

**TWO DIMENSIONS PREPARATORY
ACADEMY, INC.
(A NON PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2015
with Comparative Totals for 2014**

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended August 31, 2015

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Two Dimensions Preparatory Academy
(Federal Employer Identification Number: 76-0557273)
Certificate of Board

Two Dimensions Preparatory Academy, Inc.

Name of Charter Holder

76-0557273

Federal Employer ID Number

Two Dimensions Preparatory Academy, Inc.

Name of Charter School

Harris

County

101-840

County District Number

We, the undersigned, certify that the attached Financial and Compliance Report of Two Dimensions Preparatory Academy was reviewed and (check one) approved disapproved for the year ended August 31, 2015, at a meeting of the governing body of the charter holder on the 24th day of February, 2016.

Barbara Hilliard

Signature of Board Secretary

Juan Roca

Signature of Board President

NOTE: If the governing body of the charter holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Two Dimensions Preparatory Academy, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Two Dimensions Preparatory Academy, Inc. (the "Charter School"), which comprise the statement of financial position as of August 31, 2015 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.

To the Board of Directors
Two Dimensions Preparatory Academy, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of August 31, 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Charter School will continue as a going concern. As discussed in Note 17 to the financial statements, there is substantial doubt about the Charter School's ability to continue as a going concern due to the Charter School's total deficit in unrestricted net assets of \$255,176. Management's plans in regard to this matter are also discussed in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Charter School's 2014 financial statements, and our report dated January 26, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the Table of Contents and required by the Texas Education Agency, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of the Charter School'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 the Charter School's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
February 18, 2016

GENERAL PURPOSE FINANCIAL STATEMENTS

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TWO DIMENSIONS PREPARATORY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 132,669	\$ 91,640
Due from state	36,794	31,544
Total current assets	169,463	123,184
Property and equipment, net	365,087	381,929
Total Assets	\$ 534,550	\$ 505,113
 Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 51,089	\$ 68,373
Accrued salaries payable	91,345	70,305
Due to state	5,936	38,445
Accrued liabilities	205,200	79,579
Unearned revenues	46,869	-
Short-term loans payable	24,200	-
Total current liabilities	424,639	256,702
Total Liabilities	424,639	256,702
 Net Assets:		
Unrestricted	(255,176)	(192,586)
Temporarily restricted	365,087	440,997
Total Net Assets	109,911	248,411
Total Liabilities and Net Assets	\$ 534,550	\$ 505,113

The accompanying notes are an integral part of these financial statements.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

STATEMENTS OF ACTIVITIES

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>August 31,</u>	
			<u>2015</u>	<u>2014</u>
Revenues				
Local Support:				
Food service sales	\$ -	\$ 11,435	\$ 11,435	\$ 13,931
Other revenues from local sources	128,491	27,696	156,187	193,151
Total Local Support	<u>128,491</u>	<u>39,131</u>	<u>167,622</u>	<u>207,082</u>
State Program Revenues:				
Per Capita and Foundation School				
Program Act Revenues	-	3,212,287	3,212,287	3,329,988
State Program Revenues Distributed by				
Texas Education Agency (TEA)				
	-	30,235	30,235	100,594
Total State Program Revenues	<u>-</u>	<u>3,242,522</u>	<u>3,242,522</u>	<u>3,430,582</u>
Federal Program Revenues:				
Federal revenues distributed by the TEA	<u>-</u>	<u>525,269</u>	<u>525,269</u>	<u>586,483</u>
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	<u>3,882,832</u>	<u>(3,882,832)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>4,011,323</u>	<u>(75,910)</u>	<u>3,935,413</u>	<u>4,224,147</u>

The accompanying notes are an integral part of these financial statements.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

STATEMENTS OF ACTIVITIES (continued)

	Unrestricted	Temporarily Restricted	August 31,	
			2015	2014
Expenses				
Instruction	\$ 2,343,267	\$ -	\$ 2,343,267	\$ 2,293,007
Curriculum Development and Instructional				
Staff Development	3,697	-	3,697	28,519
Instructional Leadership	471	-	471	-
School Leadership	311,486	-	311,486	322,967
Guidance, Counseling & Evaluation Services	16,487	-	16,487	19,277
Health Services	-	-	-	2,412
Food Services	434,984	-	434,984	435,714
General Administration	385,835	-	385,835	512,769
Facilities Maintenance and Operations	579,574	-	579,574	530,977
Security and Monitoring Services	4,400	-	4,400	4,172
Data Processing Services	18,712	-	18,712	74,394
Total Expenses	<u>4,098,913</u>	<u>-</u>	<u>4,098,913</u>	<u>4,224,208</u>
Change in Net Assets before Special Items	(87,590)	(75,910)	(163,500)	(61)
Special Items:				
Gain on Forgiveness of Debt	25,000	-	25,000	-
Total Special Items	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Change in Net Assets	(62,590)	(75,910)	(138,500)	(61)
Net Assets (Deficit), beginning of year	<u>(192,586)</u>	440,997	248,411	248,472
Net Assets (Deficit), end of year	<u>\$ (255,176)</u>	<u>\$ 365,087</u>	<u>\$ 109,911</u>	<u>\$ 248,411</u>

The accompanying notes are an integral part of these financial statements.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

STATEMENTS OF CASH FLOWS

	August 31,	
	2015	2014
Cash flows from operating activities:		
Foundation school program payments	\$ 3,206,455	\$ 3,342,289
Grant payments	523,577	595,411
Other local revenue payments	214,491	314,243
Payments to vendors for goods and services rendered	(1,044,009)	(1,442,358)
Payments to charter school personnel for services rendered	(2,794,957)	(2,746,327)
Net cash provided (used) by operating activities	105,557	63,258
Cash flows from investing activities:		
Purchase of capital assets	(64,528)	(49,610)
Net cash used by investing activities	(64,528)	(49,610)
Net change in cash and cash equivalents	41,029	13,648
Beginning cash and cash equivalents	91,640	77,992
Ending cash and cash equivalents	\$ 132,669	\$ 91,640
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Decrease in net assets	\$ (163,500)	\$ (61)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	44,725	48,308
Loss on disposal of capital asset	36,645	33,650
(Increase) decrease in:		
Due from state	(5,250)	27,796
Increase (decrease) in operating liabilities:		
Accounts payable	(17,284)	(19,052)
Accrued salaries payable	21,040	(29,881)
Accrued liabilities	125,621	2,498
Due to state	(32,509)	-
Unearned revenue	46,869	-
Short-term loan payable	49,200	-
Net cash provided (used) by operating activities	\$ 105,557	\$ 63,258
Non-cash financing activities		
Gain on forgiveness of debt	\$25,000	\$ -

The accompanying notes are an integral part of these financial statements.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The general-purpose financial statements of Two Dimensions Preparatory Academy (the “Charter School”) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter School is a not-for-profit organization incorporated in the State of Texas in 1998 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter School is governed by a Board of Directors comprised of four members. The members of the Board of Directors are appointed in accordance with provisions contained in the bylaws of the Charter School. The Board of Directors has the authority to make decisions, appoint the administrator of the Charter School, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Charter School.

Since the Charter School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The Charter School was organized to provide educational services to students in Pre-K3 through the Sixth Grade. The Board of Directors governs the programs, services, activities, and functions of the Charter School, which operates under an open enrollment charter granted by the State of Texas Board of Education. The Charter School is part of the public school system of the State of Texas and is therefore entitled to distributions from the State’s available school fund. The Charter School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Charter School’s charter was renewed in April 2014 with a contract ending date of July 31, 2016.

Basis of Accounting and Presentation

The accompanying general purpose financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

In accordance with Accounting Standards Codification Topic 958-205 (ASC Topic No. 958) *Not-For-Profit Entities-Presentation of Financial Statements*, net assets, revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed restrictions. As of August 31, 2015, 2014, unrestricted net deficit totaled \$255,176.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met either by actions of the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of August 31, 2015, temporarily restricted net assets totaled \$365,087.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Charter School's activities due to donor-imposed restrictions. As of August 31, 2015, the Charter School had no permanently restricted net assets.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimate affecting the Charter School's financial statements was the depreciation of capital assets and functional allocation of expenses.

Contributions

The Charter School accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Charter School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The Charter School had no donated capital assets at August 31, 2015.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Income Taxes

The Charter School is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“the Code”) and comparable State of Texas law. The Charter School did not conduct any unrelated business activities in the current fiscal year. Therefore, the Charter School has made no provision for federal income taxes in the accompanying financial statements. The Charter School has also been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Charter School are tax deductible within the limitations prescribed by the Code.

The Charter School applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Charter School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 2 - Capital Assets

Capital assets at August 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 50,000	\$ 50,000
Buildings and Improvements	210,923	210,923
Vehicles	141,342	125,675
Furniture and Equipment	<u>313,366</u>	<u>313,366</u>
Total Property and Equipment	715,631	699,964
Less Accumulated Depreciation	<u>(350,544)</u>	<u>(318,035)</u>
Property and Equipment, Net	<u>\$ 365,087</u>	<u>\$ 381,929</u>

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Capital Assets (continued)

Depreciation expense for the fiscal years ended August 31, 2015 and August 31, 2014 was \$44,725 and \$48,308, respectively.

Capital assets acquired with public funds received by the Charter School for the operation of Two Dimensions Preparatory Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3 - Concentration of Credit and Business Risk

The Charter School maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Charter School will not be able to recover its deposits. The Charter School maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk. At August 31, 2015, the carrying amount of the Charter School's cash deposits was \$132,669 and the banks' balance was \$145,642. The Charter School's cash deposits at August 31, 2015 were entirely covered by the Federal Deposit Insurance Corporation (FDIC).

Approximately 82% of the Charter School's total revenue for fiscal year 2015 was provided by the State funding for the Per Capita Apportionment and State Foundation Program.

Note 4 - Defined Benefit Pension Plans

A. Plan Description

The Charter School participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The Charter school is a legally separate entity from the State of Texas and other participants of the plan. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Assets contributed by one charter school or independent school district may be used for the benefit of an employee of another charter school or school district. Any unfunded obligations are passed along to other charter schools and school districts.

As of the last measurement date of August 31, 2014, total assets of TRS are \$157.3 billion, while accumulated benefit obligations totaled \$159.5 billion as of August 31, 2014, the latest measurement date. TRS is 83.25 percent funded. Furthermore, there is not a collective-bargaining agreement

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

B. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

C. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	Plan Fiscal Year	
	2014	2015
Member	6.4%	6.7%
Employer	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

C. Contributions (continued)

	Contributions Required and Made During the Measurement Year	TRS Contributions Made During the Fiscal Year
Total Covered Payroll	\$ 2,460,143	\$2,430,002
Member (Employee)	157,961	\$162,811
Charter School	23,754	\$37,209
Non-OASDI Surcharge	-0-	\$36,450
Pension Retiree Surcharge	1,672	\$1,559

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). There have been no changes that would affect the comparison of employer contributions from year to year. In addition, the charter schools contributions to TRS did not represent more than 5 percent of the total contributions to the TRS.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

Note 5 - Health Care Coverage

During the year ended August 31, 2015 and during the year ended August 31, 2014 employees of the Charter School were covered by a Health Insurance Plan (the Plan). For employees who have been employed by the Charter School for seven years or more, the Charter School contributed \$325 per month per employee to the Plan.

During the year ended August 31, 2015 and during the year ended August 31, 2014, for employees who have been employed by the Charter School for less than seven years, the Charter School contributed \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Due from State

Amounts due from the Texas Education Agency at August 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
State Foundation Program	\$ 28,058	\$ 22,226
National School Lunch Program	8,736	9,318
	<u>\$ 36,794</u>	<u>\$ 31,544</u>

Note 7 - Related Party Transactions

The Charter School has entered into a sublease agreement with Greater Grace Sabbath Fellowship, Inc., a church Charter School pastored by a member of the family of the superintendent. The sublease agreements are for two of the Charter School's campus facilities in Houston and Corsicana, Texas. The total lease payments by the Charter School to Greater Grace Sabbath Fellowship, Inc. in fiscal year 2015 were \$300,000; the lease ended August 31, 2015. In addition, see Note 12 for loans received from related parties.

Note 8 - Operating Leases

The Charter School leases its office space and some of its office equipment. The future minimum operating lease payments required under non-cancellable lease agreements as of August 31, 2015, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 49,575
2017	37,872
2018	14,872
2019	13,272
2020	13,272
Thereafter	4,424
Total	<u>\$ 133,287</u>

Total Rent expenses for the fiscal years ended August 31, 2015 and August 31, 2014 were approximately \$525,432 and \$528,746, respectively.

Note 9 - 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 in 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 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.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - State Aid

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six-week reporting period, and at the close of the year, actual attendance is calculated by the TEA and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2015, the Charter Holder earned \$3,212,287 of Per Capita and State foundation program funds, of which all was earned (before any possible TEA enrollment and attendance audit). In fiscal year 2014, the Charter Holder earned \$3,329,988.

Note 11 - Due to Texas Education Agency

Amounts due to the Texas Education Agency at August 31, 2015 and 2014, consisted of the following:

	2015	2014
State Fiscal Stabilization Fund	\$ -	\$ 32,509
Title II, Part D (ARRA)	118	118
Student Success Initiative	1,750	1,750
Dist. Awards Teacher Excellence (D.A.T.E)	4,068	4,068
	\$ 5,936	\$ 38,445

Note 12 - Loans Payable

During the fiscal year 2015 the charter school obtained the following loans to be repaid with no interest or any other fees. The balance due as of August 31, 2015 is presented as Short-term loans payable in the Statement of Financial Position.

Origination Date	Source	Payment due date	Amount	Retirements	Balance as of August 31, 2015
Sptember 19, 2014	M. Turner - Head of fundraising	September 25, 2014	\$ 16,000	\$ 16,000	\$ -
October 16, 2014	M. Turner - Head of fundraising	October 25, 2014	5,000	5,000	-
April 16, 2015	Greater Pure Light Church	April 16, 2016	11,200	-	11,200
June 17, 2015	Greater Grace Sabbath Fellowship	December 31, 2015	13,000	-	13,000
March 19, 2015	Greater Grace Sabbath Fellowship	March 20, 2015	10,000	10,000	-
March 19, 2015	Greater Grace Sabbath Fellowship	March 27, 2015	20,000	20,000	-
March 19, 2015	Greater Pure Light Church	March 25, 2015	10,400	10,400	-
			\$ 85,600	\$ 61,400	\$ 24,200

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 13 - Special Education Cooperative

The Charter School participates as a member of the Houston Charter School Special Education Cooperative (“the Cooperative”) which is a shared services arrangement for special education services. The Cooperative has a fiscal agent who reports all revenues and expenditures for this Cooperative. The Charter School, at times, receives revenue distributions from the Cooperative. The Charter School received \$32,059 from the Cooperative during the fiscal year ended August 31, 2015.

Note 14 - Accrued Salaries

During August 2015, the Charter School’s teachers worked ten days for which they were not paid until after August 31, 2015. Based on the daily rate of pay and the number of days worked, the Charter School accrued \$91,345 in teachers' salaries to be paid after August 31, 2015. In fiscal year 2014, the Charter School recorded \$70,305 in accrued salaries based on an accrual of ten working days paid in fiscal year 2014.

Note 15 – Unearned Revenues

Unearned revenues as of August 31, 2015 totaled and consisted of payments received during the fiscal year 2015 related to Pre-K for the fiscal year 2016.

Note 16 - Charter Holder Operations

The Charter School only operated a single charter school and did not conduct any other charter or non-charter activities.

Note 17 – Going Concern Consideration

The Charter School has not generated sufficient unrestricted funds to meet its working capital needs. At August 31, 2015, the Charter School had an unrestricted net deficit of \$255,176 due to unrestricted expenses incurred being higher than recognized unrestricted revenues by \$87,590. Overall, the Charter School has net assets of \$109,911. This factor presents the Charter School with operational challenges for the foreseeable future and there is a substantial doubt about the Charter School’s ability to continue as a going concern for one year.

To address this deficit, management has implemented the following plans for the 2015-2016 school year: staff was cut by 20%, no increases in salary were given to employees, duties of several staff members were combined, and employees who chose not return were not replaced but combined their duties with others who remained, and maximized every class size. The ability of the Charter School to continue uninterrupted operations and program activities in the foreseeable future is dependent upon the success of these efforts.

Note 18 - Management’s Review of Subsequent Events

In preparing the accompanying financial statements, management has reviewed all known events that have occurred after August 31, 2015, and through February 18, 2016, the date on which the financial statements were available to be issued, for inclusion in the financial statements and footnotes. This review resulted in no adjustment to the financial statements and footnotes.

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SUPPLEMENTARY INFORMATION

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TWO DIMENSIONS PREPARATORY ACADEMY, INC.

SCHEDULES OF EXPENSES

Year Ended August 31, 2015

		August 31,	
Expenses		2015	2014
6100	Payroll Costs	\$ 2,815,997	\$ 2,716,446
6200	Professional and Contract Services	896,171	957,420
6300	Supplies and Materials	258,514	380,224
6400	Other Operating Costs	128,231	170,118
	Total Expenses	<u>\$ 4,098,913</u>	<u>\$ 4,224,208</u>

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2015

		Ownership Interest		
		Local	State	Federal
1510	Land and improvements	\$ -	\$ 50,000	\$ -
1520	Buildings and improvements	-	210,923	-
1531	Vehicles	-	141,342	-
1539	Furniture and equipment	-	295,169	18,197
	Total Property & equipment	\$ -	\$ 697,434	\$ 18,197

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

BUDGETARY COMPARISION SCHEDULE

Year Ended August 31, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
Revenues				
Local Support:				
5700	\$ 110,000	\$ 110,000	\$ 167,622	\$ 57,622
State Program Revenues:				
5810	3,455,441	3,455,441	3,212,287	(243,154)
5820				
	-	-	30,235	30,235
	3,455,441	3,455,441	3,242,522	(212,919)
Federal Program Revenues:				
5929				
	532,614	532,614	525,269	(7,345)
	<u>4,098,055</u>	<u>4,098,055</u>	<u>3,935,413</u>	<u>(162,642)</u>
Expenses				
11	2,237,537	2,239,623	2,343,267	(103,644)
13				
	3,725	3,725	3,697	28
21	500	500	471	29
23	310,081	310,081	311,486	(1,405)
31	17,086	15,500	16,487	(987)
33	500	-	-	-
35	466,383	466,383	434,984	31,399
41	396,412	396,412	385,835	10,577
51	529,038	529,038	579,574	(50,536)
52	6,705	6,705	4,400	2,305
53	17,303	17,303	18,712	(1,409)
61	5,500	5,500	-	5,500
	<u>3,990,770</u>	<u>3,990,770</u>	<u>4,098,913</u>	<u>(108,143)</u>
	107,285	107,285	(163,500)	(270,785)
Special Items				
	-	-	25,000	25,000
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
	107,285	107,285	(138,500)	(245,785)
	248,411	248,411	248,411	-
	<u>\$ 355,696</u>	<u>\$ 355,696</u>	<u>\$ 109,911</u>	<u>\$ (245,785)</u>

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

BUDGETARY COMPARISION SCHEDULE (continued)

Year Ended August 31, 2015

Budget Variances

In accordance with Module 10, Section 1.7.2.8 of the Financial Accountability System Resource Guide, If the original and final budgeted amounts vary by more than 10 percent of the original budgeted amounts, the charter holder must include a written statement discussing the cause of the variances. The Charter School provides the following explanations for each of the variances noted:

Function 33	No expenditures for this function.
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If the actual and final budgeted amounts vary by more than 10 percent of the final budgeted amounts, the charter holder must include a written statement discussing the cause of the variances and the corrective actions that were taken to ensure that the charter school adheres to its budget. The Charter School provides the following explanations for each of the variances noted:

Function 52	Changed vendors to reduce monitoring costs.
Function 61	No expenditures for this function.

COMPLIANCE, INTERNAL CONTROLS, AND FEDERAL AWARDS

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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

To the Board of Directors
Two Dimensions Preparatory Academy, 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 Two Dimensions Preparatory Academy, Inc. (the "Charter School"), which comprise the statement of financial position as of August 31, 2015, 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 February 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School'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 the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weaknesses and are listed as findings #2015-001, # 2015-002 and # 2015-003.

To the Board of Directors
Two Dimensions Preparatory Academy, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School'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*.

Charters School's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
February 18, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the Board of Directors
Two Dimensions Preparatory Academy, Inc.
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Two Dimensions Preparatory Academy’s (the “Charter School”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Charter School’s major federal programs for the year ended August 31, 2015. The Charter School’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Charter School’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 Charter School’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2015.

To the Board of Directors
Two Dimensions Preparatory Academy, Inc.

Report on Internal Control Over Compliance

Management of the Charter School 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 Charter School'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 OMB Circular A-133, 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 Charter School's internal control over financial 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 a 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
February 18, 2016

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2015

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes, Findings #2015-001 #2015-002 and #2015-003
Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
Non-compliance material to financial statements noted?	None

Federal Awards

Internal control over major programs: Material weakness(es) identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None noted
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	None

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Agriculture	
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Dollar threshold considered between Type A and Type B Federal Programs	\$300,000
Auditee qualified as low-risk auditee	Yes

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

II. Financial Statement Findings

Finding #2015-001 - Financial Close and Reporting – Unreconciled Revenue

Criteria: All material transactions, whether assets or liabilities, must be reported to ensure the fair presentation of the financial statements; and supporting documentation must be maintained to support reconciled balances. Strong internal controls and financial close and reporting procedures ensure that all material transactions are accurately recorded and reported in the financial statements.

Condition: The Charter School was unable to provide supporting documentation to reconcile revenue by . As a result, this amount was reclassified to an unreconciled liability to reconcile to the Charter School’s financial records. Significant material adjustments were posted to reconcile the Charter School’s financial records to reduce erroneous revenues posted by over \$146,000 and to reduce erroneous expenses posted by over \$126,000.

Cause: Unknown

Effect: The financial statements could be materially misstated.

Recommendation: The Charter School should design and implement financial close and reporting procedures and controls to ensure that all material transactions are recorded in the financial statements.

Views of Responsible Officials and Corrective Action Plan: The Charter School has sought a financial advisor who has a proven track record of resolving financial problems with charter schools.

Finding #2015-002 - Financial Close and Reporting – Journal Entries

Criteria: Proper internal controls require journal entries to be properly supported, reviewed and approved prior to being posted into the accounting system.

Condition: The Charter School did not maintain proper supporting documentation for journal entries; journal entries were not reviewed or approved prior to being posted into the accounting system

Cause: The Charter School did not have any standard operating procedures in place to create, review, and post journal entries to the accounting software system.

Effect: There is a risk that improper journal entries are posted and not being detected in a timely manner.

Recommendation: The Charter School should establish procedures to ensure all journal entries are reviewed, approved and properly supported prior to being posted into the accounting system.

Views of Responsible Officials and Corrective Action Plan: The Charter School has sought a financial advisor who has a proven track record of resolving financial problems with charter schools.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Finding #2015-003 - Financial Close and Reporting – Year-End Close Out Procedures

Criteria: Proper internal controls require that standard fiscal year-end close out procedures are developed, formally documented, and implemented.

Condition: During the course of the audit, we noted that year-end close out procedures had not been performed. Several material adjustments were identified by the external auditor to ensure that the financial records agreed to the Charter School’s activity as of year-end.

Cause: The Charter School lacks proper year-end close out procedures.

Effect: Management’s reliance upon the external auditor to detect and make significant necessary adjustments is considered to be a material weakness in internal controls.

Recommendation: The Charter School should establish fiscal year end close out procedures for all significant areas to ensure that all required entries are posted; trial balance accounts should be reconciled at year-end.

Views of Responsible Officials and Corrective Action Plan: The Charter School has sought a financial advisor who has a proven track record of resolving financial problems with charter schools.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no findings or questioned costs required to be reported.

IV. Summary Schedule of Prior Audit Findings

No prior year findings.

TWO DIMENSIONS PREPARATORY ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Texas Education Agency:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	15610101101840	\$ 126,814
<i>Title II Part A - Teacher and Principal</i>	84.367A	15694501101840	12,800
Total Passed Through Texas Education Agency			<u>139,614</u>
Passed Through Houston Charter School Special Education Cooperative:			
<i>IDEA B - Formula</i>	84.027A	N/A	32,059
Total U.S. Department of Education			<u>171,673</u>
U.S. Department of Agriculture			
Passed Through Texas Education Agency:			
<i>National School Lunch Program*</i>	10.555	71301501	193,181
<i>School Breakfast Program*</i>	10.553	71401501	136,885
Total Passed Through Texas Education Agency			<u>330,066</u>
Passed through Texas Department of Agriculture			
<i>Fresh Fruit and Vegetables</i>	10.582	N/A	23,530
Total Passed through Texas Department of Agriculture			<u>23,530</u>
Total U.S. Department of Agriculture			<u>353,596</u>
Total Expenditures of Federal Awards			<u>\$ 525,269</u>

* Child Nutrition Cluster

TWO DIMENSIONS PREPARATORY ACADEMY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2015

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards (“SEFA”) presents federal grant activity of the Charter School for the fiscal year ended August 31, 2015, and is reported on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the Charter School’s financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (per the Texas Education Agency guidance issued in June 2013), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the program may not agree with the amounts in the SEFA because of accruals made to present the SEFA on the accrual basis (which would be included in the next report filed with the agencies), as well as matching requirements not included in the SEFA and differences in programs’ year-ends.