

WILLIAM A. LAWSON INSTITUTE FOR  
PEACE AND PROSPERITY

FINANCIAL STATEMENTS

FOR THE

YEARS ENDED AUGUST 31, 2016 AND 2015

AND INDEPENDENT AUDITOR'S REPORT



MELTON & MELTON, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

**THE LAWSON ACADEMY**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash	\$ 80,196	\$ 83,287
Restricted cash	60,158	-
Due from Texas Education Agency	92,648	80,283
Other current assets	<u>9,260</u>	<u>7,951</u>
Total current assets	242,262	171,521
<b>Capital Assets, net</b>	<u>84,298</u>	<u>154,686</u>
	<b><u>\$ 326,560</u></b>	<b><u>\$ 326,207</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 80,007	\$ 100,304
Deferred revenue	89,594	-
Current maturities of capital lease obligations	<u>-</u>	<u>8,479</u>
Total current liabilities	<u>169,601</u>	<u>108,783</u>
<b>Net Assets:</b>		
Unrestricted	<u>156,959</u>	<u>217,424</u>
	<u>156,959</u>	<u>217,424</u>
	<b><u>\$ 326,560</u></b>	<b><u>\$ 326,207</u></b>

**THE LAWSON ACADEMY**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues:</b>						
Local support:						
5744 Gifts and bequests	\$ -	\$ -	\$ -	\$ 26,450	\$ -	\$ 26,450
5749 Other revenues from local sources	14,441	-	14,441	6,849	-	6,849
	<u>14,441</u>	<u>-</u>	<u>14,441</u>	<u>33,299</u>	<u>-</u>	<u>33,299</u>
State program revenues:						
5811 Per capital apportionment	-	48,128	48,128	-	49,995	49,995
5812 Foundation School Program	-	1,264,690	1,264,690	-	1,303,695	1,303,695
Act entitlements	-	1,312,818	1,312,818	-	1,353,690	1,353,690
Federal program revenues:						
5921 School breakfast program	-	19,647	19,647	-	16,571	16,571
5922 National school lunch program	-	69,775	69,775	-	55,592	55,592
5929 Federal revenues distributed by the Texas Education Agency	-	149,706	149,706	-	146,041	146,041
5939 Federal revenues distributed by State of Texas government agencies	-	82,984	82,984	-	60,671	60,671
	<u>-</u>	<u>322,112</u>	<u>322,112</u>	<u>-</u>	<u>278,875</u>	<u>278,875</u>
Net assets released from restrictions:						
Restrictions satisfied by payments	1,634,930	(1,634,930)	-	1,632,565	(1,632,565)	-
Total revenues	<u>1,649,371</u>	<u>-</u>	<u>1,649,371</u>	<u>1,665,864</u>	<u>-</u>	<u>1,665,864</u>

**THE LAWSON ACADEMY**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**For the Years Ended August 31, 2016 and 2015**

	2016			2015		
	Temporarily		Total	Temporarily		Total
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unrestricted</u>	<u>Restricted</u>	
<b>Expenses:</b>						
11 Instruction	\$ 757,895	\$ -	\$ 757,895	\$ 839,123	\$ -	\$ 839,123
13 Curriculum development and instructional staff development	40,291	-	40,291	7,510	-	7,510
23 School leadership	160,942	-	160,942	147,812	-	147,812
31 Guidance, counseling and evaluation services	-	-	-	(4,583)	-	(4,583)
34 Student (pupil) transportation	54,326	-	54,326	62,248	-	62,248
35 Food services	182,823	-	182,823	153,449	-	153,449
36 Cocurricular/extracurricular activities	18,821	-	18,821	21,371	-	21,371
41 General administration	240,843	-	240,843	224,792	-	224,792
51 Plant maintenance and operations	218,563	-	218,563	216,683	-	216,683
53 Data processing services	34,451	-	34,451	23,862	-	23,862
71 Debt service	881	-	881	567	-	567
Total expenses	<u>1,709,836</u>	<u>-</u>	<u>1,709,836</u>	<u>1,692,834</u>	<u>-</u>	<u>1,692,834</u>
Change in net assets	(60,465)	-	(60,465)	(26,970)	-	(26,970)
Net assets, beginning of year	<u>217,424</u>	<u>-</u>	<u>217,424</u>	<u>244,394</u>	<u>-</u>	<u>244,394</u>
Net assets, end of year	<u>\$ 156,959</u>	<u>\$ -</u>	<u>\$ 156,959</u>	<u>\$ 217,424</u>	<u>\$ -</u>	<u>\$ 217,424</u>

**THE LAWSON ACADEMY**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
State grant receipts	\$ 1,320,585	\$ 1,362,279
Federal grant receipts	331,416	252,246
Receipts from miscellaneous sources	13,132	33,299
Payments to vendors for goods and services rendered	(760,750)	(700,743)
Payments to or on behalf of employees for services rendered	(898,114)	(978,375)
Interest paid	<u>(881)</u>	<u>(567)</u>
Net cash provided by (used in) operating activities	<u>5,388</u>	<u>(31,861)</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on capital lease obligations	<u>(8,479)</u>	<u>(10,900)</u>
Net cash used in financing activities	<u>(8,479)</u>	<u>(10,900)</u>
Net decrease in cash	(3,091)	(42,761)
Cash, beginning of year	<u>83,287</u>	<u>126,048</u>
Cash, end of year	<u>\$ 80,196</u>	<u>\$ 83,287</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by</b>		
<b>(Used in) Operating Activities:</b>		
Change in net assets	\$ (60,465)	\$ (26,970)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	70,388	76,987
Changes in operating assets and liabilities:		
Due from Texas Education Agency	(12,365)	(18,639)
Other current assets	(1,309)	599
Accounts payable and accrued expenses	(20,297)	(63,838)
Deferred revenue	<u>29,436</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 5,388</u>	<u>\$ (31,861)</u>

**THE LAWSON ACADEMY**  
**SCHEDULES OF EXPENSES**  
**For the Years Ended August 31, 2016 and 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Expenses:</b>		
6100 Payroll costs	\$ 944,909	\$ 978,706
6200 Professional and contracted services	522,553	528,042
6300 Supplies and materials	40,927	51,670
6400 Other operating costs	200,566	133,849
6500 Debt service	<u>881</u>	<u>567</u>
 Total expenses	 <b><u>\$ 1,709,836</u></b>	 <b><u>\$ 1,692,834</u></b>

**THE LAWSON ACADEMY**  
**SCHEDULES OF CAPITAL ASSETS**  
**For the Years Ended August 31, 2016 and 2015**

		<b><u>Ownership Interest</u></b>		
		<b><u>Local</u></b>	<b><u>State</u></b>	<b><u>Federal</u></b>
<b><u>2016</u></b>				
1520	Buildings and improvements	\$ -	\$ 140,000	\$ -
1539	Furniture and equipment	64,890	10,700	129,853
1559	Furniture and equipment under capital leases	<u>61,435</u>	<u>-</u>	<u>-</u>
		<u>126,325</u>	<u>150,700</u>	<u>129,853</u>
Less: accumulated depreciation				
1571	Buildings and improvements	-	56,000	-
1573	Furniture and equipment	64,890	10,402	129,853
1576	Furniture and equipment under capital leases	<u>61,435</u>	<u>-</u>	<u>-</u>
		<u>126,325</u>	<u>66,402</u>	<u>129,853</u>
	Total capital assets, net	<b><u>\$ -</u></b>	<b><u>\$ 84,298</u></b>	<b><u>\$ -</u></b>

		<b><u>Ownership Interest</u></b>		
		<b><u>Local</u></b>	<b><u>State</u></b>	<b><u>Federal</u></b>
<b><u>2015</u></b>				
1520	Buildings and improvements	\$ -	\$ 140,000	\$ -
1539	Furniture and equipment	64,890	10,700	129,853
1559	Furniture and equipment under capital leases	<u>61,435</u>	<u>-</u>	<u>-</u>
		<u>126,325</u>	<u>150,700</u>	<u>129,853</u>
Less: accumulated depreciation				
1571	Buildings and improvements	-	28,000	-
1573	Furniture and equipment	47,195	7,072	117,747
1576	Furniture and equipment under capital leases	<u>52,178</u>	<u>-</u>	<u>-</u>
		<u>99,373</u>	<u>35,072</u>	<u>117,747</u>
	Total capital assets, net	<b><u>\$ 26,952</u></b>	<b><u>\$ 115,628</u></b>	<b><u>\$ 12,106</u></b>

**THE LAWSON ACADEMY**  
**BUDGETARY COMPARISON SCHEDULES**  
**For the Year Ended August 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
5700 Local and intermediate sources	\$ 85,000	\$ 86,000	\$ 14,441	\$ 71,559
5800 State program	1,388,282	1,425,053	1,312,818	112,235
5900 Federal program	<u>160,000</u>	<u>159,000</u>	<u>322,112</u>	<u>(163,112)</u>
Total revenues	<u>1,633,282</u>	<u>1,670,053</u>	<u>1,649,371</u>	<u>20,682</u>
<b>Expenses:</b>				
11 Instruction	809,897	814,897	757,895	57,002
13 Curriculum development and instructional staff development	21,000	41,771	40,291	1,480
23 School leadership	180,252	156,552	160,942	(4,390)
34 Student (pupil) transportation	65,000	54,400	54,326	74
35 Food services	121,500	122,500	182,823	(60,323)
36 Cocurricular/extracurricular activities	19,500	20,560	18,821	1,739
41 General administration	158,925	182,634	240,843	(58,209)
51 Plant maintenance and operations	247,500	242,731	218,563	24,168
53 Data processing services	5,000	32,000	34,451	(2,451)
71 Debt service	<u>1,000</u>	<u>1,000</u>	<u>881</u>	<u>119</u>
Total expenses	<u>1,629,574</u>	<u>1,669,045</u>	<u>1,709,836</u>	<u>(40,791)</u>
Change in net assets	3,708	1,008	(60,465)	61,473
Net assets, beginning of year	<u>38,254</u>	<u>374,679</u>	<u>217,424</u>	<u>157,255</u>
Net assets, end of year	<u>\$ 41,962</u>	<u>\$ 375,687</u>	<u>\$ 156,959</u>	<u>\$ 218,728</u>



**THE LAWSON ACADEMY**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**For the Year Ended August 31, 2016**

**MATERIAL BUDGET VARIANCE EXPENDITURES**

- (1) The following is an explanation of the 10% variances from original budget to final budget of expenses reported on the Budgetary Comparison Schedule for the year ended August 31, 2016.

Function 13 – Acquisition of Houghton Mifflin Harcourt READ 180.

Function 23 – Expected costs were more than the amounts deposited into the Teacher Retirement System TRAQS web based reporting system.

Function 34 – Field trip and athletic expenses were lower than expected.

Function 41 – Unexpected repair expenses and no budget for local expenses.

Function 53 – Actual number of students were more than expected.

**MATERIAL BUDGET VARIANCE REVENUE**

- (1) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ended August 31, 2016.

Object 5700 – The Academy did not receive an allocation of the Real Role Models Gala special event revenue because funds raised by WALIPP may be used for either the Residence or the Academy.

Object 5900 – A grant for an afterschool snack meal program was awarded and funded from the Texas Department of Agriculture.

**MATERIAL BUDGET VARIANCE EXPENDITURES**

- (2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ended August 31, 2016.

Function 35 – A grant for an afterschool snack meal program was awarded and funded from the Texas Department of Agriculture.

Function 41 – Depreciation was higher than expected.

Function 71 – Budget is a general estimate.

**THE LAWSON ACADEMY**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**For the Year Ended August 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
5700 Local and intermediate sources	\$ 85,000	\$ 102,155	\$ 33,299	\$ 68,856
5800 State program	1,452,500	1,378,258	1,353,690	24,568
5900 Federal program	<u>150,000</u>	<u>236,816</u>	<u>278,875</u>	<u>(42,059)</u>
Total revenues	<u>1,687,500</u>	<u>1,717,229</u>	<u>1,665,864</u>	<u>51,365</u>
<b>Expenses:</b>				
11 Instruction	720,098	722,209	839,123	(116,914)
13 Curriculum development and instructional staff development	18,000	10,000	7,510	2,490
23 School leadership	192,170	148,714	147,812	902
31 Guidance, counseling and evaluation services	58,175	(4,584)	(4,583)	(1)
34 Student (pupil) transportation	98,000	73,000	62,248	10,752
35 Food services	122,000	121,200	153,449	(32,249)
36 Cocurricular/extracurricular activities	35,500	29,871	21,371	8,500
41 General administration	189,742	274,112	224,792	49,320
51 Plant maintenance and operations	189,576	196,531	216,683	(20,152)
53 Data processing services	40,500	30,500	23,862	6,638
71 Debt service	-	1,000	567	433
Total expenses	<u>1,663,761</u>	<u>1,602,553</u>	<u>1,692,834</u>	<u>(90,281)</u>
Change in net assets	23,739	114,676	(26,970)	141,646
Net assets, beginning of year	<u>15,515</u>	<u>260,003</u>	<u>244,394</u>	<u>15,609</u>
Net assets, end of year	<u>\$ 39,254</u>	<u>\$ 374,679</u>	<u>\$ 217,424</u>	<u>\$ 157,255</u>

**THE LAWSON ACADEMY**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**For the Year Ended August 31, 2015**

**MATERIAL BUDGET VARIANCE REVENUE**

- (1) The following is an explanation of the 10% variances from original budget to final budget of revenue reported on the Budgetary Comparison Schedule for the year ended August 31, 2015.

Object 5700 – Local revenue for the National School Lunch Program projections was not included.

Object 5900 – The National School Lunch Program and revisions to Title I, Part A, and IDEA-B federal programs were not included.

**MATERIAL BUDGET VARIANCE EXPENDITURES**

- (2) The following is an explanation of the 10% variances from original budget to final budget of expenses reported on the Budgetary Comparison Schedule for the year ended August 31, 2015.

Function 13 – Enrollment was lower than original budget.

Function 23 – Terminating personnel was replaced with lower-paid personnel.

Function 31 – Academy counselor position was not replaced.

Function 34 – Enrollment was lower than original budget.

Function 36 – Transportation to extracurricular activities is no longer provided by the Academy.

Function 41 – Depreciation expense was not included, which was offset by a reduction in personnel costs.

Function 53 – Enrollment was lower than original budget.

Function 71 – \$1,000 of debt service was originally budgeted to Function 41.

**MATERIAL BUDGET VARIANCE REVENUE**

- (1) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ended August 31, 2015.

Object 5700 – The Academy did not hold its annual luncheon and did not receive a gift in kind for donated services.

Object 5900 – A grant for an afterschool snack meal program was awarded and funded from the Texas Department of Agriculture.

**THE LAWSON ACADEMY**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**For the Year Ended August 31, 2015**

**MATERIAL BUDGET VARIANCE EXPENDITURES**

- (2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ended August 31, 2015.

Function 11 – Management was not successful in reducing all Academy expenses.

Function 13 – Professional development on SmartBoards was not required.

Function 34 – Transportation for daily routes were lower than expected.

Function 35 – A grant for an afterschool snack meal program was awarded and funded from the Texas Department of Agriculture.

Function 36 – Athletics was reduced from eight teams to five teams.

Function 41 – Legal services were not needed.

Function 51 – Building lease/ utilities and maintenance supplier expenses are higher than expected, which is offset by employee benefits being omitted from the budget.

Function 53 – The contract with Computer Decisions ended and a new server was not purchased.

Function 71 – Budget is a general estimate.



**MELTON & MELTON, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

**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  
**William A. Lawson Institute for Peace and Prosperity**

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 William A. Lawson Institute for Peace and Prosperity ("WALIPP"), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2017 (pages 2 - 3).

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WALIPP'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 WALIPP's internal control. Accordingly, we do not express an opinion on the effectiveness of WALIPP'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 WALIPP'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 WALIPP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering WALIPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Melton & Melton, LLP*

Houston, Texas  
January 12, 2017

**WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2016**

**Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of William A. Lawson Institute for Peace and Prosperity ("WALIPP").
2. There are no material weaknesses or significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of WALIPP were disclosed during the audit.

**Findings - Financial Statements Audit**

None