

**WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.  
dba BEATRICE MAYES INSTITUTE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED AUGUST 31, 2016**

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WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE  
101-847

(Federal Employer Identification Number: 76-0152632)  
CERTIFICATE OF BOARD  
August 31, 2016

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Wonderland Educational Estate Association, Inc. dba Beatrice Mayes Institute was reviewed and ✓ approved \_\_\_\_\_ disapproved for the year ended August 31, 2016, at a meeting of the governing body of said charter school on the 26 day of January, 2017.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
Wonderland Educational Estate Association, Inc.  
Houston, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Wonderland Educational Estate Association, Inc. (WEEA, Inc.) (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 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 WEEA, Inc. 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 23, 2017, on our consideration of WEEA, Inc.'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 WEEA, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Loney & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX  
January 23, 2017

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

ASSETS

Current Assets:

Cash	\$ 2,774,117
Investments	2,586,723
Accounts Receivable	25,434
Grants Receivable	397,940
Total Current Assets	<u>5,784,214</u>

Property & Equipment:

Land and Land Improvements	676,128
Buildings and Improvements	1,517,070
Furniture and Equipment	404,613
Automobiles	114,705
	<u>2,712,516</u>
Accumulated Depreciation	<u>(1,196,133)</u>
	<u>1,516,383</u>

Other Assets:

Prepaid Assets	12,353
Total Assets	<u>\$ 7,312,950</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 141,385
Accrued Liabilities	105,172
Accrued Wages	95,010
Interest Payable	4,320
Payroll Taxes Payable	16,636
Notes Payable	788,152
Total Current Liabilities	<u>1,150,675</u>

Net Assets:

Unrestricted	4,244,485
Temporarily Restricted	1,917,790
Total Net Assets	<u>6,162,275</u>

Total Liabilities and Net Assets	<u>\$ 7,312,950</u>
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See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Federal Program Revenues	\$	\$ 464,947	\$ 464,947
State Program Revenues		3,987,079	3,987,079
Local Support	144,668		144,668
Daycare Income	336,520		336,520
Rental Income	456,480		456,480
Net Assets Released From Restrictions	4,357,170	(4,357,170)	
Total Revenue	<u>5,294,838</u>	<u>94,856</u>	<u>5,389,694</u>
<b>EXPENSES</b>			
Charter School	4,483,390		4,483,390
Daycare Center	762,181		762,181
Total Expenses	<u>5,245,571</u>		<u>5,245,571</u>
Increase (decrease) in net assets	<u>49,267</u>	<u>94,856</u>	<u>144,123</u>
Net assets, beginning of year as Restated	<u>4,195,218</u>	<u>1,822,934</u>	<u>6,018,152</u>
Net assets, end of year	<u>\$ 4,244,485</u>	<u>\$ 1,917,790</u>	<u>\$ 6,162,275</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2016

Cash Flows From Operating Activities	
Change in net assets	\$ 144,123
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	63,134
Unrealized (gain) loss on investments	(10,967)
(Increase) decrease in accounts receivable	441,925
(Increase) decrease in grants receivable	(155,105)
(Increase) decrease in other assets	(665)
Increase (decrease) in accounts payable & accrued liabilities	109,962
Increase (decrease) in accrued salaries	(13,491)
Increase (decrease) in payroll taxes	<u>(37,076)</u>
Total Adjustments	<u>397,717</u>
Net Cash Provided (Used) by Operating Activities	<u>541,840</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	(9,000)
Purchase of investments	<u>(63,590)</u>
Net Cash Provided (Used) By Investing Activities	(72,590)
Cash Flows From Financing Activities	
Repayment of debt	<u>(106,692)</u>
Net Cash Provided (Used) By Financing Activities	(106,692)
NET INCREASE ( DECREASE ) IN CASH	<u>362,558</u>
CASH AT BEGINNING OF YEAR AS RESTATED	<u>2,411,559</u>
CASH AT END OF YEAR	<u>\$ 2,774,117</u>

Supplemental Disclosures

Cash Paid During the Year for:

    Interest \$ 17,385

See accompanying notes to financial statements.



WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

A. Organization:

Wonderland Educational Estate Association, Inc. (WEEA, Inc.) provides curricula for students in grades K-8. The school was incorporated in the State of Texas in September, 1999 under the Texas Non-Profit Corporation Act.

Pursuant to its charter granted by the State Board of Education in accordance with Texas Education Code Section 12, Subchapter D, Open-Enrollment Charter School, the Organization operates as part of the state public school system subject to all federal and state laws and rules governing public schools. The Organization is also subject to all laws and rules pertaining to open-enrollment charter schools in section 12 of the Texas Education Code.

The charter holder, Wonderland Educational Estate Association, Inc., has two programs - a private day care center and a single charter school. We have audited both the private day care center and the charter school.

B. Summary of Significant Accounting Policies:

**BASIS OF PRESENTATION**

WEEA, Inc. reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the corporation.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

**SUPPORT AND REVENUE**

Support and revenue are recorded based on the accrual method.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

B. Summary of Significant Accounting Policies: (Continued)

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

PROPERTY AND EQUIPMENT

Property and equipment purchased by WEEA, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All assets acquired with a value in excess of \$5,000 are recorded as fixed assets. Depreciation is provided on the straight-line method based upon estimated useful lives of the asset. Gains or losses from retirement or sale of property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give to WEEA, Inc., which is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

INCOME TAXES

WEEA, Inc. qualifies as a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
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NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

For purpose of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets. The Academy classifies its marketable debt securities as "held to maturity" if it has the positive intent and ability to hold the securities to maturity. All other marketable securities are classified as "available for sale." Realized gains and losses and unrealized gains and losses, determined using the specific identification method, are included in the change in net assets.

FAIR VALUE MEASUREMENTS

FASB ASC 820 *Fair Value Measurements and Disclosures* establish 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 as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Significant direct or indirect, observable inputs other than quoted prices;

Level 3: Unobservable inputs based on assumptions of the reporting entity.

The fair value measurement of assets and liabilities within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires WEEA, Inc.'s management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
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NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

C. Pension Plan Obligations:

*Plan Description*

The Charter School contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter School, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2016 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2016	ABO 2016	Percent Funded
TRS	\$ 152,925,647,000	\$ 171,797,150,000	78.00%

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.2% for the 2016 fiscal period. The state’s contribution rate as a non-employer contributing entity was 6.8% in 2016. The Charter School’s employees’ contributions to the system for the year ended August 31, 2016 were \$164,248, equal to the required contributions for the year.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
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NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

C. Pension Plan Obligations: (Continued)

Other contributions made from federal and private grants and from the Charter School for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$20,013 for the year ended August 31, 2016. The Charter School's contributions into this plan do not represent more than 5% of the total contributions to the plan and the charter school was not assessed a surcharge.

D. Health Care Coverage:

During the year ended August 31, 2016, employees of WEEA, Inc. were covered by a health insurance plan. The school contributed up to \$225 per month per employee (depending upon coverage selected) to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

E. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

F. Investments:

Investments presented below have been measured using Level 1 inputs as described in Note B. above, *Fair Value Measurements*. Cost and fair value of marketable debt and equity securities at August 31, 2016 were as follows:

Fair Value Measurements at August 31, 2016

<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money Market	\$ 18,986	\$ 0	\$ 0	\$ 18,986
Equity Units	932,564	\$ 0	\$ 0	932,564
Mutual Funds	1,635,173	\$ 0	\$ 0	1,635,173
Total Investments at Fair Value:	<u>\$ 2,586,723</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,586,723</u>

Realized gains for the year totaled \$63,590 and unrealized gains/ losses, resulted in a net gain of \$10,967. This amount is included in Other Revenues from Local Sources as of August 31, 2016.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

G. Operating Lease Commitment:

The charter school is currently leasing its building from the daycare center, Wonderland, on a non-cancelable operating lease.

WEEA, Inc's minimum annual lease commitment is as follows:

Year months ending August 31,	Amount
2017	\$ 481,620
2018	460,670
2019	456,480
Total	\$ 1,398,770

Operating lease expense for the charter school and Wonderland amounted to \$540,481 for the year ended August 31, 2016.

H. Commitments and Contingencies:

The charter school 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 WEEA, Inc. to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor charter school. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

I. Note Payable:

The organization's obligations under notes payable consists of the following:

Promissory Note (\$1,700,000 limit), secured by investment account. The agreement is dated July 14, 2014, at a variable interest rate of LIBOR plus 1.65%, interest due monthly starting August 14, 2014. Outstanding principal and accrued unpaid interest are due in full on the maturity date, July 14, 2016. \$ 787,592

Note payable to individual company, secured by vehicle. The note is dated July 19, 2011, at a 2.59% interest rate, payable in 60 installments of \$577 and a face amount of \$32,428. The date of maturity is August 2, 2016. 560

Total Notes Payable 788,152

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
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NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

I. Note Payable: (Continued)

Maturities of notes payable over the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 788,152	\$ 4,321	\$ 792,473
Total	\$ 788,152	\$ 4,321	\$ 792,473

J. Temporarily Restricted Net Assets:

Temporarily restricted net assets at August 31, 2016, are available for the following periods:

<u>Periods after August 31, 2016</u>	
Texas Education Agency-State	\$ 1,917,790
Total temporarily restricted fund	\$ 1,917,790

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Texas Education Agency-Federal	\$ 448,365
Texas Education Agency-State	3,892,223
US Department of Agriculture-Federal	16,582
Total restrictions released	\$ 4,357,170

K. Prior Year Adjustment:

During the year ended August 31, 2016, an adjustment was made to WEEA, Inc. net assets in the amount of \$107,558 to correct cash balance for double booking of payments in prior years. The adjustment increase cash balance and increase net assets by the same amount.

L. Evaluation of Subsequent Events:

The Charter School has evaluated subsequent events through January 23, 2017, the date which the financial statements were available to be issued.

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Directors of  
Wonderland Education Estate, Inc.  
Houston, Texas

We have audited the financial statements of Wonderland Educational Estate Association, Inc. (a non-profit Organization) as of and for the year ended August 31, 2016, and our report thereon dated January 23, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School are presented on pages 14 to 20 for purposes of additional analysis and is 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.



Houston, TX  
January 23, 2017



WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

ASSETS

Current Assets:

Cash	\$ 1,599,295
Investments	2,586,723
Accounts Receivable	15,527
Grants Receivable	<u>397,940</u>
Total Current Assets	<u>4,599,485</u>

Property & Equipment:

Land Improvements	41,128
Buildings and Improvements	331,356
Furniture and Equipment	292,128
Automobiles	<u>35,316</u>
	699,928
Accumulated Depreciation	<u>(611,723)</u>
	<u>88,205</u>

Other Assets:

Prepaid Assets	<u>12,353</u>
Total Assets	<u>\$ 4,700,043</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 140,662
Accrued Liabilities	89,777
Accrued Wages	95,010
Payroll Taxes Payable	<u>14,944</u>
Total Current Liabilities	<u>340,393</u>

Net Assets:

Unrestricted	2,441,860
Temporarily Restricted	<u>1,917,790</u>
Total Net Assets	<u>4,359,650</u>

Total Liabilities and Net Assets	<u>\$ 4,700,043</u>
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See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 100,026	\$	\$ 100,026
5750 Revenues from Cocurricular Activities	42,776		42,776
Total Local Support	142,802		142,802
State Program Revenues:			
5810 Foundation School Program Act Revenues		3,985,755	3,985,755
5820 State Program Revenues Distributed by Texas Education Agency		1,324	1,324
Total State Program Revenues		3,987,079	3,987,079
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		448,365	448,365
Total Federal Program Revenues		448,365	448,365
Net Assets Released From Restrictions:			
Restrictions Satisfied by Payments	4,340,588	(4,340,588)	
Total Revenues	4,483,390	94,856	4,578,246
<b>EXPENSES</b>			
Program Services:			
11 Instruction	2,351,927		2,351,927
12 Instructional Resources and Media Services	3,770		3,770
13 Curriculum Development and Instructional Staff Development	1,250		1,250
23 School Leadership Support Services Student	268,709		268,709
33 Health Services	68,701		68,701
35 Food Service	323,548		323,548
36 Cocurricular/Extracurricular Activities	27,358		27,358
41 General Administration	382,965		382,965
51 Plant Maintenance and Operations	935,241		935,241
52 Security and Monitoring Services	48,343		48,343
53 Data Processing	71,578		71,578
Total Expenses	4,483,390		4,483,390
Change in Net Assets			
Net Assets, Beginning of Year as Restated	2,441,860	94,856	4,264,794
Net Assets, End of Year	\$ 2,441,860	\$ 1,917,790	\$ 4,359,650

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2016

Cash Flows From Operating Activities	
Change in net assets	\$ 94,856
Adjustments to reconcile change in net assets to net	
Cash provided (used) by operating activities	
Depreciation	28,794
Unrealized (gain) loss on investments	(10,967)
(Increase) decrease in accounts receivable	(8,579)
(Increase) decrease in grants receivable	(155,105)
(Increase) decrease in other assets	(665)
Increase (decrease) in accounts payable & accrued liabilities	106,520
Increase (decrease) in accrued salaries	(6,898)
Increase (decrease) in payroll taxes	<u>(30,605)</u>
Total Adjustments	<u>(77,505)</u>
Net Cash Provided (Used) by Operating Activities	17,351
Cash Flows From Investing Activities	
Purchase of fixed assets	(9,000)
Purchase of investments	<u>(63,590)</u>
Net Cash Provided (Used) By Investing Activities	<u>(72,590)</u>
NET INCREASE ( DECREASE ) IN CASH	<u>(55,239)</u>
CASH AT BEGINNING OF YEAR AS RESTATED	<u>1,654,534</u>
CASH AT END OF YEAR	<u>\$ 1,599,295</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2016

**EXPENSES**

6100 Payroll Costs	\$ 2,500,995
6200 Professional and Contracted Services	1,336,981
6300 Supplies and Materials	352,592
6400 Other Operating Costs	<u>292,822</u>
Total Expenses	<u>\$ 4,483,390</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2016

Beatrice Mayes Institute

	Ownership Interest		
	Local	State	Federal
1110 Cash:	\$	\$ 1,599,295	\$
1122 Investments		2,586,723	
1510 Land improvements:			41,128
1520 Buildings and improvements:		277,098	17,500
1531 Vehicles	35,316		
1539 Furniture and equipment:		134,343	157,785
1595 Infrastructure		22,558	
1596 Infrastructure		14,200	
Total Property and Equipment	<u>\$ 35,316</u>	<u>\$ 4,634,217</u>	<u>\$ 216,413</u>

Wonderland Educational Estate Association, Inc.

	Ownership Interest		
	Local	State	Federal
Cash:	\$ 1,174,822	\$	\$
Land:	635,000		
Buildings and improvements:	1,185,714		
Vehicles	79,389		
Furniture and equipment:	112,485		
Total Property and Equipment	<u>\$ 3,187,410</u>	<u>\$</u>	<u>\$</u>

Total

	Ownership Interest		
	Local	State	Federal
1110 Cash:	\$ 1,174,822	\$ 1,599,295	\$
1122 Investments		2,586,723	
1510 Land and land improvements:	635,000		41,128
1520 Buildings and improvements:	1,185,714	277,098	17,500
1531 Vehicles	114,705		
1539 Furniture and equipment:	112,485	134,343	157,785
1595 Infrastructure		22,558	
1596 Infrastructure		14,200	
Total Property and Equipment	<u>\$ 3,222,726</u>	<u>\$ 4,634,217</u>	<u>\$ 216,413</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 14,000	\$ 14,000	\$ 100,026	\$ 86,026
5750 Revenues from Coccurricular Activities	<u>15,000</u>	<u>15,000</u>	<u>42,776</u>	<u>27,776</u>
Total Local Support	<u>29,000</u>	<u>29,000</u>	<u>142,802</u>	<u>113,802</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	3,806,999	3,806,999	3,985,755	178,756
5820 State Program Revenues Distributed by Texas Education Agency			<u>1,324</u>	<u>1,324</u>
Total state program revenues	<u>3,806,999</u>	<u>3,806,999</u>	<u>3,987,079</u>	<u>180,080</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>440,000</u>	<u>440,000</u>	<u>448,365</u>	<u>8,365</u>
Total Federal Program Revenues	<u>440,000</u>	<u>440,000</u>	<u>448,365</u>	<u>8,365</u>
Total Revenues	<u>4,275,999</u>	<u>4,275,999</u>	<u>4,578,246</u>	<u>302,247</u>
<b>EXPENSES</b>				
11 Instruction	2,252,000	2,260,000	2,351,927	(91,927)
12 Instructional Resources and Media Services	10,000	10,000	3,770	6,230
13 Curriculum Development and Instructional Staff Development	15,000	15,000	1,250	13,750
23 School Leadership	260,000	260,000	268,709	(8,709)
33 Health Services	70,000	70,000	68,701	1,299
35 Food Service	285,000	285,000	323,548	(38,548)
36 Cocurricular/Extracurricular Activities	25,000	25,000	27,358	(2,358)
41 General Administration	280,000	280,000	382,965	(102,965)
51 Plant Maintenance and Operations	920,000	925,000	935,241	(10,241)
52 Security and Monitoring Services	45,000	50,000	48,343	1,657
53 Data Processing	<u>70,000</u>	<u>75,000</u>	<u>71,578</u>	<u>3,422</u>
Total Expenses	<u>4,232,000</u>	<u>4,255,000</u>	<u>4,483,390</u>	<u>(228,390)</u>
Change in Net Assets	43,999	20,999	94,856	73,857
Net Assets, Beginning of Year as Restated	<u>4,264,794</u>	<u>4,264,794</u>	<u>4,264,794</u>	
Net Assets at End of Year	<u>\$ 4,308,793</u>	<u>\$ 4,285,793</u>	<u>\$ 4,359,650</u>	<u>\$ 73,857</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
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BUDGETARY VARIANCE EXPLANATION

AUGUST 31, 2016

The following is an explanation of the ten percent (10%) variances from the final budget to the actual budget amount reported on the Budgetary Comparison Schedule for the year ending August 31, 2016.

**5740: Other Revenue from Local Sources**

This variance resulted because of an increase in market gains in local source revenue than actually anticipated.

**5750: Revenue from Cocurricular Activities**

Support of our Cocurricular Activities increased in comparison to prior years resulting in more revenue than anticipated.

**5820: State Program Revenue Distributed by TEA**

The availability of unexpected revenue for state programs as opposed to anticipated budgetary cuts in these areas is the result of this variance.

**12: Instructional Resources and Media Services**

This variance is the result of postponement of additional Media Services.

**13: Curriculum Development and Instructional Staff Development**

Projected cost estimates for staff development was less costly than expected.

**35: Food Service**

Increased participation along with increase in food cost resulted in higher expenditures than anticipated.

**41: General Administration:**

The addition of administrative staff resulted in additional cost.

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

## 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  
Wonderland Educational Estate Association, Inc.  
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 Wonderland Educational Estate Association, Inc. ("WEEA, Inc.") (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, and have issued our report thereon dated January 23, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WEEA, Inc.'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 WEEA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies. Item 2016-001.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether WEEA, Inc.'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*.

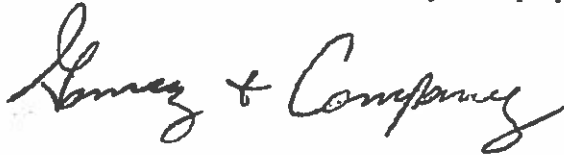


### **WEEA, Inc.'s Response to Findings**

WEEA, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. WEEA, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Ramirez & Company".

Houston, TX  
January 23, 2017

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2016

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. One significant deficiency that is not a material weaknesses on internal control over financial statements, Item 2016-001.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. An audit of major programs was not required because expenditures of federal awards were less than \$750,000.

Current Year Findings

Questioned  
Cost

**Finding 2016-001**

**Recording Cash Activity**

\$ -0-

**Condition:**

During the audit, we noted the Organization failed to properly review and maintain bank reconciliations for all bank accounts.

**Criteria:**

All bank accounts should be reconciled and maintained in the manner required by Generally Accepted Accounting Principles (GAAP) and Texas Education Agency's, Financial Accountability System Resource Guide.

**Cause:**

The organization did not maintain procedures to ensure that the bank reconciliation were perform timely and accurately.

**Effect:**

Failure to properly reconcile the bank accounts monthly could result in bank activity not being recorded to the general ledger and lead to misstatement of financial reports. This could result in the organization not charging all allowable expenditures to state and federal funds and result in repayment of any non- expended state and federal revenues.

**Recommendation:**

We recommend the Organization implements procedures and controls to ensure that bank reconciliation are performed on a monthly basis and agreed to the general ledger.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2016

*Views of Responsible Officials and Planned Corrective Actions:*

**Corrective Action Taken:**

Management will implement new procedures and controls to ensure all bank reconciliation are done on a monthly basis and agree with the general ledger. Any checks outstanding over ninety days will be reviewed and voided from the system to accurately reflect general ledger. In addition, management will perform an internal financial audit quarterly in order to ensure that the organization complies with the Generally Accepted Accounting Principles (GAAP) and the accounting system resource guide. This will be implemented by February 6, 2017.

*Effective Date:* February 6, 2017

*Responsible Party:* Terrance Watts, Business Manager

*Estimated Completion Date:* February 6, 2017

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba  
BEATRICE MAYES INSTITUTE

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2016

No findings were noted as per .300 (f) of OMB A-133 for the year ended August 31, 2015.

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