

Faith Family Kids, Inc.
(A Texas Nonprofit Organization)
Annual Financial and Compliance Audit
Years Ended August 31, 2017 and 2016

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
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AUGUST 31, 2017 and 2016

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Faith Family Kids, Inc.

(Federal Employer Identification Number: 06-1689571)

Certificate of Board

Faith Family Academy of Waxahachie County-District Number: 070-801

We, the undersigned, certify that the attached Financial and Compliance Report of Faith Family Kids, Inc. was reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the governing body of the charter holder on the 21st day of December, 2017.



Signature of Board Secretary



Signature of Board President



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Faith Family Kids, Inc.

We have audited the accompanying financial statements of Faith Family Kids, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017 and 2016, 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Kids, Inc as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audits were 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 are presented for purposes of additional analysis as required by the Texas Education Agency, and is not a required part of the financial statements. Similarly, the accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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, this 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 December 15, 2017, on our consideration of Faith Family Kids, Inc.'s internal control over financial reporting and 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 Faith Family Kids, Inc.'s internal control over financial reporting and compliance.



Houston, Texas
December 15, 2017

Exhibit A-1

FAITH FAMILY KIDS, INC.
Statements of Financial Position
As of August 31, 2017 and 2016

Assets	2017	2016
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,978,119	\$ 4,239,545
Restricted cash - debt service reserve	1,266,508	1,266,119
Due from grantor agencies	1,050,212	1,623,072
Other receivables	10,184	9,720
Other assets	16,554	6,909
Total current assets	5,321,577	7,145,365
<i>Noncurrent assets</i>		
Deferred charges	1,264,315	1,327,941
Property and equipment, net	16,862,997	16,242,110
Total noncurrent assets	18,127,312	17,570,051
Total assets	\$ 23,448,889	\$ 24,715,416
 <i>Liabilities and Net Assets</i>		
<i>Current liabilities</i>		
Accounts payable	\$ 33,080	\$ 27,531
Accrued liabilities	745,473	822,949
Accrued expenses	29,610	30,422
Due to student groups	71,938	49,439
Capital lease payable - current portion	144,814	139,604
Notes payable - current portion	-	49,080
Bonds payable - current portion	410,000	390,000
Total current liabilities	1,434,915	1,509,025
 <i>Long-term liabilities</i>		
Capital lease payable - less current portion	279,677	424,491
Notes payable - less current portion	-	79,767
Bonds payable - less current portion	13,275,000	13,685,000
Total long-term liabilities	13,554,677	14,189,258
Total liabilities	14,989,592	15,698,283
 <i>Net assets</i>		
Unrestricted	2,757,734	2,580,517
Temporarily restricted	5,701,563	6,436,616
Total net assets	8,459,297	9,017,133
Total liabilities and net assets	\$ 23,448,889	\$ 24,715,416

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

FAITH FAMILY KIDS, INC.
Statements of Activities
For the years ended August 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenues				
<i>Local support:</i>				
5740 Other revenues from local sources	\$ 57,115	\$ -	\$ 57,115	\$ 50,897
5750 Revenue from co-curricular or enterprising	120,103	-	120,103	130,922
Total local support	177,218	-	177,218	181,819
<i>State program revenues:</i>				
5811 Available school fund	-	869,872	869,872	117,156
5812 Foundation school program	-	20,397,773	20,397,773	20,078,447
5820 State program revenues distributed by the TEA	-	247,012	247,012	341,777
Total state program revenues	-	21,514,657	21,514,657	20,537,380
<i>Federal program revenues:</i>				
5920 Federal revenues distributed by the TEA	-	3,216,212	3,216,212	3,109,085
Total federal program revenues	-	3,216,212	3,216,212	3,109,085
Net assets released from restrictions	25,465,923	(25,465,923)	-	-
Total revenues	25,652,217	(744,130)	24,908,087	23,828,284
Expenses				
<i>Program services:</i>				
11 Instruction	13,189,798	-	13,189,798	12,949,486
12 Instructional resources and media services	143,721	-	143,721	58,170
13 Curriculum and instructional staff development	537,756	-	537,756	438,227
21 Instructional leadership	295,918	-	295,918	271,029
23 School leadership	1,163,936	-	1,163,936	1,144,644
<i>Support services:</i>				
31 Guidance, counseling and evaluation services	244,328	-	244,328	235,475
33 Health services	208,598	-	208,598	185,000
34 Student (pupil) transportation	188,878	-	188,878	185,142
35 Food service	1,770,830	-	1,770,830	1,821,414
36 Extracurriculars	167,694	-	167,694	183,075
41 General administration	1,762,349	-	1,762,349	1,502,804
51 Plant maintenance and operations	3,397,048	-	3,397,048	2,989,651
52 Security and monitoring services	405,911	-	405,911	302,982
53 Data processing services	530,501	-	530,501	590,578
61 Community services	647,343	-	647,343	388,772
71 Interest expense	811,314	-	811,314	919,738
Total expenses	25,465,923	-	25,465,923	24,166,187
Change in net assets	186,294	(744,130)	(557,836)	(337,903)
Net assets, beginning of year	2,580,517	6,436,616	9,017,133	9,355,036
Net assets, end of year	\$ 2,766,811	\$ 5,692,486	\$ 8,459,297	\$ 9,017,133

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

FAITH FAMILY KIDS, INC.
Statements of Cash Flows
For the years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ (557,836)	\$ (337,903)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,089,713	945,664
Amortization expense	63,626	90,377
Decrease in funds due from grantor agencies	572,860	109,995
Increase in other receivables	(464)	-
Increase in other current assets	(9,645)	-
Increase (decrease) in accounts payable	5,549	(496,710)
Increase (decrease) in accrued liabilities	(77,476)	358,586
Decrease in accrued expenses	(812)	(866)
Increase in due to student groups	22,499	14,985
Net cash provided by operating activities	<u>1,108,014</u>	<u>684,128</u>
<i>Cash flows from investing activities</i>		
Proceeds from the sale of depreciable assets	1,000	-
Payments for depreciable assets	<u>(1,711,600)</u>	<u>(2,357,823)</u>
Net cash used by investing activities	<u>(1,710,600)</u>	<u>(2,357,823)</u>
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	-	636,138
Payments of long-term debt	<u>(658,451)</u>	<u>(2,326,881)</u>
Net cash used by financing activities	<u>(658,451)</u>	<u>(1,690,743)</u>
Net decrease in cash and cash equivalents	(1,261,037)	(3,364,438)
Cash and cash equivalents at beginning of year	<u>5,505,664</u>	<u>8,870,102</u>
Cash and cash equivalents at end of year	<u>\$ 4,244,627</u>	<u>\$ 5,505,664</u>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the year for:		
Interest	<u>\$ 748,500</u>	<u>\$ 830,227</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Faith Family Kids, Inc. (the “Charter Holder” or the “School”) is governed by a Board of Directors comprised of three members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions and is responsible for the fiscal affairs of the Charter Holder as well as its two campuses.

Nature of activities

In March 1998, the State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program approved by the State Board of Education and the terms of the charter application Contract for Charter, Faith Family Academy of Oak Cliff and Waxahachie Faith Family Academy were opened. Faith Family Kids, Inc. is the administrative vehicle that provides administrative and operational support to both Charter Schools. Faith Family Academy of Oak Cliff and Waxahachie Faith Family Academy were organized to provide educational services to students in grades Pre-K through 12th Grade and the Charter Holder’s Board of Directors governs their programs, services, activities, and functions.

Prior to the fiscal year-ended August 31, 2015 separate charters for the Oak Cliff and Waxahachie campuses were held by the Charter Holder. During the fiscal year ended August 31, 2015, the Oak Cliff charter was revoked pursuant to Texas Education Code §12.115(c). As a result, the Charter Holder petitioned, and the Texas Education Agency (“TEA”) granted, a plan to consolidate the Oak Cliff and Waxahachie campuses to enable the uninterrupted operation of both campuses under the Waxahachie charter. Effective September 1, 2015, all assets, liabilities, fund balances, revenues, and expenditures for both campuses are recorded on the books of the Waxahachie charter.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Financial Statement Presentation

The School is required by accounting principles generally accepted in the United States of America to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as defined below:

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Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the School. Unrestricted net assets may be designated for specific purpose by action of the Board of Directors. At August 31, 2017 and 2016, the School’s unrestricted net assets were \$2,757,734 and \$2,580,517.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the School and/or the passage of time. This classification includes contributions, underwriting, and unconditional promises to give for which the ultimate purposes of the proceeds are not permanently restricted. At August 31, 2017 and 2016, the School’s temporarily restricted net assets were \$5,701,563 and \$6,436,616.

Permanently restricted net assets – These are resources that are subject to donor-restrictions requiring that principal be held in perpetuity and any income thereon be used by the School. The School did not have any permanently restricted net assets as of August 31, 2017.

In addition, the School is required by Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (“ASC”) Topic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*, to present statements of activities and cash flows.

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

Revenue Recognition

Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. State and federal grant revenues are recognized when services are rendered. State Foundation School Program revenues are recognized based on the reported student attendance. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time.

Standard Financial Accounting System

For all federal and state programs, the School used the net asset classes and codes specified by the TEA in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

Contributions

The School accounts for contributions in accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities-Revenue Recognition*. In accordance with FASB ASC Topic 958-605, contributions

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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.

Contributed Services

The School recognizes contributed services at their fair value if the services provide value to the School and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC Topic 958-605. During the fiscal year ended August 31, 2017, the School did not receive any services that would meet the criteria for recognition in the financial statements as prescribed in FASB ASC 958-605.

Cash and Cash Equivalents

The School considers all monies in banks and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. At August 31, 2017 and 2016, the School had unrestricted cash equivalents of \$2,978,119 and \$4,239,545.

Property and Equipment

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 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 lives of assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense 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.

Income Taxes

The School is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, income taxes are not provided for in the accompanying financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

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The School applies the provisions of FASB ASC 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 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The 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. The School's Federal income tax returns for years ending August 31, 2014 through August 31, 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the School's financial statements are related to the School's estimate of revenue and receivable for the Foundation School Program, depreciation expense and the functional allocation of expenses.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the School's 2021 annual financial statements. Management is currently evaluating the impact this update will have on the School's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958), which amended the requirements for financial statements and notes for not-for-profit entities in order to improve the usefulness of information provided and reduce the complexities or costs for preparers or users of financial statements. This update will be effective for the Organization's 2019 financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

FAITH FAMILY KIDS, INC.
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YEARS ENDED AUGUST 31, 2017 AND 2016

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update provided clarified guidance on certain cash flow classification issues, and will be effective for the Organization's 2020 financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

2. CONCENTRATION OF CREDIT AND BUSINESS RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover its deposits. The School maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. Balances in interest bearing accounts at the banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank. The combined carrying amount of the School's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in investments) were \$4,244,627 and \$5,505,664, and the bank balance was \$4,559,586 and \$5,771,782 as of August 31, 2017 and 2016.

The School's deposits at its bank included the sum of \$4,559,586, which were fully collateralized by pledged securities from the financial institution's investment portfolio. Management believes that such credit risk exposure was mitigated by the financial strength of the banking institution in which the deposits were held, and the securities pledged by the institution.

The State of Texas and Federal Government provided a total of 99.3% and 99.2% of the School's total revenues for the years ended August 31, 2017 and August 31, 2016 of which 86.3% and 86.2% were provided by the State of Texas. For the years ended August 31, 2017 and 2016, 94.8% and 97.8% of the total state funding, or 81.9% and 84.3% of total revenue, consists of Foundation School Program ("FSP") income, respectively. Cash and cash equivalents reported in the statement of financial position is different from the cash and cash equivalents at banks due to outstanding checks and similar reconciling items.

FAITH FAMILY KIDS, INC.
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NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

3. DUE FROM TEXAS EDUCATION AGENCY

As of August 31, 2017 and 2016, the School had earned the following revenues which were not received until after year end:

	2017	2016
State Foundation Program	\$ 893,005	\$ 1,375,785
State Available School Fund Program	18,087	44,907
ESEA Title I Part A - Improving Basic Programs	7,373	77,129
IDEA - Part B, Formula & Preschool	-	20,991
Child Nutrition Program	56,259	51,053
Title II Part A - Teacher and Principal Training	31,082	43,881
Career and Technology Grant	-	2,395
Title III Part A - English Language Acquisition	40,614	4,690
Other State Grants	3,792	2,241
Total	\$ <u>1,050,212</u>	\$ <u>1,623,072</u>

4. PROPERTY AND EQUIPMENT

Capital assets acquired with public funds received by the School for the operation of Waxahachie charter constitutes public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Depreciation expense for the period ended August 31, 2017 and 2016 totaled \$1,089,713 and \$945,664 respectively, and are included in plant maintenance and operations on the statement of activities.

Property and equipment at August 31, 2017 and 2016 were as follows:

	2017	2016
Land	\$ 1,598,259	\$ 1,507,393
Construction in progress	6,273	6,273
Buildings and improvements	21,730,475	20,259,839
Vehicles	853,567	774,682
Equipment	840,277	770,064
Total property and equipment	<u>25,028,851</u>	<u>23,318,251</u>
Less: Accumulated depreciation	<u>8,165,854</u>	<u>7,076,141</u>
Property and equipment, net	\$ <u>16,862,997</u>	\$ <u>16,242,110</u>

FAITH FAMILY KIDS, INC.
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NOTES TO THE FINANCIAL STATEMENTS
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5. CONTINGENT LIABILITIES

The School participates in numerous programs that are subject to audit by the TEA and various federal audit agencies. These programs have complex compliance requirements, and should state or federal auditors find areas of substantial noncompliance, those funds may be subject to refund if so determined by administrative audit review.

6. NOTES PAYABLE

The Charter Holder's loan activity during the year ended August 31, 2017 was as follows:

<u>Lender</u>	<u>Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Wells Fargo	77 Passenger Bus	4.89%	2018	\$ 25,884	\$ -	\$ 25,884	\$ -
Wells Fargo	77 Passenger Bus	4.86%	2020	60,305	-	60,305	-
Wells Fargo	Maintenance Truck	4.79%	2020	<u>42,658</u>	-	<u>42,658</u>	-
				\$ <u>128,847</u>	\$ -	\$ <u>128,847</u>	\$ -

7. BONDS PAYABLE

The School had two outstanding bond issues (Series 2006A and 2006B) which were issued on July 20, 2006 through the Bank of New York. The proceeds of these bonds were used to purchase, repair, and renovate certain buildings used for instructional and administrative purposes at both Faith Family Academy campuses. The bonds are secured by a deed of trust against those properties. The Series 2006B bond issue matured August 31, 2016. Amortization expense for the period ended August 31, 2017 and 2016 totaled \$63,626 and \$90,377 respectively, and are included in interest expense on the Statement of Activities.

The School's activity for the remaining Series 2006A bond issue during the year ended August 31, 2017 was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Series 2006A	4.75% - 5.125%	2015-2036	\$14,075,000	\$ -	\$ 390,000	\$13,685,000
Less: Deferred charges						<u>(1,264,315)</u>
Net Bonds Payable						<u>\$12,420,685</u>

FAITH FAMILY KIDS, INC.
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Future maturities on bonds payable at August 31, 2017 are as follows:

<u>Year ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2018	\$ 410,000	\$ 710,631	\$ 1,120,631
2019	430,000	690,131	1,120,131
2020	450,000	668,631	1,118,631
2021	470,000	646,131	1,116,131
2022	495,000	622,631	1,117,631
2023-2027	2,885,000	2,705,214	5,590,214
2028-2032	3,725,000	1,872,144	5,597,144
2033-2036	<u>4,820,000</u>	<u>730,020</u>	<u>5,550,020</u>
	<u>\$ 13,685,000</u>	<u>\$ 8,645,533</u>	<u>\$ 22,330,533</u>

All scheduled debt payments were made in a timely manner and the Charter Holder is in compliance with all debt covenants as of August 31, 2017.

8. CAPITAL LEASES

In 2016 the School entered into a capital lease for portable classrooms. Future minimum lease payments under the capital leases are as follows:

Year ending August 31,		
2018	\$	144,814
2019		150,219
2020		129,458
Total minimum lease payment		<u>424,491</u>
Less: Current portion		<u>(144,814)</u>
Long-term portion	\$	<u>279,677</u>

The following assets are subject to the above capital leases whereby the School recognized an asset and a liability upon contract inception:

Buildings and improvements	\$	799,436
Less: Accumulated depreciation		<u>(57,103)</u>
Net assets under capital lease	\$	<u>742,333</u>

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

9. OPERATING LEASES

The School leases office equipment under non-cancellable operating leases that expire between June of 2016 and November of 2020.

Estimated future minimum lease payments on non-cancellable operating leases at August 31, are as follows:

	2018	\$	81,199
	2019		62,315
	2020		17,325
	2021		2,922
Total minimum lease commitments under noncancellable operating leases		\$	163,761
Total rent expense during 2017		\$	344,849
Total rent expense during 2016		\$	359,319

10. TEMPORARILY RESTRICTED NET ASSETS

As required by House Bill 6, 77th Legislative Session, all Foundation School Programs and other state aid received after September 1, 2001 by the School is considered temporarily restricted funds to be held in trust by the School for the benefit of the students of the School's charter schools. As of August 31, 2017 and 2016, the School had temporarily restricted net assets of \$5,701,563 and \$6,436,616, respectively. For the years ended August 31, 2017 and August 31, 2016, net assets of \$25,465,923 and \$24,166,187 were released from TEA restrictions by satisfying restrictions.

11. STATE FOUNDATION PROGRAM REVENUE

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 weeks reporting period, and at the close of the year, actual attendance is calculated by the TEA and the reports are subject to audit by the TEA. The final State foundation program earnings may be adjusted as a result of any such audit. A reconciliation of cash paid to revenue recognized for the periods ended August 31, 2017 and 2016, is as follows:

	2017		2016
Cash paid during fiscal year	\$ 20,880,553	\$	19,786,322
Revenue accrued at year-end	893,005		1,375,785
Revenue accrued in prior year	(1,375,785)		(1,083,660)
Revenue recognized during current year	\$ 20,397,773	\$	20,078,447

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

12. HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the Charter Holder were covered by a private health insurance plan (the “Plan”). The Charter Holder contributed \$150 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.

13. PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (the “System” or “TRS”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School, but are the liability of the State of Texas. The System administers retirement and disability annuities, and death and survivor benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the System’s Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the System’s Communications Department at 1-800-223-8778, or by downloading the report from the System’s Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

The risk of participating in this multiemployer defined benefit pension plan is different from a single-employer plan because: (a) the School is a legally separate entity from the State of Texas, (b) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (c) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (d) if an entity chooses to stop participating in the multiemployer plan, there is no withdrawal liability to the plan. The School has no plans to withdraw from its multiemployer plan.

The following present information about the School’s multiemployer pension plan as of August 31, 2017, and for the year ended August 31, 2017:

<u>Name of Pension Fund</u>	<u>EIN and Plan Number</u>	<u>Total Plan Assets</u>		<u>Accumulated Benefit</u>		<u>% funded</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
TRS	N/A	\$165,379,342	\$152,925,647	\$179,336,535	\$171,797,150	82.17%	78.00%

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

The following presents information about the School's involvement of such multiemployer pension plan for the year ended August 31, 2017:

<u>Collective</u> <u>Bargaining</u> <u>Agreement</u>	<u>School's</u> <u>Contributions</u>	<u>More than 5%</u> <u>of Total</u> <u>Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge</u> <u>Imposed</u>
N/A	\$9,332	No	N/A	No

Funding policy

Under provisions in State law, TRS plan members are required to contribute 6.70% of their annual covered salary for retirement. Effective September 1, 2014, the school was required to contribute 1.50% of all TRS-covered employees' salaries who does not contribute to Social Security. None of the school's TRS-covered employees contribute to Social Security. For the fiscal year ended August 31, 2017, the School's employees contributed a total of \$1,200,948 and \$101,378 to TRS for retirement and TRS Care.

Under provisions in the State of Texas law, the School is required to pay a 0.55% administrative TRS entity fee, an entity payment of 1.5% for Non-OASDI members for covered salary and a 6.8% administrative TRS new member fee for the first three (3) months for each new TRS member working at the school. The School total administrative fee to the TRS was \$85,783, \$233,902 and \$70,968 for TRS Entity Fee, TRS Entity Payment for Non-OASDI Members, and TRS New Member Fee, respectively.

For payroll covered by federal government funded grants, the School is required to contribute to the defined benefit plan matching contribution amount of 6.80% to TRS Retirement and 1% for TRS Care for the charter school's covered payroll. The employer's contributions made to the TRS Retirement and TRS Care were \$78,805 and \$11,963 for the year ended August 31, 2017.

15. BUDGET AMENDMENTS

Prior to the beginning of each school year, The School prepares and submits its annual budget for the next fiscal year. However, due to the significant inflows and outflows of students from the programs, the budget must be amended on a regular basis. This has resulted in the significant variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

Function 35 (Food Service) contained an unfavorable variance of \$208,122 from budget. The variance was primarily due to the receipt of less than budgeted funds from the U.S. Department of Agriculture for the free and reduced lunch program. Management has taken steps to ensure that future related budgets are amended on a frequent basis to reflect changes in actual and budgeted amounts.

SUPPLEMENTARY INFORMATION

Schedule IV

FAITH FAMILY KIDS, INC.

Schedule of Expenses

For the years ended August 31, 2017 and 2016

<i>Expenses</i>		<u>2017</u>	<u>2016</u>
6100	<i>Payroll costs</i>	\$ 17,236,802	\$ 17,060,627
6200	<i>Professional and contracted service</i>	3,442,123	2,575,697
6300	<i>Supplies and materials</i>	2,295,696	2,267,515
6400	<i>Other operating costs</i>	1,675,870	1,342,610
6500	<i>Debt</i>	815,432	919,738
	<i>Total expenses</i>	<u>\$ 25,465,923</u>	<u>\$ 24,166,187</u>

FAITH FAMILY KIDS, INC.
Schedule of Capital Assets
As of August 31, 2017

	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1510 Land and improvements	\$ -	\$ 1,598,259	\$ -	\$ 1,598,259
1520 Buildings and improvements	-	21,689,160	41,315	21,730,475
1541 Vehicles	-	853,567	-	853,567
1549 Furniture and equipment	-	387,329	452,948	840,277
1580 Construction in progress	-	6,273	-	6,273
<i>Total property and equipment</i>	<u>\$ -</u>	<u>\$ 24,534,588</u>	<u>\$ 494,263</u>	<u>\$ 25,028,851</u>

FAITH FAMILY KIDS, INC.
Budgetary Comparison Schedule
For the year ended August 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
<i>Local support</i>				
5740 Other revenues - local sources	\$ 25,775	\$ 44,771	\$ 57,115	\$ 12,344
5750 Revenue from co-curricular or enterprising	<u>131,700</u>	<u>113,500</u>	<u>120,103</u>	<u>6,603</u>
Total local support	<u>157,475</u>	<u>158,271</u>	<u>177,218</u>	<u>18,947</u>
<i>State program revenues</i>				
5811 Available school fund	898,147	899,862	869,872	(29,990)
5812 Foundation school program	19,921,116	20,623,753	20,397,773	(225,980)
5820 State program revenues distributed by the TEA	<u>262,270</u>	<u>362,538</u>	<u>247,012</u>	<u>(115,526)</u>
Total state program revenues	<u>21,081,533</u>	<u>21,886,153</u>	<u>21,514,657</u>	<u>(371,496)</u>
<i>Federal program revenues</i>				
5920 Federal revenues distributed by the TEA	<u>3,498,235</u>	<u>3,254,528</u>	<u>3,216,212</u>	<u>(38,316)</u>
Total federal program revenues	<u>3,498,235</u>	<u>3,254,528</u>	<u>3,216,212</u>	<u>(38,316)</u>
Total revenues	<u>24,737,243</u>	<u>25,298,952</u>	<u>24,908,087</u>	<u>(390,865)</u>
Expenses				
11 Instruction	12,011,215	12,673,336	13,189,798	(516,462)
12 Instructional resources and media services	155,955	155,955	143,721	12,234
13 Curriculum and instructional staff development	316,695	536,268	537,756	(1,488)
21 Instructional leadership	548,363	328,363	295,918	32,445
23 School leadership	989,326	1,089,326	1,163,936	(74,610)
31 Guidance, counseling and evaluation services	319,696	258,506	244,328	14,178
33 Health services	208,292	208,292	208,598	(306)
34 Student (pupil) transportation	305,500	278,000	188,878	89,122
35 Food service	1,978,650	1,562,708	1,770,830	(208,122)
36 Cocurricular/extracurricular activities	214,650	192,150	167,694	24,456
41 General administration	1,881,537	1,881,537	1,762,349	119,188
51 Plant maintenance and operations	3,405,760	3,199,360	3,397,048	(197,688)
52 Security and monitoring services	298,715	373,714	405,911	(32,197)
53 Data processing services	513,098	533,098	530,501	2,597
61 Community services	469,660	731,954	647,343	84,611
71 Interest expense	<u>1,120,131</u>	<u>1,120,131</u>	<u>811,314</u>	<u>308,817</u>
Total expenses	<u>24,737,243</u>	<u>25,122,698</u>	<u>25,465,923</u>	<u>(343,225)</u>
Change in net assets	<u>-</u>	<u>176,254</u>	<u>(557,836)</u>	<u>(734,090)</u>
Net assets, beginning of year	<u>9,017,133</u>	<u>9,017,133</u>	<u>9,017,133</u>	<u>-</u>
Net assets, end of year	<u>\$ 9,017,133</u>	<u>\$ 9,193,387</u>	<u>\$ 8,459,297</u>	<u>\$ (734,090)</u>

SINGLE AUDIT SECTION

FAITH FAMILY KIDS, INC.
Schedule of Expenditures of Federal Awards
August 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Pass-through programs from:</i>			
<i>Texas Education Agency</i>			
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	<i>84.01</i>	<i>16610101070801</i>	<i>\$ 1,095,121</i>
<i>IDEA - Part B, Formula</i>	<i>84.027</i>	<i>166600010708016000</i>	<i>397,975</i>
<i>IDEA - Part B, Preschool</i>	<i>84.173</i>	<i>166610010708016000</i>	<i>2,116</i>
<i>Summer School LEP</i>	<i>84.369</i>	<i>69551102</i>	<i>4,660</i>
<i>ESEA, Title III, Part A - English Language Acquisition</i>	<i>84.365</i>	<i>16671001070801</i>	<i>131,847</i>
<i>ESEA, Title II, Part A - Teacher and Principal Training</i>	<i>84.367</i>	<i>16694501070801</i>	<i>143,532</i>
<i>Carl D. Perkins - Career and Technology Grant</i>	<i>84.048</i>	<i>16420006070801</i>	<i>35,652</i>
<i>Total Passed Through Texas Education Agency</i>			<u><i>1,810,903</i></u>
Total U.S. Department of Education			<u>1,810,903</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through programs from:</i>			
<i>Texas Education Agency</i>			
<i>National School Breakfast Program</i>	<i>10.553</i>	<i>71401201</i>	<i>459,258</i>
<i>National School Lunch Program</i>	<i>10.555</i>	<i>71301201</i>	<i>946,051</i>
<i>Total Passed Through Texas Education Agency</i>			<u><i>1,405,309</i></u>
Total U.S. Department of Agriculture			<u>1,405,309</u>
Total Federal Awards			<u>\$ 3,216,212</u>

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activities of the School under programs of the federal government for the year ended August 31, 2017. 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"). Because the Schedule present only a selected portion of the operation of the School, they are not intended to and do not present the financial position, changes in net assets, and cash flows of the School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. RELATIONSHIP TO FINANCIAL REPORT SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals which will be included in the next report filed with the agencies, matching requirements not included in the Schedules and different program year ends.

4. ELECTION TO USE 10% DE MINIMIS INDIRECT COST RATE

The charter school has elected not to use the 10% de minimis indirect cost rate allowed under uniform guidance.

5. COMMITMENTS AND CONTINGENCIES

Federal grants received by the School are subject to review and audit by grantor agencies. The School's management believes that the results of such audits will not have a material effect on the Schedule.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Faith Family Kids, Inc.

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 Faith Family Kids, Inc. (the “Organization”), a nonprofit organization, which comprise the statement of financial position as of August 31, 2017, and the related statement 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 December 15, 2017 which contained an unmodified opinion on these financial statements.

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Texas
December 15, 2017



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors of
Faith Family Kids, Inc.

Report on Compliance for Each Major Federal Program

We have audited Faith Family Kids, Inc.’s (the “Organization”) 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 the Organization’s major federal programs for the year ended August 31, 2017. The Organization’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 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 Organization’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 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 Organization’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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2017.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 the Organization'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. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Organization as of and for the year ended August 31, 2017, and have issued our report thereon dated December 15, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.



Houston, Texas
December 15, 2017

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

- | | | |
|----|--|------------|
| 1. | Type of auditor’s report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a) Material weaknesses identified? | No |
| | b) Significant deficiencies identified which are not considered to be material weaknesses? | No |
| | c) Noncompliance material to the financial statements noted? | No |

Federal Awards Section

- | | | |
|----|--|------------|
| 1. | Internal control over major programs: | |
| | a) Material weaknesses identified? | No |
| | b) Significant deficiencies identified which are not considered to be material weaknesses? | No |
| 2. | Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed, which are required to be reported in accordance with 2 CFR section 200.6.516(a)? | No |
| 4. | Identification of major programs: | |

Federal - CFDA Number	Name of Federal Program/Cluster
10.553	National School Breakfast Program
10.555	National School Lunch Program

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between Type A and Type B federal programs: | \$750,000 |
| 6. | Auditee qualified as a low-risk auditee under 2 CFR section 200.520? | Yes |

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

PART II: FINDINGS – FINANCIAL STATEMENT

None reported.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

None reported.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

PART IV: STATUS OF PRIOR YEAR FINDINGS

None reported