

Third Future Schools - Texas

Single Audit Report

For the Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Third Future Schools – Texas

Report on Schedule of Expenditures of Federal Award

We have audited the accompanying schedule of expenditures of federal awards (the financial statement) for Third Future Schools - Texas (Third Future) for the year ended June 30, 2021, and the related notes to the schedule of expenditures of federal awards.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulation* (CFR) 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 the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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
Third Future Schools – Texas

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for Third Future for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of Third Future'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 Third Future's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 30, 2021



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Third Future Schools - 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 schedule of expenditures of federal awards (the financial statement) of Third Future Schools – Texas (Third Future) as of June 30, 2021, and the related notes to the financial statement, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Third Future's financial statement is 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*.

The Board of Directors
Third Future Schools - Texas

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 Third Future’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Third Future’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 30, 2021



**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

To the Board of Directors
Third Future Schools - Texas

Report on Compliance for Each Major Federal Program

We have audited Third Future Schools - Texas's (Third Future) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Third Future's major federal programs for the year ended June 30, 2021. Third Future's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Third Future'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 the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) 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 Third Future'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 Third Future's compliance.

Opinion on Each Major Federal Program

In our opinion, Third Future 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 June 30, 2021.

Report on Internal Control over Compliance

Management of Third Future 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 Third Future'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 the 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 Third Future'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 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.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 30, 2021

Third Future Schools – Texas
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Midland Independent School District			
ESEA, Title I, Part A	84.010A	21610101165901	\$74,092
Transformation Grant	84.010A	206101487110010	<u>89,348</u>
Total Federal Assistance Listing Number 84.010A			163,440
Charter School Replication Grant	84.282A	195901057110005	<u>736,292</u>
Total Federal Assistance Listing Number 84.282A			736,292
ESEA, Title II, Part A	84.367A	21694501165901	<u>10,000</u>
Total Federal Assistance Listing Number 84.367A			10,000
LEP Summer School	84.369A	216101527110003	<u>18,717</u>
Total Federal Assistance Listing Number 84.369A			18,717
Total passed through Midland Independent School District			<u>928,449</u>
Total U.S. Department of Education			928,449
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 928,449</u>

Third Future Schools – Texas

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Third Future under programs of the federal government for the year ended June 30, 2021. The information in the 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).

The accompanying schedule of expenditures of federal awards uses the accrual basis of accounting. This basis of accounting recognizes revenue in the accounting period in which it is earned. Expenditures are recorded in the accounting period in which the liability is incurred.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Note 2. Indirect Cost Rate

Third Future has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Basis of Funding

Federal funding received related to various grant programs is based upon periodic reports detailing reimbursable expenditures made in compliance with the program guidelines to the grantor agencies. The programs are governed by various rules and regulations of the grantors. Amounts received and receivable under the various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that Third Future has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding may be required.

In the opinion of management, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the basic financial statements for such contingencies.

Third Future Schools – Texas
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Section 1. Summary of Auditors' Results

Financial Statements

An unmodified opinion was issued on the financial statement.

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiencies identified that are not considered to be material weakness(es)	___ Yes	None _X_ reported
Noncompliance material to financial statement noted?	___ Yes	_X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiencies identified that are not considered to be material weakness(es)?	___ Yes	_X_ No

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No
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Identification of major programs:

84.282A – Charter School Replication Grant

Dollar threshold used to distinguish between type A and type B programs?	\$750,000
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Auditee qualified as low-risk auditee?	___ Yes	_X_ No
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Third Future Schools – Texas
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2021

Section 2. Financial Statement Findings

None.

Section 3. Federal Awards Findings and Questioned Costs

None.

Section 4. Schedule of Prior Audit Findings and Questioned Costs

There were no matters reported.