



WESTLAKE

ACADEMY FOUNDATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Westlake Academy Foundation
Westlake, Texas

We have audited the accompanying financial statements of Westlake Academy Foundation (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year 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 principles 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 Westlake Academy Foundation, as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017, on our consideration of Westlake Academy 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 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 Westlake Academy Foundation's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 3, 2017

**WESTLAKE ACADEMY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 429,811	\$ 23,500	\$ 5,883	\$ 459,194
Investments	1,167,457	10,535	46,822	1,224,814
Other receivables	7,565	-	-	7,565
Prepays	4,316	-	-	4,316
TOTAL ASSETS	<u>\$ 1,609,149</u>	<u>\$ 34,035</u>	<u>\$ 52,705</u>	<u>\$ 1,695,889</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accrued expenses and other payables	\$ 10,404	\$ -	\$ -	\$ 10,404
Total liabilities	<u>10,404</u>	<u>-</u>	<u>-</u>	<u>10,404</u>
NET ASSETS				
Unrestricted				
Undesignated	265,794	-	-	265,794
Board designated	1,332,951	-	-	1,332,951
Temporarily restricted	-	34,035	-	34,035
Permanently restricted	-	-	52,705	52,705
Total net assets	<u>1,598,745</u>	<u>34,035</u>	<u>52,705</u>	<u>1,685,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,609,149</u>	<u>\$ 34,035</u>	<u>\$ 52,705</u>	<u>\$ 1,695,889</u>

The Notes to Financial Statements are an integral part of this statement.

**WESTLAKE ACADEMY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT				
Contributions				
Gallery Night	\$ 279,941	\$ 2,500	\$ -	\$ 282,441
Blacksmith	932,828	21,000	-	953,828
Westlake Baja	137,259	-	-	137,259
Run the Ranch	5,870	-	-	5,870
Miscellaneous	11,015	-	-	11,015
Investment income	15,163	372	372	15,907
Net unrealized gain on investments	41,826	4,336	-	46,162
Net realized loss on investments	(9,121)	(1,364)	-	(10,485)
Released from restrictions	2,500	(2,500)	-	-
	<u>1,417,281</u>	<u>24,344</u>	<u>372</u>	<u>1,441,997</u>
EXPENSES				
Program services				
Contributions to Academy	932,728	-	-	932,728
Grants to Academy/Town	175,605	-	-	175,605
Total program services	<u>1,108,333</u>	<u>-</u>	<u>-</u>	<u>1,108,333</u>
Fundraising				
Gallery Night	76,807	-	-	76,807
Westlake Baja	42,673	-	-	42,673
Run the Ranch	4,707	-	-	4,707
General	65,015	-	-	65,015
Total fundraising	<u>189,202</u>	<u>-</u>	<u>-</u>	<u>189,202</u>
Management and general	<u>40,434</u>	<u>-</u>	<u>-</u>	<u>40,434</u>
	<u>1,337,969</u>	<u>-</u>	<u>-</u>	<u>1,337,969</u>
INCREASE IN NET ASSETS	79,312	24,344	372	104,028
NET ASSETS, BEGINNING	<u>1,519,433</u>	<u>9,691</u>	<u>52,333</u>	<u>1,581,457</u>
NET ASSETS, ENDING	<u>\$ 1,598,745</u>	<u>\$ 34,035</u>	<u>\$ 52,705</u>	<u>\$ 1,685,485</u>

The Notes to Financial Statements are an integral part of this statement.

**WESTLAKE ACADEMY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 104,028
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized and realized gain on investments	(35,677)
Changes in operating assets and liabilities:	
Increase in prepaids	(2,401)
Decrease in other receivables	15,408
Decrease in accounts payable and accrued expenses	(7,154)
Decrease in deferred revenue	(750)
Net cash provided by operating activities	<u>73,454</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of investments	(2,885,308)
Sales of investments	<u>2,618,754</u>
Net cash used for investing activities	<u>(266,554)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,100)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>652,294</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 459,194</u></u>

The Notes to Financial Statements are
an integral part of this statement.

WESTLAKE ACADEMY FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1. 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 2015-2016, the Foundation had four major fundraising programs: 1) Blacksmith Annual Fund, 2) Westlake Baja, 3) Gallery Night, and 4) Run the Ranch. The Blacksmith Annual Fund raises funds from parents, corporations and other interested parties to support the school's daily operations. The Westlake Baja golf and tennis tournament raises dedicated monies to award grants supporting all facets of educational excellence, with priority funding for the recruitment, retention and development of Academy faculty. The Gallery Night net proceeds support the annual operations of the Foundation, a dedicated project requested by the school (i.e., Fund-an-Item) and grantmaking efforts of the Foundation Board of Directors. The Run the Ranch 5K/1K fun run/walk provides a school-wide and DFW community event with net proceeds funding grants requested by Westlake Academy teachers and administrators.

The Foundation is included as a discretely presented component unit of the Academy. The determination to include separate entities is based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." 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. Although the specific financial accountability criteria of GASB statement No. 61 are not met, it is management's opinion that the Foundation should be included as a component unit of the Academy due to the nature and significance of their relationship.

NOTE 2. 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.

WESTLAKE ACADEMY FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Board Designated Net Assets

The Board has designated a portion of unrestricted net assets in the Endowment Fund for future needs. The contributions received from the following will be treated as Board Designated net assets:

- Westlake Baja golf and tennis tournament supports all facets of educational excellence with grant funding priority for faculty recruitment, retention and development efforts. \$13,740 of Westlake Baja proceeds were designated for the Endowment Fund during the year based on a percentage of proceeds per Board action.
- Gallery Night benefit auction – proceeds of \$17,785 were designated for the Endowment Fund during the year based on a percentage of proceeds per Board action.
- Run the Ranch – proceeds of \$587 were designated for the Endowment Fund during the year based on a percentage of proceeds per Board action.
- TSH and General Endowments – Board designated funds for general use of the Academy.

The Foundation also 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 / undesignated in the year of the campaign. Contributions received in the period prior to being transferred to the Academy are classified as Board Designated net assets until the period they will be transferred to the Academy.

**WESTLAKE ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Temporarily Restricted Net Assets

Temporarily restricted net assets as of August 31, 2016 are comprised of the following:

- \$10,535 - represents half of the annual earnings on the principal of the Joe Bradley Endowment Fund which have been restricted for the yearly award distribution. These monies provide travel awards to students attending Westlake Academy selected to participate in educational and training activities officially sponsored by the school.
- \$23,500 – represents funds received for the Blacksmith program and Gallery Night event prior to year-end which are restricted for fiscal year 2016-17.

Permanently Restricted Net Assets

The Westlake Academy Foundation has the following Permanently Restricted Net Assets:

- Joe Bradley Endowment Fund – donors contributed \$50,778 for the establishment of a perpetual fund to be used for travel awards facilitating the education and training of Westlake Academy students. Half of the annual earnings on the original gift are reinvested as principal and the other half are used for the purpose of the fund.

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, marketing, 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.

NOTE 3. FEDERAL INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been recorded in the accompanying financial statements.

The Foundation is unaware of any uncertain tax positions as of August 31, 2016 that would be subject to the recognition provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, Accounting for Uncertainty in Income Taxes.” Generally, the three prior years remain open for federal income tax examination.

**WESTLAKE ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CASH AND CASH EQUIVALENTS

The funds of the Foundation must be deposited 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.

NOTE 5. INVESTMENTS

Investments in marketable securities are valued at their estimated fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. All other investments are carried at cost.

Investments at the end of the year consist of the following:

<u>Investment Type</u>	August 31, 2016	
	Cost Basis	Market Value
Marketable equity securities:		
Common stock	\$ 1,165,880	\$ 1,224,814

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 inputs: Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**WESTLAKE ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. INVESTMENTS – CONTINUED

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

Level 3 inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Marketable Equity Securities

Marketable equity securities reported as level 1 are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2016.

	Assets at Fair Value as of August 31, 2016			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 1,224,814	\$ -	\$ -	\$ 1,224,814

NOTE 6. SUBSEQUENT EVENTS

The FASB has issued guidance establishing general standards of accounting for the disclosure of events that occur after the balance sheet date but before financial statements are issued. Subsequent events have been evaluated through January 3, 2017, the date the financial statements were available to be issued.

INTERNAL CONTROL REPORT



**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 of
Westlake Academy Foundation

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 accompanying statement of financial position and the related statements of activities and cash flows of Westlake Academy Foundation (the Foundation) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated January 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Westlake Academy Foundation

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 3, 2017