



**W E S T L A K E**

**ACADEMY FOUNDATION**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**AUGUST 31, 2021**

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## Independent Auditor's Report

To the 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### 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, 2021, 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
December 10, 2021

Weaver and Tidwell, L.L.P.  
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# Westlake Academy Foundation

## Statement of Financial Position

August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 796,586	\$ 2,587	\$ 799,173
Investments	2,088,617	356,293	2,444,910
<b>TOTAL ASSETS</b>	<b>\$ 2,885,203</b>	<b>\$ 358,880</b>	<b>\$ 3,244,083</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accrued expenses and other payables	\$ 7,600	\$ -	\$ 7,600
Total liabilities	7,600	-	7,600
<b>NET ASSETS</b>			
Without donor restriction			
Board designated	\$ 2,114,788	\$ -	\$ 2,114,788
Undesignated	762,815	-	762,815
With donor restrictions			
Time and purpose	-	101,456	101,456
Permanent endowment	-	257,424	257,424
Total net assets	2,877,603	358,880	3,236,483
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,885,203</b>	<b>\$ 358,880</b>	<b>\$ 3,244,083</b>

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

**Westlake Academy Foundation**  
Statement of Activities  
For the Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions			
Gallery Night	\$ 286,740	\$ -	\$ 286,740
Blacksmith	989,392	-	989,392
Westlake Baja	186,261	-	186,261
External Grants	-	-	-
Miscellaneous	-	-	-
Investment income	42,776	7,148	49,924
Net unrealized gain on investments	298,015	52,459	350,474
Net realized gain on investments	67,718	9,364	77,082
Released from restrictions	8,393	(8,393)	-
	<u>1,879,295</u>	<u>60,578</u>	<u>1,939,873</u>
<b>EXPENSES</b>			
Program services			
Grants to Academy/Town	995,952	-	995,952
Contributions to Academy	206,467	-	206,467
	<u>1,202,419</u>	<u>-</u>	<u>1,202,419</u>
Fundraising			
Gallery Night	77,508	-	77,508
Westlake Baja	21,085	-	21,085
General fundraising	8,071	-	8,071
	<u>106,664</u>	<u>-</u>	<u>106,664</u>
Management and general	63,868	-	63,868
	<u>1,372,951</u>	<u>-</u>	<u>1,372,951</u>
<b>INCREASE IN NET ASSETS</b>	506,344	60,578	566,922
<b>NET ASSETS, BEGINNING</b>	<u>2,371,259</u>	<u>298,302</u>	<u>2,669,561</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 2,877,603</u>	<u>\$ 358,880</u>	<u>\$ 3,236,483</u>

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

## Westlake Academy Foundation

### Statement of Functional Expenses

For the Year Ended August 31, 2021

	Blacksmith Annual Program	Other Grant Awards	Total Program Services	Fund Raising Gallery Night
Professional expenses	\$ -	\$ -	\$ -	\$ -
Contracted expenses	-	-	-	70,769
Computer equipment/software	-	-	-	-
Advertising	-	-	-	2,458
Office supplies	-	-	-	421
Postage and shipping	-	-	-	-
Printing and copying	-	-	-	1,503
Training and meetings	-	-	-	423
Credit card services and bank fees	-	-	-	1,472
Miscellaneous expense	-	-	-	462
Blacksmith contributions	995,952	-	995,952	-
Contribution to Westlake Academy	-	206,467	206,467	-
<b>Total functional expenses</b>	<b>\$ 995,952</b>	<b>\$ 206,467</b>	<b>\$ 1,202,419</b>	<b>\$ 77,508</b>

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

<b>Fundraising Westlake Baja</b>	<b>General Fundraising</b>	<b>Total Supporting Services</b>	<b>Management and General</b>	<b>Total Functional Expenses</b>
\$ -	\$ -	\$ -	\$ 9,900	\$ 9,900
19,750	-	90,519	1,078	91,597
-	-	-	2,802	2,802
-	-	2,458	15,438	17,896
-	-	421	2,774	3,195
-	1,146	1,146	988	2,134
-	-	1,503	3,405	4,908
-	-	423	278	701
1,335	6,925	9,732	17,886	27,618
-	\$ -	462	9,319	9,781
-	-	-	-	995,952
-	-	-	-	206,467
<b>\$ 21,085</b>	<b>\$ 8,071</b>	<b>\$ 106,664</b>	<b>\$ 63,868</b>	<b>\$ 1,372,951</b>

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, 2021

#### CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 566,922
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized and realized gain on investments	(427,556)
Changes in operating assets and liabilities:	
Decrease in other receivables	5,642
Decrease in accounts payable and accrued expenses	(810)
	<hr/>
Net cash provided by operating activities	144,198

#### CASH FLOW FROM INVESTING ACTIVITIES

Purchases of investments	(867,731)
Sales of investments	777,917
	<hr/>
Net cash used for investing activities	(89,814)

#### NET INCREASE IN CASH AND CASH EQUIVALENTS

54,384

#### CASH AND CASH EQUIVALENTS, beginning

744,789

#### CASH AND CASH EQUIVALENTS, ending

\$ 799,173

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



# Westlake Academy Foundation

## Notes to the 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 2020-2021, the Foundation had three major fundraising 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 daily operations. The Westlake Baja 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 grant-making efforts of the Foundation Board of Directors.

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.

#### 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.

## Westlake Academy Foundation

### Notes to the Financial Statements

#### Board Designated Net Assets

The Board has designated a portion of net assets without restriction in the Endowment Fund for future needs. The contributions received from the following will be treated as Board Designated net assets:

- Westlake Baja - supports all facets of educational excellence with grant funding priority for faculty recruitment, retention and development efforts. \$0 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 \$26,171 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 was \$2,088,617.

The Foundation also conducts an annual campaign, Blacksmith Annual Fund, 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 without donor restriction/ 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.

#### Net Assets With Donor Restriction

Net assets with donor restriction as of August 31, 2021 are comprised of the following:

- Joe Bradley Endowment Fund – donor 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 is reinvested as principal and the other half is used for the purpose of the fund. The balance of permanently restricted net assets in the Joe Bradley Endowment Fund as of August 31, 2021 was \$57,424.
- Gingy M. Quinn Teacher Endowment Fund – donor contributed \$200,000 for the establishment of a perpetual fund to be used to provide opportunities for new or innovative technology to enrich instruction in the classroom.
- \$98,869 – represents cumulative earnings on the principal of the Joe Bradley and Gingy M. Quinn Endowment Funds, which have been restricted for the yearly award distribution. The Joe Bradley Endowment monies provide travel awards to students attending Westlake Academy selected to participate in educational and training activities officially sponsored by the school. The Gingy M. Quinn Endowment monies provide opportunities for new or innovative technology to enrich instruction in the classroom.

#### 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.

## Westlake Academy Foundation

### Notes to the Financial Statements

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the combined statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases and operating in existing lease accounting guidance. As a result, the effect of leases in the combined statement of activities and changes in net assets and the combined statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 25, 2021. Early adoption is permitted. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

#### 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, 2021 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.

#### Note 4. Cash and Cash Equivalents

The funds of the Foundation must be deposited under the terms of a contract, the 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:

Investment Type	August 31, 2021	
	Cost Basis	Market Value
Marketable equity securities:		
Common stock	\$ 2,017,406	\$ 2,444,910

## Westlake Academy Foundation

### Notes to the Financial Statements

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 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 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.

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 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, 2021.

	Assets at Fair Value as of August 31, 2021			
	Level 1	Level 2	Level 3	Total
Marketable equity securities:				
Common stock	\$ 2,444,910	\$ -	\$ -	\$ 2,444,910

## Westlake Academy Foundation

### Notes to the Financial Statements

#### Note 6. Liquidity

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2021
Cash and cash equivalents	\$ 799,173
Investments	2,444,910
	<hr/>
Total financial assets, year end	3,244,083
	<hr/>
Less:	
Permanently Restricted:	
Joe Bradley endowment for travel awards	(57,424)
Gingy M. Quinn Teacher endowment for opportunities for new innovative technology	(200,000)
	<hr/>
Total financial assets not available to be used within one year	(257,424)
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Total financial assets available to meet general expenditures within one year	\$ 2,986,659
	<hr/> <hr/>

The Foundation investment policy states that investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets. A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

#### Note 7. 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 December 10, 2021, the date the financial statements were available to be issued.

#### COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the Foundation has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The Foundation is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain. Additionally, based on the nature of the Foundation's projects, impact to future projects is uncertain at this time.

#### Note 8. Related Party Transactions

The Foundation contributed \$1,085,513 to Westlake Academy during the fiscal year ended August 31, 2021.