

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2018

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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, 2018

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, 2018, at a meeting of the governing body of said charter school on the 26th day of January, 2019.



Signature of Board Secretary



Signature of Board President

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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, 2018, 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, 2018, 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 24, 2019, 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 "Ramirez & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 24, 2019

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

ASSETS

Current Assets:

Cash	\$	3,643,233
Investments		2,888,264
Grants Receivable		262,867
Accounts Receivable- Other		21,496
Total Current Assets		<u>6,815,860</u>

Property & Equipment:

Land and Land Improvements		676,128
Buildings and Improvements		1,566,793
Furniture and Equipment		413,386
Automobiles		114,705
		<u>2,771,012</u>
Accumulated Depreciation		<u>(1,344,980)</u>
		<u>1,426,032</u>

Other Assets:

Prepaid Assets		21,757
Total Assets	\$	<u><u>8,263,649</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	53,732
Accrued Liabilities		140,579
Accrued Wages		136,563
Interest Payable		2,525
Payroll Taxes Payable		43,397
Notes Payable		597,782
Total Current Liabilities		<u>974,578</u>

Net Assets:

Unrestricted		4,516,080
Temporarily Restricted		2,772,991
Total Net Assets		<u>7,289,071</u>

Total Liabilities and Net Assets	\$	<u><u>8,263,649</u></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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Federal Program Revenues	\$	\$ 525,819	\$ 525,819
State Program Revenues		3,999,046	3,999,046
Local Support	733,472		733,472
Rental Income	456,480		456,480
Net Assets Released From Restrictions	4,134,544	(4,134,544)	
Total Revenue	<u>5,324,496</u>	<u>390,321</u>	<u>5,714,817</u>
EXPENSES			
Charter School	4,380,664		4,380,664
Daycare Center	759,607		759,607
Total Expenses	<u>5,140,271</u>		<u>5,140,271</u>
Increase (decrease) in net assets	<u>184,225</u>	<u>390,321</u>	<u>574,546</u>
Net assets, beginning of year	<u>4,331,855</u>	<u>2,382,670</u>	<u>6,714,525</u>
Net assets, end of year	<u>\$ 4,516,080</u>	<u>\$ 2,772,991</u>	<u>\$ 7,289,071</u>

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ 574,546
Adjustments to reconcile change in net assets to net	
Cash provided (used) by operating activities	
Depreciation	74,998
Unrealized (gain) loss on investments	(53,557)
(Increase) decrease in accounts receivable	465,127
(Increase) decrease in grants receivable	(38,237)
(Increase) decrease in other assets	(8,981)
Increase (decrease) in accounts payable & accrued liabilities	48,862
Increase (decrease) in accrued salaries	19,260
Increase (decrease) in payroll taxes	<u>21,851</u>
Total Adjustments	<u>529,323</u>
Net Cash Provided (Used) by Operating Activities	<u>1,103,869</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	(8,773)
Purchase of investments	<u>(71,246)</u>
Net Cash Provided (Used) By Investing Activities	(80,019)
Cash Flows From Financing Activities	
Repayment of debt	<u>(189,810)</u>
Net Cash Provided (Used) By Financing Activities	(189,810)
NET INCREASE (DECREASE) IN CASH	<u>834,040</u>
CASH AT BEGINNING OF YEAR	<u>2,809,193</u>
CASH AT END OF YEAR	<u>\$ 3,643,233</u>

Supplemental Disclosures

Cash Paid During the Year for:

Interest	<u>\$ 26,874</u>
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See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

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
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NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

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, 2018

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, 2018

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.trns.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, 2018 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2018	ABO 2018	Percent Funded
TRS	\$ 176,942,454,000	\$ 209,611,329,000	73.74%

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 7.7% for the 2018 fiscal period. The state’s contribution rate as a non-employer contributing entity was 6.8% in 2018. The Charter School’s employees’ contributions to the system for the year ended August 31, 2018 were \$183,400, equal to the required contributions for the year.

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

AUGUST 31, 2018

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 \$22,904 for the year ended August 31, 2018. 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, 2018, 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, 2018 were as follows:

Fair Value Measurements at August 31, 2018

<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money Market	\$ 45,956	\$	\$	\$ 45,956
Equity Units	1,070,929			1,070,929
Mutual Funds	1,771,379			1,771,379
Total Investments at Fair Value:	<u>\$ 2,888,264</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,888,264</u>

Realized gains for the year totaled \$71,246 and unrealized gains/ losses, resulted in a net gain of \$53,557. This amount is included in Other Revenues from Local Sources as of August 31, 2018.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

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:

<u>Year months ending August 31,</u>	<u>Amount</u>
2019	\$ 533,448
2020	76,968
2021	34,448
2022	13,188
2023	3,297
Total	<u>\$ 661,349</u>

Operating lease expense for the charter school and Wonderland amounted to \$600,132 for the year ended August 31, 2018.

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 November 17, 2016, at a variable interest rate of LIBOR plus 3%, interest due monthly starting December 16, 2016. Outstanding principal and accrued unpaid interest are due in full on the maturity date, March 16, 2018.

Total Notes Payable \$ 597,782

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

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>
2018	\$ 597,782	\$ 35,916	\$ 633,398
Total	<u>\$ 597,782</u>	<u>\$ 35,916</u>	<u>\$ 633,398</u>

J. Temporarily Restricted Net Assets:

Temporarily restricted net assets at August 31, 2018, are available for the following periods:

<u>Periods after August 31, 2018</u>	
Texas Education Agency-State	\$ 2,772,991
Total temporarily restricted fund	<u>\$ 2,772,991</u>

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	\$ 496,655
Texas Education Agency-State	3,608,725
US Department of Agriculture-Federal	<u>29,164</u>
Total restrictions released	<u>\$ 4,134,544</u>

K. Evaluation of Subsequent Events:

The Charter School has evaluated subsequent events through January 24, 2018, the date which the financial statements were available to be issued.

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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, 2018, and our report thereon dated January 24, 2019, 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 24, 2019

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

ASSETS

Current Assets:

Cash	\$ 2,318,578
Investments	2,888,264
Accounts Receivable	15,396
Grants Receivable	255,130
Total Current Assets	<u>5,477,368</u>

Property & Equipment:

Land Improvements	41,128
Buildings and Improvements	381,079
Furniture and Equipment	292,128
Automobiles	35,316
	<u>749,651</u>
Accumulated Depreciation	<u>(704,073)</u>
	<u>45,578</u>

Other Assets:

Prepaid Assets	13,693
Total Assets	<u>\$ 5,536,639</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 41,707
Accrued Liabilities	125,184
Accrued Wages	129,876
Payroll Taxes Payable	25,021
Total Current Liabilities	<u>321,788</u>

Net Assets:

Unrestricted	2,441,860
Temporarily Restricted	2,772,991
Total Net Assets	<u>5,214,851</u>

Total Liabilities and Net Assets	<u>\$ 5,536,639</u>
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See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
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STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Local Support:			
5740 Other Revenues from Local Sources	\$ 151,477	\$	\$ 151,477
5750 Revenues from Cocurricular Activities	82,116		82,116
5760 Revenue from Intermediate Services	41,691		41,691
Total Local Support	275,284		275,284
State Program Revenues:			
5810 Foundation School Program Act Revenues		3,994,910	3,994,910
5820 State Program Revenues Distributed by Texas Education Agency		4,136	4,136
Total State Program Revenues		3,999,046	3,999,046
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		496,655	496,655
Total Federal Program Revenues		496,655	496,655
Net Assets Released From Restrictions:			
Restrictions Satisfied by Payments	4,105,380	(4,105,380)	
Total Revenues	4,380,664	390,321	4,770,985
EXPENSES			
Program Services:			
11 Instruction	2,790,584		2,790,584
12 Instructional Resources and Media Services	10,078		10,078
13 Curriculum Development and Instructional			
23 School Leadership Support Services Student	165,380		165,380
31 Guidance & Counseling	7,373		7,373
33 Health Services	73,658		73,658
35 Food Service	240,249		240,249
36 Cocurricular/Extracurricular Activities	44,323		44,323
41 General Administration	477,486		477,486
51 Plant Maintenance and Operations	453,491		453,491
52 Security and Monitoring Services	61,559		61,559
53 Data Processing	56,483		56,483
Total Expenses	4,380,664		4,380,664
Change in Net Assets		390,321	390,321
Net Assets, Beginning of Year	2,441,860	2,382,670	4,824,530
Net Assets, End of Year	\$ 2,441,860	\$ 2,772,991	\$ 5,214,851

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, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ 390,321
Adjustments to reconcile change in net assets to net Cash provided (used) by operating activities	
Depreciation	46,175
Unrealized (gain) loss on investments	(53,557)
(Increase) decrease in accounts receivable	4,578
(Increase) decrease in grants receivable	(30,500)
(Increase) decrease in other assets	(916)
Increase (decrease) in accounts payable & accrued liabilities	47,189
Increase (decrease) in accrued salaries	20,047
Increase (decrease) in payroll taxes	<u>10,216</u>
Total Adjustments	<u>43,232</u>
Net Cash Provided (Used) by Operating Activities	433,553
Cash Flows From Investing Activities	
Purchase of investments	<u>(71,246)</u>
Net Cash Provided (Used) By Investing Activities	<u>(71,246)</u>
NET INCREASE (DECREASE) IN CASH	<u>362,307</u>
CASH AT BEGINNING OF YEAR	<u>1,956,271</u>
CASH AT END OF YEAR	<u>\$ 2,318,578</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, 2018

EXPENSES

6100 Payroll Costs	\$ 2,655,774
6200 Professional and Contracted Services	1,248,466
6300 Supplies and Materials	236,998
6400 Other Operating Costs	<u>239,426</u>
Total Expenses	<u>\$ 4,380,664</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, 2018

Beatrice Mayes Institute

	Ownership Interest		
	Local	State	Federal
1110 Cash:	\$	\$ 2,318,578	\$
1122 Investments		2,888,264	
1510 Land improvements:			41,128
1520 Buildings and improvements:		326,821	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>\$ 5,704,764</u>	<u>\$ 216,413</u>

Wonderland Educational Estate Association, Inc.

	Ownership Interest		
	Local	State	Federal
Cash:	\$ 1,324,655	\$	\$
Land:	635,000		
Buildings and improvements:	1,185,714		
Vehicles	79,389		
Furniture and equipment:	121,258		
Total Property and Equipment	<u>\$ 3,346,016</u>	<u>\$</u>	<u>\$</u>

Total

	Ownership Interest		
	Local	State	Federal
1110 Cash:	\$ 1,324,655	\$ 2,318,578	\$
1122 Investments		2,888,264	
1510 Land and land improvements:	635,000		41,128
1520 Buildings and improvements:	1,185,714	326,821	17,500
1531 Vehicles	114,705		
1539 Furniture and equipment:	121,258	134,343	157,785
1595 Infrastructure		22,558	
1596 Infrastructure		14,200	
Total Property and Equipment	<u>\$ 3,381,332</u>	<u>\$ 5,704,764</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, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 150,000	\$ 150,000	\$ 151,477	\$ 1,477
5750 Revenues from Coccurricular Activities	75,000	75,000	82,116	7,116
5760 Revenues from Intermediate Services			41,691	41,691
Total Local Support	225,000	225,000	275,284	50,284
State Program Revenues:				
5810 Foundation School Program Act Revenues	3,900,000	3,900,000	3,994,910	94,910
5820 State Program Revenues Distributed by Texas Education Agency			4,136	4,136
Total state program revenues	3,900,000	3,900,000	3,999,046	99,046
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	555,000	555,000	496,655	(58,345)
Total Federal Program Revenues	555,000	555,000	496,655	(58,345)
Total Revenues	4,680,000	4,680,000	4,770,985	90,985
EXPENSES				
11 Instruction	2,450,000	2,650,000	2,790,584	(140,584)
12 Instructional Resources and Media Services	11,000	11,000	10,078	922
13 Curriculum Development and Instructional Staff Development	19,600	19,500		19,500
23 School Leadership	175,000	175,000	165,380	9,620
31 Guidance & Counseling			7,373	(7,373)
33 Health Services	80,000	80,000	73,658	6,342
35 Food Service	250,000	250,000	240,249	9,751
36 Cocurricular/Extracurricular Activities	50,000	50,000	44,323	5,677
41 General Administration	475,000	475,000	477,486	(2,486)
51 Plant Maintenance and Operations	450,000	450,000	453,491	(3,491)
52 Security and Monitoring Services	62,000	62,000	61,559	441
53 Data Processing			56,483	(56,483)
Total Expenses	4,022,600	4,222,500	4,380,664	(158,164)
Change in Net Assets	657,400	457,500	390,321	(67,179)
Net Assets, Beginning of Year	4,824,530	4,824,530	4,824,530	
Net Assets at End of Year	\$ 5,481,930	\$ 5,282,030	\$ 5,214,851	\$ (67,179)

See accompanying notes to financial statements.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

BUDGETARY VARIANCE EXPLANATION

AUGUST 31, 2018

The following is an explanation of the ten percent (10%) variances from the final budget to the actual amount reported on the Budgetary Comparison Schedule for the year ending August 31, 2018.

5760: Other Revenue from Local Sources

This variance is the result of unanticipated revenue not being forecast from past revenue trends.

5820: State Program Revenue Distributed by TEA

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

5920: Federal Revenues Distributed by TEA

Less revenue was received in this area than prior year forecasting causing this variance.

13: Curriculum Development and Instructional Staff Development

There were cost savings as opposed to projected cost for curriculum development and staff development thus causing a variance in the anticipated cost.

36: Co-curricular/Extracurricular Activities

Actual cost associated with the expansion of extra curriculum activities were determined to be more than projected, resulting in a variance.

53: Data Processing

Unexpected cost associated with the need for additional software licensing resulted in this variance.

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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, 2018, 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 24, 2019.

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. However, material weaknesses may exist that have not been identified.

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*.

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". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 24, 2019

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2018

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. No significant deficiencies or material weaknesses on internal control over financial statements.
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.

Findings Relating to the Financial Statements

No audit findings were noted as per governmental auditing standards.

WONDERLAND EDUCATIONAL ESTATE ASSOCIATION, INC. dba
BEATRICE MAYES INSTITUTE

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2018

Summary Schedule of Prior Year Findings

Finding 2017-001

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.

Views of Responsible Officials and Planned Corrective Actions

Status:

Item has been resolved.