundation (the "Foundation") was organized exclusively for charitable and educational purposes, including for such purposes, the making of distributions to organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The purpose of the Foundation is to act on behalf of the Town of Westlake (the "Town") as its duly constituted authority and instrumentality and, in connection therewith, to exercise all powers and authority granted under the Texas Nonprofit Corporation Act and other applicable law. Among other things, the Foundation is to raise funds and take other actions in order to enhance the educational opportunities to be offered by the open-enrollment charter school, Westlake Academy (the "Academy"), operated by the Town.

During the fiscal year 2010-2011, the Foundation had three major programs: 1) Blacksmith Annual Fund, 2) Westlake Baja and 3) Gallery Night. The Blacksmith Annual Fund raises funds from parents, corporations and other interested parties to support the school's operations. The Westlake Baja golf tournament raises dedicated monies for the Fund 100 for Teachers, a restricted fund that provides grants for the recruitment, retention and development of Academy faculty. Gallery Night net proceeds support the operations of the Foundation and other areas as determined by the Foundation's Board of Directors.

The Foundation is included as a discretely presented component unit of the Academy. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's ruling body must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

(continued)

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. The Foundation's most significant estimate is the allowance for uncollectible pledges.

### **Temporarily Restricted Net Assets**

The Foundation conducts an annual campaign, Blacksmith Annual Program, for the operation of the Academy. A substantial portion of the campaign's contributions are received in the year that the contributions are transferred to the Academy and are treated as unrestricted in the year of the campaign. Contributions received in the period prior to being transferred to the Academy are classified as temporarily restricted net assets until the period they will be transferred to the Academy.

The contributions received from the following will be treated as temporarily restricted net assets until their restrictions are met, at which time they will be released to unrestricted net assets:

- Capital campaign contributions for the construction of the Sam and Margaret Lee Arts and Sciences center.
- Westlake Baja golf tournament funds being raised to provide grants for recruitment, retention and development of Academy faculty.
- Capital funds donated for various capital needs for the Academy.

### **Permanently Restricted Net Assets**

The Foundation received another \$250,000 contribution to the Endowment Fund, which will be used to establish a Fund 100 endowment, a permanently restricted fund with only interest being considered for spending.

(continued)

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Donated Services

A substantial number of volunteers have donated significant amounts of their time and services to the activities of the Foundation without compensation. These services include, but are not limited to, bookkeeping services, fundraising, and other related services. The value of donated services is not recognized as a contribution since no objective basis is available to measure the value of such services and generally they do not require specialized skills.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Distribution of expenses are based on actual usage or management's estimates of usage applicable to the various programs and supporting services benefited. Campaign expenses are recognized when incurred.

## III. FEDERAL INCOME TAXES

The foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

## IV. DEPOSITS AND INVESTMENTS

The funds of the Foundation must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The Depository bank places approved pledged securities for safekeeping and trust with the Foundation's agent bank in an amount sufficient to protect Foundation funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

## V. PROMISES TO GIVE

The Foundation has completed the capital campaign for the construction of the Sam and Margaret Lee Arts & Sciences Center. The promises to give as of August 31, 2011, are unconditional and due; \$47,918 in 2012. Allowance for uncollectable promises at August 31, 2011 is \$3,833.

## VI. CONTRIBUTIONS BETWEEN PROGRAMS

During the year, certain programs raised funds and contributed them to other programs as follows:

Administration contributed \$1,113 to Alumni Relations to cover expenses.

Gallery Night contributed \$120,000 to Administration for operations.

Gallery Night contributed \$45,650 to Fund-an-Item for transfer to Westlake Academy's technology package.

Westlake Baja contributed \$231,481 to Fund 100 for grant purposes.

SUPPLEMENTARY INFORMATION



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

Board of Directors  
Westlake Academy Foundation

Members of the Board:

We have audited the accompanying statement of financial position and the related statement of activities and changes in net assets, functional expenses, and cash flows of Westlake Academy Foundation (the “Foundation”) as of and for the year ended August 31, 2011, and have issued our report thereon dated January 6, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation’s financial statements that is more than inconsequential will not be prevented or detected by the Foundation’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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*.

We noted no matters involving noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Foundation's Board of Directors, and others within the entity and is not intended to be used and should not be used by anyone other than these specified parties.

*Pattillo, Burm & Hill, L.L.P.*

January 6, 2012