

Faith Family Kids, Inc.
(A Texas Nonprofit Organization)
Annual Financial and Compliance Audit
Years Ended August 31, 2020 and 2019

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
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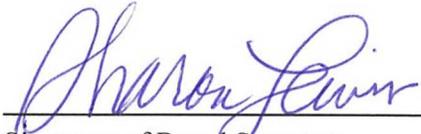
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Faith Family Kids, Inc.

(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, 2020, at a meeting of the governing body of the charter holder on the 16th day of December, 2020.



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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 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.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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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 is 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 7, 2020, 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 7, 2020

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2020 and 2019

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ 5,701,214	\$ 4,676,702
Restricted cash - debt service reserve	1,280,066	1,276,027
Due from grantor agencies	4,723,455	1,933,091
Other receivables	61,430	10,184
Other assets	-	12,488
Total current assets	<u>11,766,165</u>	<u>7,908,492</u>
Noncurrent assets		
Deferred charges	\$ 1,073,440	\$ 1,137,065
Property and equipment, net	17,823,380	15,706,228
Total noncurrent assets	<u>18,896,820</u>	<u>16,843,293</u>
TOTAL ASSETS	<u>\$ 30,662,985</u>	<u>\$ 24,751,785</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 23,708	\$ -
Accrued salaries payable	977,546	901,294
Accrued payable	254,374	171,897
Accrued interest expenses	28,755	28,755
Due to student groups	38,491	36,604
Capital lease payable - current portion	117,368	116,688
Notes payable - current portion	19,120	18,063
Bonds payable - current portion	470,000	450,000
Total current liabilities	<u>1,929,362</u>	<u>1,723,301</u>
Long-term liabilities		
Capital lease payable - less current portion	335,624	-
Notes payable - less current portion	62,143	81,263
Bonds payable - less current portion	11,925,000	12,395,000
Total long-term liabilities	<u>12,322,767</u>	<u>12,476,263</u>
TOTAL LIABILITIES	<u>14,252,129</u>	<u>14,199,564</u>
Net assets		
Without donor restrictions	4,000,145	3,531,849
With donor restrictions	12,410,711	7,020,372
TOTAL NET ASSETS	<u>16,410,856</u>	<u>10,552,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,662,985</u>	<u>\$ 24,751,785</u>

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
STATEMENTS OF ACTIVITIES
(With comparative totals for the year ended August 31, 2019)
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 294,647	\$ -	\$ 294,647	\$ 222,062
5750 Revenue from co-curricular or enterprising	173,649	-	173,649	206,626
Total local support	468,296	-	468,296	428,688
State program revenues:				
5811 Available school fund	-	854,466	854,466	1,091,254
5812 Foundation school program	-	27,829,603	27,829,603	23,570,213
5820 State program revenues distributed by the TEA	-	564,094	564,094	255,296
Total state program revenues	-	29,248,163	29,248,163	24,916,763
Federal program revenues:				
5920 Federal revenues distributed by the TEA	-	5,514,051	5,514,051	4,099,382
5949 Other federal revenues	-	3,892,700	3,892,700	-
Total federal program revenues	-	9,406,751	9,406,751	4,099,382
Net assets released from restrictions	33,264,575	(33,264,575)	-	-
TOTAL REVENUES	33,732,871	5,390,339	39,123,210	29,444,833
EXPENSES				
Program services:				
Instruction and Instructional-Related Services	18,807,151	-	18,807,151	15,946,506
Instructional and School Leadership	1,755,335	-	1,755,335	1,513,476
Support services:				
Administrative Support Services	2,338,963	-	2,338,963	1,760,297
Ancillary Services	763,419	-	763,419	762,448
Support Services-Non-Student Based	5,389,123	-	5,389,123	4,593,448
Support Services-Student (Pupil)	3,425,624	-	3,425,624	2,921,932
Community Services	784,960	-	784,960	574,914
TOTAL EXPENSES	33,264,575	-	33,264,575	28,073,021
Change in net assets	468,296	5,390,339	5,858,635	1,371,812
Net assets, beginning of year	3,531,849	7,020,372	10,552,221	9,180,409
NET ASSETS, END OF YEAR	\$ 4,000,145	\$ 12,410,711	\$ 16,410,856	\$ 10,552,221

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Program Services			Supporting Services						Total Expenditures
	Instruction & Instructional-Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Community services	Debt Service	Total Support Services	
EXPENSES:										
Salaries and wages	\$ 13,589,937	\$ 1,631,290	\$ 15,221,227	\$ 1,485,651	\$ 2,206,631	\$ 1,748,136	\$ 47,887	\$ -	\$ 5,488,305	\$ 20,709,532
Benefits	1,352,820	122,800	1,475,620	150,955	167,672	174,630	1,110	-	494,367	1,969,987
Total Payroll Expenses	14,942,757	1,754,090	16,696,847	1,636,606	2,374,303	1,922,766	48,997	-	5,982,672	22,679,519
Contract labor	1,440,799	1,050	1,441,849	218,391	1,483,265	74,434	718,245	-	2,494,335	3,936,184
Education Service Center	-	-	-	-	38,325	-	-	-	38,325	38,325
Rent expense	311,703	-	311,703	-	-	6,800	-	-	6,800	318,503
Miscellaneous Contracted Services	-	-	-	-	11,363	1,545	-	-	12,908	12,908
Fuel	-	-	-	-	-	29,105	-	-	29,105	29,105
Food	-	-	-	-	-	899,829	-	-	899,829	899,829
Supplies	1,646,721	-	1,646,721	40,235	439,418	294,479	10,506	-	784,638	2,431,359
Travel	148,068	195	148,263	56,700	36,863	133,875	-	-	227,438	375,701
Insurance and bonding	26,217	-	26,217	218,400	-	-	-	-	218,400	244,617
Interest expense	-	-	-	-	-	-	-	763,419	763,419	763,419
Depreciation	103,586	-	103,586	26,014	978,064	21,468	-	-	1,025,546	1,129,132
Other	187,300	-	187,300	142,617	27,522	41,323	7,212	-	218,674	405,974
Total Non-payroll Expenses	3,864,394	1,245	3,865,639	702,357	3,014,820	1,502,858	735,963	763,419	6,719,417	10,585,056
TOTAL EXPENSES	<u>\$ 18,807,151</u>	<u>\$ 1,755,335</u>	<u>\$ 20,562,486</u>	<u>\$ 2,338,963</u>	<u>\$ 5,389,123</u>	<u>\$ 3,425,624</u>	<u>\$ 784,960</u>	<u>\$ 763,419</u>	<u>\$ 12,702,089</u>	<u>\$ 33,264,575</u>

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Program Services			Supporting Services						Total Expenditures
	Instruction & Instructional-Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Community services	Debt Service	Total Support Services	
EXPENSES:										
Salaries and wages	\$ 11,609,537	\$ 1,406,535	\$ 13,016,072	\$ 1,055,883	\$ 1,869,450	\$ 1,498,242	\$ 40,017	\$ -	\$ 4,463,592	\$ 17,479,664
Benefits	891,081	71,087	962,168	69,989	134,481	151,946	5,187	-	361,603	1,323,771
Total Payroll Expenses	12,500,618	1,477,622	13,978,240	1,125,872	2,003,931	1,650,188	45,204	-	4,825,195	18,803,435
Contract labor	1,509,042	35,854	1,544,896	196,732	1,329,960	195,321	519,016	-	2,241,029	3,785,925
Education Service Center	-	-	-	-	37,570	-	-	-	37,570	37,570
Rent expense	325,867	-	325,867	-	-	2,412	-	-	2,412	328,279
Fuel	-	-	-	-	-	27,261	-	-	27,261	27,261
Instructional materials	3,659	-	3,659	-	-	-	-	-	-	3,659
Food	-	-	-	-	-	673,576	-	-	673,576	673,576
Supplies	1,362,744	-	1,362,744	70,372	242,244	195,008	5,876	-	513,500	1,876,244
Travel	112,407	-	112,407	30,644	38,354	85,726	-	-	154,724	267,131
Insurance and bonding	20,828	-	20,828	176,981	-	-	-	-	176,981	197,809
Interest expense	-	-	-	-	-	-	-	762,448	762,448	762,448
Depreciation	1,950	-	1,950	66,930	914,929	63,987	-	-	1,045,846	1,047,796
Other	109,391	-	109,391	92,766	26,460	28,453	4,818	-	152,497	261,888
Total Non-payroll Expenses	3,445,888	35,854	3,481,742	634,425	2,589,517	1,271,744	529,710	762,448	5,787,844	9,269,586
TOTAL EXPENSES	<u>\$ 15,946,506</u>	<u>\$ 1,513,476</u>	<u>\$ 17,459,982</u>	<u>\$ 1,760,297</u>	<u>\$ 4,593,448</u>	<u>\$ 2,921,932</u>	<u>\$ 574,914</u>	<u>\$ 762,448</u>	<u>\$ 10,613,039</u>	<u>\$ 28,073,021</u>

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
State grant receipts	\$ 26,457,799	\$ 24,454,934
Federal grant receipts	9,406,751	4,099,382
Receipts from miscellaneous sources	429,538	423,109
Payments to vendors for goods and services rendered	(4,305,920)	(4,151,774)
Payments to charter school personnel for services rendered	(26,881,780)	(21,990,908)
Payments on long-term debt for interest expense	(699,794)	(698,823)
Net cash provided by operating activities	4,406,594	2,135,920
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of capital assets	(3,246,284)	(430,992)
Net cash used in investing activities	(3,246,284)	(430,992)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from financial institution	500,000	100,000
Repayment on long-term debt	(631,759)	(581,353)
Net cash provided (used) in financing activities	(131,759)	(481,353)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,028,551	1,223,575
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,952,729	4,729,154
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,981,280	\$ 5,952,729
RECONCILIATION TO THE STATEMENTS OF FINANCIAL POSITIONS		
Cash and cash equivalents	5,701,214	4,676,702
Restricted cash - debt service reserve	1,280,066	1,276,027
Total cash and cash equivalents	\$ 6,981,280	\$ 5,952,729
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 5,858,635	\$ 1,371,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,129,132	1,047,796
Amortization-bond costs	63,625	63,625
Changes in operating assets and liabilities:		
Due from grantor agencies	(2,790,364)	(461,829)
Accounts receivable	(51,246)	-
Other assets	12,488	(5,579)
Accrual payable	106,185	150,829
Accrued salaries payable	76,252	15,236
Due to student groups	1,887	(45,970)
Total adjustments	(1,452,041)	764,108
Net cash provided by operating activities	\$ 4,406,594	\$ 2,135,920
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid during the fiscal year	\$ 699,794	\$ 698,823

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

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 four 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. The charter holder only operates a single charter school and does not conduct any other charter or non-charter activities.

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), Waxahachie Faith Family Academy was opened. Faith Family Kids, Inc. is the administrative vehicle that provides administrative and operational support to the Charter School. Waxahachie Faith Family was 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.

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

Net assets without donor restrictions– Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net assets with donor restrictions– Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

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 Texas Education Agency's ("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 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, 2020, 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, 2020 and 2019, the School had unrestricted cash equivalents of \$5,701,214 and \$4,676,702.

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.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

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.

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, 2017 through August 31, 2019 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.

Liquidity and Availability of Financial Assets

The School has \$11,766,165 and \$7,908,492 of financial assets available within one year of the financial position date to meet cash needs for general operating expenditures, consisting of cash of \$5,701,214 and \$4,676,702, and grants receivable of \$4,723,455 and \$1,933,091 as of August 31, 2020 and 2019. The School also maintains restricted cash of \$1,280,066 and \$1,276,027 for debt service as of August 31, 2020 and 2019.

As part of the Schools’ liquidity management, the school structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

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.

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 \$6,981,280 and \$5,952,729, and the bank balance was \$6,025,199 and \$6,246,675 as of August 31, 2020 and 2019.

The School's deposits at its bank included the sum of \$6,025,199, 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 98.8% and 98.5% of the School's total revenues for the years ended August 31, 2020 and 2019 of which 74.8% and 84.6% were provided by the State of Texas. For the years ended August 31, 2020 and 2019, 95.1% and 94.6% of the total state funding, or 71.1% and 80.0% 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.

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3. DUE FROM TEXAS EDUCATION AGENCY

As of August 31, 2020 and 2019, the School had earned the following revenues which were not received until after year end:

Fund	2020	2019
State Foundation Program	\$ 2,954,945	\$ 1,531,466
State Available School Fund Program	132,520	32,740
ESEA, Title I, Part A - Improving Basic Programs	160,433	145,165
National School Breakfast and Lunch Program	63,597	96,392
ESEA, Title II, Part A, Teacher/Principal Training	3,102	37,224
IDEA - Part B, Formula	56,818	9,624
Title III, Part A - English Language Acquisition	5,641	13,287
Career and Technical - Basic Grant	-	6,101
ESEA, Title VI, Part B - Rural & Low Income Prog.	94,415	-
21st Century Community Learning Centers	38,590	51,435
ESSER Grant	896,987	-
Instructional Continuity	9,359	-
Title IV Part A, Subpart 1	5,251	5,666
Other State Grants	300,633	3,800
IDEA - Part B, Preschool	1,152	191
State Funded Special Revenue Funds	12	-
Total	<u>\$ 4,723,455</u>	<u>\$ 1,933,091</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 years ended August 31, 2020 and 2019 totaled \$1,129,132 and \$1,047,796 respectively.

Property and equipment at August 31, 2020 and 2019 were as follows:

	2020	2019
Land & Land Improvements	\$ 1,739,221	\$ 1,739,221
Buildings & Improvements	24,106,751	22,236,342
Construction In Progress	6,272	6,272
Furniture & Equipment	1,408,273	1,009,091
Vehicles	1,783,428	974,594
Total Property And Equipment	<u>29,043,945</u>	<u>25,965,520</u>
Less: Accumulated Depreciation	11,220,565	10,259,292
Property And Equipment, Net	<u>\$ 17,823,380</u>	<u>\$ 15,706,228</u>

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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. 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. Amortization expense for the period ended August 31, 2020 and 2019 totaled \$63,625 and \$63,625 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, 2020, was as follows:

	Interest Rate	Maturity Date	Beginning Balance	Additions	Repayments	Ending Balance
Series 2006A	4.75% - 5.125%	2015-2036	\$ 12,845,000	\$ -	\$ 450,000	\$ 12,395,000
Less: Deferred Charges			1,137,065		63,625	1,073,440
Net Bonds Payable Total			<u>\$ 11,707,935</u>	<u>\$ -</u>	<u>\$ 386,375</u>	<u>\$ 11,321,560</u>

Future maturities on bonds payable at August 31, 2020 are as follows:

Year ended August 31,	Principal	Interest	Total Requirements
2021	\$ 470,000	\$ 646,131	\$ 1,116,131
2022	495,000	622,631	1,117,631
2023	520,000	597,263	1,117,263
2024	550,000	570,613	1,120,613
2025	575,000	542,425	1,117,425
2026-2036	9,785,000	3,597,068	13,382,068
Total	<u>\$ 12,395,000</u>	<u>\$ 6,576,131</u>	<u>\$ 18,971,131</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, 2020.

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7. CAPITAL LEASES

In 2020 the School entered into a capital lease for vehicles. Future minimum lease payments under the capital leases are as follows:

Year ending August 31, 2020	\$ 452,992
Total Minimum Lease Payment	452,992
Less: Current Portion	117,368
Long-Term Portion	\$ 335,624

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

Vehicles	\$ 616,666
Less: Accumulated Depreciation	30,833
Net Assets Under Capital Lease	\$ 647,499

8. NOTES PAYABLE

The School entered into a loan agreement with Regions Bank on May 2, 2019. Loan payable activity for the year ended August 31, 2020 was as follows:

	Interest Rate	Maturity Date	Beginning Balance	Additions	Repayments	Ending Balance
Note payable	5.55%	5/2/2024	\$ 100,000	\$ -	\$ 18,737	\$ 81,263
Total			\$ 100,000	\$ -	\$ 18,737	\$ 81,263

Annual debt service requirements to maturity of the loan payable is as follows:

	Year ended August 31,	Principal	Interest		Total Requirements
	2021	\$ 19,120	\$ 3,878	\$	22,998
	2022	20,224	2,774		22,998
	2023	21,392	1,606		22,998
	2024	20,527	399		20,926
	Total	\$ 81,263	\$ 8,657	\$	89,920

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9. OPERATING LEASES

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

Estimated future minimum lease payments on non-cancellable operating leases at August 31, 2020, are as follows:

2021	\$ 3,390
Total Minimum Lease Commitments Under Noncancellable Operating Leases	\$ 3,390
 Total Rent Expense During 2020	 \$ 382,952
Total Rent Expense During 2019	\$ 424,610

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ending consisted of the following:

	2020	2019
Food Services	\$ 1,706,791	\$ 805,792
State Foundation Program	10,703,920	6,214,580
Total	\$ 12,410,711	\$ 7,020,372

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, 2020 and 2019, is as follows:

	2020	2019
Cash Received During Fiscal Year	\$ 26,304,083	\$ 23,262,127
Revenue Accrued At Year-End	3,087,465	1,561,945
Revenue Accrued In Prior Year	(1,561,945)	(1,253,859)
Revenue Recognized During Current Year	\$ 27,829,603	\$ 23,570,213

12. REVENUE FROM PAYCHECK PROTECTION PROGRAM PROCEEDS

On April 28, 2020, the School received Paycheck Protection Program (“PPP”) proceeds in the amount of \$3,892,700 from Regions Bank (“the Lender”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“the CARES Act”), provided for loans to qualifying organizations for

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amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are forgivable after the earlier of 24 weeks or submission of the forgiveness application (“the Eligibility Period”) provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and provided the organization maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the Eligibility Period. The unforgiven portion of the PPP loan, if any, is payable over two or five years at an interest rate of 1%, and payments are deferred until the SBA remits the forgiven portion to the lender.

The School utilized the proceeds for purposes consistent with the PPP requirements for forgiveness. Consequently, on August 26, 2020, the School submitted its application to the Lender for forgiveness of the PPP loan. On October 20, 2020, the Lender notified the School that it had completed its review and had submitted the forgiveness application to the Small Business Administration (“the SBA”) and that the SBA had confirmed receipt of the application. The SBA must complete its review of the application within 90 days of its receipt.

The School has accounted for its receipt of the PPP proceeds in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 958-605 Not-for-Profit Entities: Revenue Recognition as a conditional contribution. Consequently, the School recorded the initial receipt of the PPP proceeds as a refundable advance on the Statement of Financial Position, and recognized the proceeds in the Statement of Activities as federal program revenues, in accordance with ASC 958-605 and guidance from the TEA, as the School incurred costs for eligible purposes. As of August 31, 2020, the management believes that School had fully complied with the requirements of the PPP for forgiveness of the loan. Consequently, as of August 31, 2020 the PPP proceeds were fully realized in the Statement of Activities as federal program revenues.

13. HEALTH CARE COVERAGE

During the year ended August 31, 2020, employees of the Charter Holder were covered by a private health insurance plan (the “Plan”). The Charter Holder 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.

14. 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.

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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, 2020 and 2019 :

Name of Pension Fund	EIN and Plan Number	Total Plan Assets		Accumulated Benefits		% Funded	
		2020	2019	2020	2019	2020	2019
TRS	N/A	\$ 184,361,871	\$ 181,800,159	\$ 218,974,205	\$ 209,961,325	75.54%	75.24%

The following present's information about the School's involvement of such multi-employer pension plan for the years ended August 31, 2020 and 2019:

Collective Bargaining Agreement	School's Contributions		More than 5% of Total Contributions	FIP/RP Status	Surcharge Imposed
	2020	2019			
N/A	\$ 545,462	\$ 478,546	No	N/A	No

Funding policy

Under provisions in State law, TRS plan members are required to contribute 6.80% 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, 2020, the School's employees contributed a total of \$1,513,488 and \$127,763 to TRS for retirement and TRS Care. For the year ended August 31, 2019, the School's employees contributed a total of \$1,293,885 and \$109,223 to TRS for retirement and TRS Care.

Under provisions in the State of Texas law, the School is required to pay a 0.75% 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. For the year ended August 31, 2020, the School total administrative fee to TRS was \$147,418, \$294,935, and \$51,601 for TRS Entity Fee, TRS Entity Payment for Non-OASDI Members, and TRS New Member Fee, respectively. For the year ended August 31, 2019, the School total administrative fee to TRS was \$126,029, \$252,057, and \$38,294 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 7.50% to TRS Retirement and 1.25% for TRS Care for the charter school's covered payroll. The employer's contributions made to the TRS Retirement and TRS Care were \$133,062 and \$22,458 for the year ended August 31, 2020. The employer's contributions made to the TRS Retirement and TRS Care were \$90,045 and \$17,980 for the year ended August 31, 2019.

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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. Moreover, On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID- 19) as a pandemic, which resulted in the amendments of the budget as well. The significant variances between the original adopted budget and final amended budget has presented on the Budgetary Comparison Schedule.

Function 11 has a variance more than 10% due to implementation of HB3 mandates, CARES Act funds (Payroll Protection Program, ESSER), and move to virtual learning EOY 19-20 and BOY 20-21.

Function 13 has a variance more than 10% due to COVID-19, having to switch instruction to virtual for EOY 19-20 and BOY 20-21, materials and resources were needed.

Function 21 has a variance more than 10% due to implementation of HB3 mandates, CARES Act funds % (Payroll Protection Program, ESSER), and move to virtual learning EOY 19-20 and BOY 20-21.

Function 23 has a variance more than 10% due to increase in secondary enrollment, 2 additional administrators were added for the 19-20 school year.

Function 33 has a variance more than 10% due to implementation of HB3 mandates, CARES Act funds (Payroll Protection Program, ESSER), and move to virtual learning EOY 19-20 and BOY 20-21.

Function 34 has a variance more than 10% due to COVID-19, EOY 19-20 and BOY 20-21 school year were virtual therefore no student transportation needed.

Function 41 has a variance more than 10% due to COVID-19 expenses that were unplanned but necessary for ensuring protocols, plans, and procedures were followed with the increase in supports needed for re-opening of school.

Function 52 has a variance more than 10% due to COVID-19 and school closure with reduced staff.

Function 53 has a variance more than 10% due to COVID-19 and school closure.

Function 61 has a variance more than 10% due to COVID-19 and school closure fewer events held/attended.

Function 71 has a variance more than 10% due to capital leases for portables converted to a purchase from monthly lease.

16. RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID-19) as a pandemic. On March 13, 2020, The Governor of Texas (the "Governor) declared a state of disaster for all Texas counties in response to the Pandemic. On March 19, 2020, The Governor issues Executive Order GA08 which temporarily closed schools in the State of Texas. As a result, the School temporarily closed on March 23, 2020. Under the TEA guidance, the School was able to reopen on April 30, 2020 with remote/virtual instruction. This model was used to complete the 2019-2020 school year as of June 4th, 2020.

Due to the continuing uncertainties surrounding COVID-19, the TEA recommended all public and charter schools to delay in person school for the 2020-2021 school year should the Local Education Agency

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(“LEA”) choose to open while following all federal, state, and local guidelines including county restrictions. Schools were permitted to start before a date that the LEA determined was appropriate for the community it serves. Faith Family Academy has two campuses in two different counties, the restrictions were different for each. Each of the two campuses were able to open on August 3rd, 2020. The Waxahachie FFA campus was able to open on August 3rd, 2020 by providing in-person instruction and remote instruction/learning should families choose. The Oak Cliff FFA campus also opened on August 3rd, 2020, only providing remote instruction and learning per Dallas county guidelines. On September 28th, 2020, the Oak Cliff FFA campus opened its doors and began offering in-person instruction/learning to any students enrolled specifically targeting families of frontline workers, first responders, and any other essential personnel as deemed by the State. Remote instruction/learning was and is still occurring at both FFA campuses. Faith Family Academy continues to take proper actions to maintain the health and safety of the employees and students of the School as well as regular operations of the School.

As of October 1, 2020, the TEA announced that the minimum funding guarantee established for the pandemic would extent through the first half of the 2020-2021 school year. The TEA will address further funding adjustments for the second half of the school year by January 2021. As of the report date, no new information has been released by the TEA.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2020, the date the financial statements were available to be issued. No changes were made, or are necessary to be made, to the consolidated financial statements, as a result of this evaluation.

SUPPLEMENTARY INFORMATION

FAITH FAMILY KIDS, INC.
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2020 and 2019

Schedule IV

Expenses:	2020	2019
6100 Payroll costs	\$ 22,679,519	\$ 18,803,435
6200 Professional and contracted services	4,305,920	4,151,774
6300 Supplies and materials	3,360,293	2,580,740
6400 Other operating costs	2,155,424	1,774,624
6500 Debt	763,419	762,448
Total expenses	\$ 33,264,575	\$ 28,073,021

FAITH FAMILY KIDS, INC.
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2020 and 2019

Schedule V

	<u>As of August 31, 2020</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1510	Land and improvements	\$ -	\$ 1,739,221	\$ -	\$ 1,739,221
1520	Buildings and improvements	-	24,065,436	41,315	24,106,751
1541	Vehicles	-	1,745,481	37,947	1,783,428
1549	Furniture and equipment	-	932,969	475,304	1,408,273
1580	Construction in progress	-	6,272	-	6,272
	Total property and equipment	<u>\$ -</u>	<u>\$ 28,489,379</u>	<u>\$ 554,566</u>	<u>\$ 29,043,945</u>

	<u>As of August 31, 2019</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1510	Land and improvements	\$ -	\$ 1,739,221	\$ -	\$ 1,739,221
1520	Buildings and improvements	-	22,195,027	41,315	22,236,342
1541	Vehicles	-	974,594	-	974,594
1549	Furniture and equipment	-	556,143	452,948	1,009,091
1580	Construction in progress	-	6,272	-	6,272
	Total property and equipment	<u>\$ -</u>	<u>\$ 25,471,257</u>	<u>\$ 494,263</u>	<u>\$ 25,965,520</u>

FAITH FAMILY KIDS, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

Schedule VI

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5700	\$ 336,950	\$ 490,927	\$ 468,296	\$ (22,631)
	336,950	490,927	468,296	(22,631)
State program revenues				
5800	26,010,296	26,878,559	29,248,163	2,369,604
	26,010,296	26,878,559	29,248,163	2,369,604
Federal program revenues				
5900	4,247,833	5,859,713	5,514,051	(345,662)
5949	-	3,892,700	3,892,700	-
	4,247,833	9,752,413	9,406,751	(345,662)
	30,595,079	37,121,899	39,123,210	2,001,311
Expenses				
{a} 11	16,018,076	18,994,956	18,061,304	933,652
12	76,037	76,037	62,602	13,435
{a} 13	602,126	667,126	683,245	(16,119)
{a} 21	316,966	401,966	394,816	7,150
{a} 23	1,126,915	1,306,915	1,360,519	(53,604)
31	-	417	414	3
32	375,501	375,501	274,832	100,669
{a} 33	261,080	289,887	272,579	17,308
{a} 34	212,591	294,591	206,251	88,340
35	1,935,800	1,939,800	1,982,032	(42,232)
36	685,655	730,655	689,516	41,139
{a} 41	1,911,332	2,236,332	2,338,963	(102,631)
51	4,666,158	4,236,158	4,092,460	143,698
{a} 52	575,426	743,241	724,653	18,588
{a} 53	495,735	595,735	572,010	23,725
{a} 61	626,650	825,900	784,960	40,940
{a} 71	709,031	882,031	763,419	118,612
	30,595,079	34,597,248	33,264,575	1,332,673
	-	2,524,651	5,858,635	3,333,984
	10,552,221	10,552,221	10,552,221	-
	\$ 10,552,221	\$ 13,076,872	\$ 16,410,856	\$ 3,333,984

{a} During the year the School had significant changes in their operations and the World Health Organization classified the global coronavirus outbreak (COVID- 19) as a pandemic on March 11, 2020, which caused the budget to be amended in these categories by more than 10%.

SINGLE AUDIT SECTION

FAITH FAMILY KIDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct program:			
School Climate Transformation & Culture	84.184G	S184G190314	\$ 260,411
Pass-through programs from:			
Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010	20610101070801	1,228,992
ESEA, Title I, Part C - Education of Migratory Children	84.011	Thru SSA - Region 10	3,527
IDEA - Part B, Formula	84.027	206600010708016000	434,081
IDEA - Part B, Preschool	84.173	206610010708016000	3,401
Carl D. Perkins - Career and Technology Grant	84.048	20420006070801	47,786
ESEA, Title II, Part A - Teacher and Principal Training	84.367	20694501070801	125,727
ESEA, Title III, Part A - English Language Acquisition	84.365	206710030070801	142,101
21st Century Community Learning Centers	84.287	206950267110049	376,996
ESSER, Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200042	896,987
ESEA, Instructional Continuity	84.377A	S377A160044	9,359
Summer School LEP	84.369A	69551702	2,671
Title IV Part A, Subpart 1	84.424A	2068010107801	88,849
Total Passed Through Texas Education Agency			3,360,477
Total U.S. Department of Education			3,620,888
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through programs from:			
Texas Education Agency			
National School Breakfast Program	10.553	71401201	630,227
National School Lunch Program	10.555	71301201	1,144,314
National School Lunch Program -non cash support	10.555		118,622
Total Passed Through Texas Education Agency			1,893,163
Total U.S. Department of Agriculture			1,893,163
Total Federal Awards			\$ 5,514,051

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, 2020

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, 2020. 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 presents only a selected portion of the operation of the School, it is not intended to and does 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.



**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**

INDEPENDENT AUDITOR'S REPORT

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, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2020 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) as a basis for designing 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

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which could have a direct and material effect on the determination of financial statement. 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 7, 2020



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

INDEPENDENT AUDITOR'S REPORT

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, 2020. 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.

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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, 2020.

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.

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.

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, 2020 and have issued our report thereon dated December 7, 2020, 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.

McConnell & Jones

Houston, Texas
December 7, 2020

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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
84.027	IDEA - Part B, Formula
84.173	IDEA - Part B, Preschool
84.425D	Elementary and Secondary School Emergency Relief Fund

- | | | |
|----|--|-----------|
| 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
FOR THE YEAR ENDED AUGUST 31, 2020

PART II: FINDINGS – FINANCIAL STATEMENT

None reported.

FAITH FAMILY KIDS, INC.
(A Texas Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020

PART IV: STATUS OF PRIOR YEAR FINDINGS

None reported.