Trinity Basin Preparatory, Inc.

Consolidated Financial Statements with Supplemental Information and Compliance Reports
August 31, 2019

Sutton Frost Cary LLP
Certified Public Accountants

Trinity Basin Preparatory, Inc.

Contents

Trinity Basin Preparatory, Inc.
Certificate of Board

Trinity Basin Preparatory, Inc. Name of Charter Holder		31-1614490 Federal Employer ID Number
Trinity Basin Preparatory Name of Charter School	DALLAS County	057-813 Co. Dist. Number

We, the undersigned, certify that the attached Financial and Compliance Report of Trinity Basin Preparatory, Inc. was reviewed and (check one) X approved ___ disapproved for the year ended August 31, 2019, at a meeting of the governing body of the charter school on the 23rd day of October, 2019.

Signature of Board Secretary

Signature of Board President

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Trinity Basin Preparatory, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Trinity Basin Preparatory, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consolidated financial statements are free of material misstatement. The financial statements of TBP Panola Project, Inc. were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trinity Basin Preparatory, Inc. as of August 31, 2019 and the changes in its

net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of Trinity Basin Preparatory, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Trinity Basin Preparatory, Inc.'s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
October 23, 2019

Trinity Basin Preparatory, Inc.
Consolidated Statement of Financial Position
August 31, 2019

Assets

Current assets:	
Cash and cash equivalents	$ 15,344,275
Investments	603,299
Due from Texas Education Agency	3,615,116
Prepaid expense	101,799
Total current assets	19,664,489
Non-current assets:	
Other assets	31,760
Note receivable - new market tax credit	6,058,000
Property and equipment, net	45,654,858
Total non-current assets	51,744,618
Total assets	$ 71,409,107

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 1,812,016
Accrued wages	2,020,615
Accrued interest	97,173
Current maturities of long-term debt	127,962
Total current liabilities	4,057,766
Long-term liabilities:	
Deferred rent	342,500
Lines of credit	15,600,000
Long-term debt, net of debt issuance costs	29,409,935
Long-term debt, net of debt issuance costs - new market tax credit	7,958,015
Total long-term liabilities	53,310,450
Total liabilities	57,368,216
Net assets:	
Without donor restrictions	3,463,631
With donor restrictions	10,577,260
Total net assets	14,040,891
Total liabilities and net assets	$ 71,409,107

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc.
Consolidated Statement of Activities
Year Ended August 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:				
Local support:				
5740	Other revenue from local sources	$ 279,624	$ -	$ 279,624
5750	Food service activity	139,938	-	139,938
	Total local support	419,562	-	419,562
State program revenue:				
5810	Foundation School Program	-	30,780,663	30,780,663
5810	Per Capita Apportionment	-	1,332,184	1,332,184
5820	State Program Revenues Distributed by TEA	-	828,248	828,248
	Total state program revenue	-	32,941,095	32,941,095
Federal program revenue:				
5920	ESEA Title I, Part A	-	905,547	905,547
5920	IDEA Part B, Formula	-	298,079	298,079
5920	IDEA Part B, Preschool	-	2,606	2,606
5920	Child Nutrition Program	-	1,829,334	1,829,334
5920	ESEA Title II, Part A	-	94,969	94,969
5920	ESEA Title III, Part A	-	186,803	186,803
5920	Summer School LEP	-	21,239	21,239
5930	Federal Revenues Distributed by State of Texas Government Agencies (other than TEA)	-	634,422	634,422
	Total federal program revenue	-	3,972,999	3,972,999
Net assets released from restrictions- satisfaction of program restrictions		32,726,685	(32,726,685)	-
	Total revenue and support	33,146,247	4,187,409	37,333,656

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc.
Consolidated Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
11 Instruction	$ 19,097,508	$ -	$ 19,097,508
12 Instruction resources and media services	80,268	-	80,268
13 Curriculum development and instructional staff development	245,305	-	245,305
21 Instructional leadership	507,404	-	507,404
23 School leadership	1,511,859	-	1,511,859
31 Guidance, counseling, evaluation services	979,229	-	979,229
33 Health services	313,260	-	313,260
35 Food services	1,688,017	-	1,688,017
36 Extracurricular activities	11,582	-	11,582
41 General administration	1,760,011	-	1,760,011
51 Facilities maintenance and operations	3,722,620	-	3,722,620
52 Security	253,728	-	253,728
53 Data processing services	879,501	-	879,501
61 Community services	70,195	-	70,195
71 Debt service	1,420,846	-	1,420,846
81 Fundraising	185,352	-	185,352
Total expenses	32,726,685	-	32,726,685
Excess of revenues over expenditures from operations	419,562	4,187,409	4,606,971
Non-operating activities:			
7951 Gain on sale of property	9,885	-	9,885
7959 Gain on extinguishment of long-term debt (Note 6)	2,583,226	-	2,583,226
Increase in net assets	3,012,673	4,187,409	7,200,082
Net assets at beginning of year	450,958	6,389,851	6,840,809
Net assets at end of year	$ 3,463,631	$ 10,577,260	$ 14,040,891

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc.
Consolidated Statement of Cash Flows
Year Ended August 31, 2019

Cash flows from operating activities:	
Increase in net assets	$ 7,200,082
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	1,680,168
Gain on extinguishment of long-term debt	(2,583,226)
Amortization of debt issuance costs	42,081
Amortization of bond premium	(70,846)
Changes in operating assets and liabilities:	
Due from Texas Education Agency	(1,733,467)
Prepaid expense	217,250
Other receivable	(270,000)
Other assets	61,333
Accounts payable and accruals	700,683
Deferred rent	192,598
Net cash provided by operating activities	5,436,656
Cash flows from investing activities:	
Purchases of property and equipment	(6,868,318)
Purchases of investments	(603,299)
Issuance of note receivable - new market tax credit	(6,058,000)
Net cash used by investing activities	(13,529,617)
Cash flows from financing activities:	
Proceeds from issuance of long-term debt - new market tax credit	8,360,000
Payment of debt issuance costs - new market tax credit	(413,470)
Net proceeds on line of credit	14,400,000
Principal payments on capital lease obligations	(509,910)
Payments on long-term debt	(8,699,807)
Net cash provided by financing activities	13,136,813
Net increase in cash and cash equivalents	5,043,852
Cash and cash equivalents at beginning of year	10,300,423
Cash and cash equivalents at end of year	$ 15,344,275
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 1,372,846

See notes to consolidated financial statements.

1. Organization and Nature of Activities

Trinity Basin Preparatory, Inc. (Academy) operates under an open enrollment charter granted by the State of Texas Board of Education. The original charter was issued for a period from October 1, 1998 to July 31, 2003. The charter was last renewed June 20, 2013 and now expires July 31, 2023. The charter is subject to review and renewal prior to expiration. The Academy is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's available school fund. The Academy does not have the authority to impose ad valorem taxes or to charge tuition. The Academy operates under a single charter and does not conduct any non-charter activities. The Academy provides a safe, disciplined learning environment for students in grades Pre K3 through eighth at four locations in Oak Cliff and two in Fort Worth. Enrollment was over 3,400 students during the 2018/2019 school year and is currently over 3,800 students for the 2019/2020 school year.

TBP Panola Project, Inc. (Project) is a Texas nonprofit corporation formed on November 16, 2018. The purpose of the Project is to work with the Academy to obtain New Market Tax Credit (NMTC) financing. The board of directors of the Academy elects the board of directors of the Project. The Academy and the Project are collectively referred to herein as the School.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of the Academy and the Project. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Financial Statement Presentation

The School prepares its consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts,* a module of the Texas Education Agency Financial Accountability Resource Guide.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor or grantor imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors or limited in other respects, such as by contract.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the School and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the School to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of August 31, 2019, no such net asset restrictions existed.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. The School maintains cash balances at several financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At August 31, 2019, the School's uninsured bank balances totaled $14,278,024. The School has not experienced any losses on such accounts. Accounts receivable are unsecured and are due from the Texas Education Agency. The School continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of the statement of financial position date, given that none have been identified.

For the year ended August 31, 2019, the School received over 99% of its total revenue and support from governmental agencies.

Cash and Cash Equivalents

The School considers all highly liquid investments available for current use with original maturities of three months or less to be cash equivalents.

Investments

Public fund investment pools are stated at fair value. Investment return is reported in the consolidated statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends net of external and direct internal investment expenses.

Debt Issuance Costs and Original Issue Premiums

The School amortizes the costs of obtaining long-term financing and original issue premiums on bond indebtedness over the average period the related bonds will be outstanding. Debt issuance costs and original issue premiums are included in long-term debt in the accompanying consolidated statement of financial position. Amortization expense is included in debt service in the accompanying consolidated statement of activities.

Note Receivable – New Market Tax Credit

The note receivable – NMTC is collateralized by the membership interests related to the NMTC transaction (see Notes 3 and 6) and is stated at the principal amount. The School has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of August 31, 2019, no allowance has been established.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value, if donated. Assets with a cost of $5,000 or more and an expected life greater than one year are capitalized. Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Depreciation of property and equipment is calculated on a straight-line method over the estimated useful lives of 4 to 30 years. Assets under capital lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of capital leases is included in depreciation expense. Property and equipment acquired with public funds received for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code. For depreciable property and equipment purchased with donor or grantor resources, the donor or grantor restriction expires over the assets' useful lives as required by the grantor agency.

Impairment of Long-Lived Assets

The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. There were no indications of asset impairment during the year ended August 31, 2019.

Deferred Rent

The School has a lease which includes escalating rent over the lease term. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the term of the lease.

Revenues and Support

The School receives support from the TEA based on students' daily attendance. Revenues from this support are recognized as revenue in the month it is earned. The School records a receivable if all earned support has not been received by year end. Government grant contracts that are entered into by the School are recognized as revenue as allowable costs are incurred or as services are provided. Allowable costs incurred in excess of reimbursements received are recorded as a receivable at year end.

Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as restricted support that increases net assets with donor restrictions.

Contributed Services

Contributed services are recognized in the accompanying consolidated financial statements at fair value if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the School. No donated services were utilized that met the criteria to be recorded as revenue in the School's consolidated financial statements.

Federal Income Taxes

The Academy and the Project are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and are not private foundations as defined in the Code. Income generated from activities unrelated to the School's exempt purposes is subject to tax under Code Section 511. The School had no unrelated business income for the year ended August 31, 2019. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the School's tax returns and recognition of a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the School, and has concluded that as of August 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The School considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the School's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of the consolidated financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities.

In 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of consolidated financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the consolidated statement of activities will depend on a lease's classification. For the majority of not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The School is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (c) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The School has adopted this ASU as of and for the year ended August 31, 2019. Adoption of this ASU had no impact on beginning net assets but resulted in additional disclosures and changes in presentation.

3. Note Receivable - NMTC

The note receivable – NMTC is due from COCRF Investor 143 Investment Fund, LLC (an unrelated party) with interest at 1% per annum until December 25, 2025; at which point interest and principal payments of $350,488 will be due annually until maturity on November 15, 2044. The note is collateralized by a security interest in the membership interests of the community development entities, COCRF SubCDE 81, LLC and Partnerships of Hope XXVI, LLC.

The loan and regulatory agreement restricts the use of the funds to the Project who qualifies as a qualified active low-income community business for the term of the note. The balance due to the School at August 31, 2019 is $6,058,000 (see Note 6). The interest income on the note receivable – NMTC is approximately $60,580 per year. Accrued interest on the note receivable – NMTC was $10,097 at August 31, 2019.

4. Fair Value Measurements

The requirements of Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels.

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities, such as pricing models and discounted cash flow methodologies.

Level 3: Inputs are unobservable, are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Public Fund Investment Pools

All of the School's investments are held in public fund investment pools. These investments are reported at the net asset value per unit, which approximates fair value, using the amortized cost method. These investments use net asset value as a practical expedient and are not categorized in the fair value hierarchy.

5. Property and Equipment

Property and equipment consist of the following:

Land	$ 9,567,017
Buildings and improvements	38,564,512
Furniture and equipment	3,261,177
Vehicles	83,391
Total property and equipment	51,476,097
Less accumulated depreciation	(5,821,239)
Property and equipment, net	$ 45,654,858

Depreciation expense for the year ended August 31, 2019 totaled $1,680,168.

6. Long-Term Debt

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2019:

	Interest Rate	Begininning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:						
Series 2014 A	3.25 - 5.00%	$ 26,745,000	$ -	$ -	$ 26,745,000	$ -
Series 2011	0.00 - 7.75%	8,803,226	-	(8,803,226)	-	-
Total bonds payable		35,548,226	-	(8,803,226)	26,745,000	-
Bond premiums		208,463	-	(70,846)	137,617	-
Debt issuance costs		(795,509)	-	30,596	(764,913)	-
Total bonds payable, net		34,961,180	-	(8,843,476)	26,117,704	-
Lines of credit		1,200,000	15,600,000	(1,200,000)	15,600,000	-
Note payable		5,900,000	-	(2,479,807)	3,420,193	127,962
Notes payable - new market tax credit		-	8,360,000	-	8,360,000	-
Debt issuance costs		-	(413,470)	11,485	(401,985)	-
Total notes payable, net - new market tax credit		-	7,946,530	11,485	7,958,015	-
Total		$ 42,061,180	$ 23,546,530	$ (12,511,798)	$ 53,095,912	$ 127,962

Bonds Payable

In May 2018, the School completed a transaction to purchase property at 2524 Ledbetter Drive in Dallas, Texas. Subject to a forbearance agreement, the purchase included assumption of previously issued Series 2011 Education Revenue bonds with outstanding principal of $8,835,000. The balance was paid in full during the year ended August 31, 2019. Under the terms of the forbearance agreement, the School recognized a gain of $2,583,226 upon paying off the balance in full.

In August 2014, the School completed a transaction in which the Arlington Higher Education Finance Corporation (AHEFC) issued $29,055,000 Series 2014A Education Revenue Bonds and loaned the proceeds to the School. Wilmington Trust is trustee for the bonds. The Series 2014 bonds are collateralized by a pledge of revenues of the School and are guaranteed by the Permanent School Fund of the State of Texas.

The loan agreements and Supplemental Master Trust Indenture for the above issuance establishes a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.00 times the annual debt service of the School (1.10 if cash on hand is less than 60 days) until the individual bond or notes have been paid in full. During the year ended August 31, 2019, the School was in compliance with this covenant and all other applicable covenants contained in the Supplemental Master Trust Indenture and loan agreements.

The required debt service payments of the long-term debt to satisfy the requirements of the bonds are as follows for the years ending August 31:

	Principal	Interest	Total
2020	$ -	$ 1,105,756	$ 1,105,756
2021	165,000	1,105,756	1,270,756
2022	695,000	1,097,506	1,792,506
2023	730,000	1,062,756	1,792,756
2024-2028	4,245,000	4,727,531	8,972,531
2029-2033	5,190,000	3,776,369	8,966,369
2034-2038	6,310,000	2,659,200	8,969,200
2039-2043	7,685,000	1,291,200	8,976,200
2044	1,725,000	69,000	1,794,000
Total	$ 26,745,000	$ 16,895,074	$ 43,640,074

Lines of Credit

The School has line of credit agreements with a bank whereby it may borrow up to $5,600,000, with interest due at the prime rate plus 1.50% (5.75% at August 31, 2019). Interest payments are due monthly with principal due upon maturity on January 5, 2021. As of August 31, 2019, $5,600,000 in advances were outstanding on the agreements. The lines are collateralized by real estate.

The School has a separate line of credit agreement with a bank whereby it may borrow up to $20,000,000, with interest due at the LIBOR plus 2.00% (4.00% at August 31, 2019). Interest payments are due monthly with principal due upon maturity on August 22, 2022. As of August 31, 2019, $10,000,000 in advances were outstanding on the line of credit. The line is collateralized under the Master Trust Indenture.

Notes Payable

During the year ended August 31, 2018, the School entered into a promissory note agreement with a bank allowing for advances up to $5,000,000, with interest due at the prime rate plus 1.50% (5.75% at August 31, 2019). Commencing on December 16, 2018, principal and interest totaling $33,551 are due monthly until maturity in November 16, 2022. The note is collateralized by real estate. As of August 31, 2019, the balance outstanding on the note is $3,420,193. The balance due was subsequently paid in full and retired on September 11, 2019.

New Market Tax Credit Financing

On November 16, 2018, the School entered into a NMTC financing transaction to finance the construction of a new school. As part of the transaction, the School made a loan of $6,058,000 to Capital One Community Renewal Fund Investor 143, LLC (Investment Fund). The loan is due November 15, 2044 and carries an annual interest rate of 1% (see Note 3).

In conjunction with the School's loan, Capital One, N.A. (NMTC Investor), a Delaware corporation, contributed $1,152,000 to the Investment Fund. The NMTC Investor will receive tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from the School and the NMTC Investor to fund two Community Development Entities (CDE), COCRF SubCDE 81, LLC and Partnerships of Home XXVI, LLC.

The School entered into a $6,860,000 loan agreement with Partnerships of Hope XXVI (POH). The loan consists of two tranches, Loan A in the amount of $5,026,000 and Loan B in the amount of $1,834,000, both of which have an interest rate of 1.084% per annum. The School also entered into a $1,500,000 loan agreements with COCRF SubCDE 81, LLC. The loan consists of two tranches, Loan A in the amount of $1,032,000 and Loan B in the amount of $468,000, both of which have an interest rate of 1.084% per annum. Interest payments are due and payable annually, in arrears, beginning March 10, 2019 to POH. Commencing on December 10, 2025, annual payments of principal and interest in the amount of $411,139 are due in arrears until maturity. The loan matures on November 15, 2048. The loan is secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Project property.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to the School for $1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows the School to exercise a call option to purchase the interest in the Investment Fund at an appraised fair value. Immediately after the exit transactions are completed, the School will be the holder of the Investment Fund's note payable and, as such the loan will be eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

Future maturities are as follows for the years ending August 31:

	Bonds Payable	Lines of Credit	Notes Payable	Notes Payable - New Market Tax Credit	Total
2020	$ -	$ -	$ 127,962	$ -	$ 127,962
2021	165,000	5,600,000	135,855	-	5,900,855
2022	695,000	10,000,000	3,156,376	-	13,851,376
2023	730,000	-	-	-	730,000
2024	770,000	-	-	-	770,000
Thereafter	24,385,000	-	-	8,360,000	32,745,000
Total	$ 26,745,000	$ 15,600,000	$ 3,420,193	$ 8,360,000	$ 54,125,193

Interest expense on all long-term debt and lines of credit for the year ended August 31, 2019 totaled $1,388,055.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code.

8. Multi-employer Defined Benefit Pension Plan

Plan Description

The School full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multi-employer, defined benefit pension plan. All risks and costs are not shared by the School, but are the liability of the State of Texas.

Funding Policy

Plan members contributed 7.7% of their annual covered salary in 2019. The school contributes 7.5% for new members of the first 90 days of employment, and the State of Texas contributes 7.5%. Additionally, the School makes a 1.5% non-OASDI payment for all TRS eligible employees. The School contributions do not represent more than 5% of the TRS' total contributions. For the year ended August 31, 2019, the School contributed $962,969 to TRS.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2018 were $177.9 billion. Accumulated benefit obligation as of August 31, 2018 was $207.4 billion. The plan was 80.5% funded as of August 31, 2018.

9. Health Care Coverage

During the year ended August 31, 2019, eligible participants of the School were covered by the TRS Active Employee Health Insurance Plan. The School contributed $225 per month per participant for the period from September 1, 2018 to August 31, 2019 to the plan. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

10. Operating Leases

The School has a non-cancelable operating lease agreement that expires in August 2024. The following is a schedule of future minimum lease payments under the operating lease agreement for the years ending August 31:

2020	$	270,000
2021		280,000
2022		290,000
2023		300,000
2024		310,000
	$	1,450,000

Lease expense incurred during the year ended August 31, 2019 totaled $586,293.

11. Contingencies

The 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 submitted 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 agency. The programs administered by the 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.

12. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or management and general or fundraising.

Program services are the direct conduct or supervision of activities that fulfill the purposes for which the School exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more functional classifications are allocated among the activities benefited. Salaries and related costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associated with instructional campuses (program services) or with administrative buildings.

The School's expenses by natural classification and function are as follows for the year ended August 31, 2019:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Total
Program Services:						
Instructional and Instructional related services	$15,744,238	$ 327,189	$ 1,493,240	$1,858,414	$1,017,857	$20,440,938
Instructional and school leadership	507,404	-	-	-	30,415	537,819
Support Services - student based	1,801,296	56,556	1,119,587	14,649	108,893	3,100,981
Support Services - nonstudent based	895,947	2,050,143	854,092	176,166	53,932	4,030,280
Community services	28,504	825	40,866	-	1,657	71,852
Total program services	18,977,389	2,434,713	3,507,785	2,049,229	1,212,754	28,181,870
Support Services:						
Management and general:						
Instructional and school leadership	1,511,859	-	-	-	93,201	1,605,060
Administrative support services	1,448,230	189,768	35,692	86,321	88,900	1,848,911
Support services - nonstudent based	429,441	204,394	216,092	29,574	25,991	905,492
Fundraising	174,674	100	10,578	-	-	185,352
Total support services	3,564,204	394,262	262,362	115,895	208,092	4,544,815
Total expenses	$22,541,593	$ 2,828,975	$ 3,770,147	$2,165,124	$1,420,846	$32,726,685

13. Liquidity and Availability of Resources

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a twelve-month period.

The School considers all expenditures related to its ongoing activities of education as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

The School's financial assets available for general expenditure within one year of the consolidated statement of financial position date are as follows**:**

Financial assets at August 31, 2019:	
Cash and cash equivalents	$ 15,344,275
Investments	603,299
Due from Texas Education Agency	3,615,116
Total financial assets	19,562,690
Less financial assets not available for general expenditure:	
Cash restricted by NMTC agreement	(278,750)
Total financial assets available for general expenditure	$ 19,283,940

14. Subsequent Events

The School evaluated subsequent events through the date the of the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplemental Information

Trinity Basin Preparatory, Inc.
Consolidating Statement of Financial Position
August 31, 2019

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
	Assets			
Current assets:				
Cash and cash equivalents	$ 15,065,525	$ 278,750	$ -	$ 15,344,275
Investments	603,299	-	-	603,299
Due from Texas Education Agency	3,615,116	-	-	3,615,116
Prepaid expense	101,799	-	-	101,799
Total current assets	19,385,739	278,750	-	19,664,489
Non-current assets:				
Other assets	20,437	11,421	(98)	31,760
Note receivable - new market tax credit	6,058,000	-	-	6,058,000
Other receivables	-	270,000	(270,000)	-
Property and equipment, net	37,744,736	7,910,122	-	45,654,858
Total non-current assets	43,823,173	8,191,543	(270,098)	51,744,618
Total assets	$ 63,208,912	$ 8,470,293	$ (270,098)	$ 71,409,107
	Liabilities and Net Assets			
Current liabilities:				
Accounts payable	$ 2,067,016	$ 15,000	$ (270,000)	$ 1,812,016
Accrued wages	2,020,615	-	-	2,020,615
Accrued interest	81,881	15,292	-	97,173
Current maturities of long-term debt	127,962	-	-	127,962
Total current liabilities	4,297,474	30,292	(270,000)	4,057,766
Long-term liabilities:				
Deferred rent	342,598	-	(98)	342,500
Lines of credit	15,600,000	-	-	15,600,000
Long-term debt, net of debt issuance costs - new market tax credit	-	7,958,015	-	7,958,015
Long-term debt, net of debt issuance costs	29,409,935	-	-	29,409,935
Total long-term liabilities	45,352,533	7,958,015	(98)	53,310,450
Total liabilities	49,650,007	7,988,307	(270,098)	57,368,216
Net assets:				
Without donor restrictions	3,041,711	421,920	-	3,463,631
With donor restrictions	10,517,194	60,066	-	10,577,260
Total net assets	13,558,905	481,986	-	14,040,891
Total liabilities and net assets	$ 63,208,912	$ 8,470,293	$ (270,098)	$ 71,409,107

Trinity Basin Preparatory, Inc.
Consolidating Statement of Activities
Year Ended August 31, 2019

		Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Revenue and support:					
Local support:					
5740	Other revenue from local sources	$ 279,624	$ 285,000	$ (285,000)	$ 279,624
5750	Food service activity	139,938	-	-	139,938
	Total local support	419,562	285,000	(285,000)	419,562
State program revenue:					
5810	Foundation School Program	30,780,663	-	-	30,780,663
5810	Per Capita Apportionment	1,332,184	-	-	1,332,184
5820	State Program Revenues Distributed by TEA	828,248	-	-	828,248
	Total state program revenue	32,941,095	-	-	32,941,095
Federal program revenue:					
5920	ESEA Title I, Part A	905,547	-	-	905,547
5920	IDEA Part B, Formula	298,079	-	-	298,079
5920	IDEA Part B, Preschool	2,606	-	-	2,606
5920	Child Nutrition Program	1,829,334	-	-	1,829,334
5920	ESEA Title II, Part A	94,969	-	-	94,969
5920	ESEA Title III, Part A	186,803	-	-	186,803
5920	Summer School LEP	21,239	-	-	21,239
5930	Federal Revenues Distributed by State of Texas Government Agencies (other than TEA)	634,422	-	-	634,422
	Total federal program revenue	3,972,999	-	-	3,972,999
	Total revenue and support	37,333,656	285,000	(285,000)	37,333,656

Trinity Basin Preparatory, Inc.
Consolidating Statement of Activities
Year Ended August 31, 2019

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Expenses:				
11 Instruction	$ 18,956,852	$ 140,656	$ -	$ 19,097,508
12 Instruction resources and media services	80,268	-	-	80,268
13 Curriculum development and instructional staff development	245,305	-	-	245,305
21 Instructional leadership	507,404	-	-	507,404
23 School leadership	1,511,859	-	-	1,511,859
31 Guidance, counseling, evaluation services	979,229	-	-	979,229
33 Health services	313,260	-	-	313,260
35 Food services	1,688,017	-	-	1,688,017
36 Extracurricular activities	11,582	-	-	11,582
41 General administration	1,745,011	15,000	-	1,760,011
51 Facilities maintenance and operations	3,995,119	12,501	(285,000)	3,722,620
52 Security	253,728	-	-	253,728
53 Data processing services	879,501	-	-	879,501
61 Community services	70,195	-	-	70,195
71 Debt service	1,364,069	56,777	-	1,420,846
81 Fundraising	185,352	-	-	185,352
Total expenses	32,786,751	224,934	(285,000)	32,726,685
Excess of revenues over expenditures from operations	4,546,905	60,066	-	4,606,971
Non-operating activities:				
7911 Transfer in from Trinity Basin Prepatory, Inc.	-	421,920	(421,920)	-
7951 Gain on sale of property	9,885	-	-	9,885
7959 Gain on extinguishment of long-term debt (Note 6)	2,583,226	-	-	2,583,226
8911 Transfer out to Panola Project, Inc.	(421,920)	-	421,920	-
Increase in net assets	6,718,096	481,986	-	7,200,082
Net assets at beginning of year	6,840,809	-	-	6,840,809
Net assets at end of year	$ 13,558,905	$ 481,986	$ -	$ 14,040,891

Supplemental Information Required by TEA

Trinity Basin Preparatory, Inc.
Consolidated Schedule of Capital Assets
August 31, 2019

		Ownership Interest	
	Description	Local	State
1510	Land	$ -	$ 9,567,017
1520	Buildings and improvements	-	38,564,512
1549	Furniture and equipment	-	3,261,177
1541	Vehicles	-	83,391
		$ -	$ 51,476,097

Trinity Basin Preparatory, Inc.
Budgetary Comparison Schedule
Year Ended August 31, 2019

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenue and other support:				
Local support	$ 264,773	$ 351,720	$ 419,562	$ 67,842
State program revenue	31,521,776	32,646,940	32,941,095	294,155
Federal program revenue	4,011,044	4,001,340	3,972,999	(28,341)
Total revenue and support	35,797,593	37,000,000	37,333,656	333,656
Expenses:				
11 Instruction	18,139,998	19,045,509	19,097,508	(51,999)
12 Instructional resources and media services	62,914	81,054	80,268	786
13 Curriculum development and instructional staff development	107,729	240,814	245,305	(4,491)
21 Instructional leadership	1,184,854	507,400	507,404	(4)
23 School leadership	1,519,914	1,481,327	1,511,859	(30,532)
31 Guidance, counseling and evaluation services	828,388	971,718	979,229	(7,511)
33 Health services	233,190	317,141	313,260	3,881
35 Food services	2,260,969	2,137,601	1,688,017	449,584
36 Extracurricular activities	18,509	13,583	11,582	2,001
41 General administration	1,978,780	1,940,931	1,760,011	180,920
51 Facilities maintenance and operations	2,819,401	3,356,872	3,722,620	(365,748)
52 Security	303,194	255,020	253,728	1,292
53 Data processing services	1,535,210	924,432	879,501	44,931
61 Community services	97,310	73,175	70,195	2,980
71 Debt service	1,496,151	1,302,939	1,420,846	(117,907)
81 Fundraising	211,081	183,288	185,352	(2,064)
Total expenses	32,797,592	32,832,804	32,726,685	106,119
Excess of revenues over expenditures from operations	3,000,001	4,167,196	4,606,971	439,775
Non-operating activities:				
Gain on sale of property	-	-	9,885	9,885
Gain on extinguishment of long-term debt (Note 6)	-	-	2,583,226	2,583,226
Increase in net assets	3,000,001	4,167,196	7,200,082	3,032,886
Net assets at beginning of year	6,840,809	6,840,809	6,840,809	-
Net assets at end of year	$ 9,840,810	$ 11,008,005	$ 14,040,891	$ -

Trinity Basin Preparatory, Inc.
Consolidated Schedule of Expenses
Year Ended August 31, 2019

Object Code	Description	Amount
6100	Payroll costs	$ 22,541,593
6200	Professional and contracted services	2,828,975
6300	Supplies and materials	3,770,147
6400	Other operating expenses	2,165,124
6500	Debt service	1,420,846
		32,726,685

Compliance Reports

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' 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*

Board of Directors
Trinity Basin Preparatory, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Trinity Basin Preparatory, Inc. (Academy) (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 23, 2019. The financial statements of TBP Panola Project, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with TBP Panola Project, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Academy'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's consolidated 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's consolidated 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 consolidated 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
October 23, 2019

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Trinity Basin Preparatory, Inc.

Report on Compliance for Each Major Federal Program

We have audited Trinity Basin Preparatory, Inc.'s (Academy) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2019. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

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Report on Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
October 23, 2019

Trinity Basin Preparatory, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	___ yes	X no
• Significant deficiencies identified?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	___ yes	X no
• Significant deficiencies identified?	___ yes	X none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	X no
Identification of major federal program or cluster:		
Title I, Part A – Improving Basic Programs	CFDA 84.010	
Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	___ no

Section II – Financial Statement Findings

Audit findings: None

Section III – Federal Award Findings and Questioned Costs

Audit findings: None

Section IV – Summary of Prior Year Audit Findings

None

Trinity Basin Preparatory, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2019

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Education:			
Passed through Texas Education Agency:			
Special Education-Grants to States (IDEA, Part B)	84.027A	196600010578130000	$ 298,079
Special Education-Preschool Grants (IDEA Preschool)	84.173A	196610010578136000	2,606
Total Special Education Cluster			300,685
Passed through Texas Education Agency:			
Title I Part A - Improving Basic Programs	84.010A	18610101057813	73,145
Title I Part A - Improving Basic Programs	84.010A	19610101057813	832,402
ESEA Title II Part A - Teacher & Principal Training	84.367A	18694501057813	1,822
ESEA Title II Part A - Teacher & Principal Training	84.367A	19694501057813	93,147
Title III, Language Instruction LEP	84.365A	19671001057813	186,803
Title IV, Part A, Subpart 1	84.424A	18680101057813	21,239
Total U.S. Department of Education			1,509,243
U.S. Department of Agriculture:			
Passed through Texas Education Agency:			
National School Breakfast Program	10.553	71401701	316,139
National School Lunch Program	10.555	71301701	1,405,064
USDA Commodities (noncash)	10.555	220-912	108,131
Total Child Nutrition Cluster and U.S. Department of Agriculture			1,829,334
U.S. Department of Health and Human Services			
Passed through State Departement of Health and Human Services			
Medicaid Administrative Claiming Program	93.778	-	3,145
Total Expenditures of Federal Awards			$ 3,341,722

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Trinity Basin Preparatory, Inc. (Academy). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Academy has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the allowable indirect costs for each award as determined by the awarding agency.

2. Non-Cash Federal Awards

The Academy received non-cash awards in the form of food commodities totaling $108,131 for the year ended August 31, 2019.