



Faith Family Kids, Inc.

**Financial Statements
with Supplemental Information and Compliance Reports
August 31, 2022 and 2021**

Faith Family Kids, Inc.
Federal Employer Identification No. 06-1689571
County District No. 070-801
Certificate of Board

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, 2022, at a meeting of the governing body of the charter school on the 14th day of December 2022.



Signature of Board Secretary



Signature of Board President

Faith Family Kids, Inc.

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Independent Auditors' Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Faith Family Kids, Inc. as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Faith Family Kids, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Faith Family Kids Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Faith Family Kids, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Faith Family Kids, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental 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 14, 2022 on our consideration of the Faith Family Kids, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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.



A Limited Liability Partnership

Arlington, Texas
December 14, 2022

Faith Family Kids, Inc.
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,071,261	\$ 6,614,160
Restricted cash - bonds	2,101,368	4,902,653
Due from government agencies	4,312,716	5,912,779
Other receivables	37,917	11,895
Prepaid expenses	295,731	20,693
Total current assets	13,818,993	17,462,180
Noncurrent assets:		
Property and equipment, net	27,089,142	22,447,792
Total noncurrent assets	27,089,142	22,447,792
Total assets	\$ 40,908,135	\$ 39,909,972
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 9,169	\$ 3,980
Accrued salaries	1,266,273	1,173,028
Accrued expenses	316,282	857,519
Due to student groups	50,124	42,833
Capital lease payable, current portion	141,082	-
Bonds payable, current portion	490,000	470,000
Total current liabilities	2,272,930	2,547,360
Noncurrent liabilities:		
Capital lease payable, net	634,134	-
Bonds payable, net	19,341,449	19,691,850
Total noncurrent liabilities	19,975,583	19,691,850
Total liabilities	22,248,513	22,239,210
Net assets:		
Without donor restrictions	3,733,652	3,289,371
With donor restrictions	14,925,970	14,381,391
Total net assets	18,659,622	17,670,762
Total liabilities and net assets	\$ 40,908,135	\$ 39,909,972

See notes to financial statements.

Faith Family Kids, Inc.
Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5740 Other revenue from local sources	\$ 221,406	\$ -	\$ 221,406
5750 Revenue from co-curricular or enterprising	215,839	-	215,839
Total local support	437,245	-	437,245
State program revenue:			
5810 Per capita and foundation school program	-	27,920,410	27,920,410
5820 State program revenues distributed by TEA	-	234,438	234,438
5830 State revenues distributed by other than TEA	-	22,444	22,444
Total state program revenue	-	28,177,292	28,177,292
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	12,337,288	12,337,288
5930 Federal revenues distributed by other than TEA	-	189,901	189,901
5940 Federal revenues distributed directly from the federal government	-	748,565	748,565
Total federal program revenue	-	13,275,754	13,275,754
Net assets released from restrictions- Satisfaction of program restrictions	40,908,467	(40,908,467)	-
Total revenues and other support	41,345,712	544,579	41,890,291
Expenses:			
11 Instruction	22,547,072	-	22,547,072
12 Instructional resources and media services	62,901	-	62,901
13 Curriculum development and instructional staff development	1,356,826	-	1,356,826
21 Instructional leadership	435,294	-	435,294
23 School leadership	1,040,647	-	1,040,647
32 Social work services	243,580	-	243,580
33 Health services	246,886	-	246,886
34 Student transportation	194,784	-	194,784
35 Food services	2,067,725	-	2,067,725
36 Extracurricular activities	1,383,987	-	1,383,987
41 General administration	2,521,065	-	2,521,065
51 Facilities maintenance and operations	5,597,159	-	5,597,159
52 Security and monitoring services	1,172,682	-	1,172,682
53 Data processing services	510,575	-	510,575
61 Community services	768,828	-	768,828
71 Debt service	758,456	-	758,456
Total expenses	40,908,467	-	40,908,467
Excess in revenues over expenses from revenues	437,245	544,579	981,824
Non-operating activities:			
Gain on sale of property	7,036	-	7,036
Total non-operating activities	7,036	-	7,036
Change in net assets	444,281	544,579	988,860
Net assets at beginning of year	3,289,371	14,381,391	17,670,762
Net assets at end of year	<u>\$ 3,733,652</u>	<u>\$ 14,925,970</u>	<u>\$ 18,659,622</u>

See notes to financial statements.

Faith Family Kids, Inc.
Statement of Activities
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5740 Other revenue from local sources	\$ 148,368	\$ -	\$ 148,368
5750 Revenue from co-curricular or enterprising	155,205	-	155,205
Total local support	303,573	-	303,573
State program revenue:			
5810 Per capita and foundation school program	-	27,665,512	27,665,512
5820 State program revenues distributed by TEA	-	190,521	190,521
Total state program revenue	-	27,856,033	27,856,033
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	7,730,475	7,730,475
5930 Federal revenues distributed by other than TEA	-	57,382	57,382
5940 Federal revenues distributed directly from the federal government	-	439,757	439,757
Total federal program revenue	-	8,227,614	8,227,614
Net assets released from restrictions- Satisfaction of program restrictions	34,112,967	(34,112,967)	-
Total revenues and other support	34,416,540	1,970,680	36,387,220
Expenses:			
11 Instruction	19,205,556	-	19,205,556
12 Instructional resources and media services	71,850	-	71,850
13 Curriculum development and instructional staff development	795,766	-	795,766
21 Instructional leadership	435,929	-	435,929
23 School leadership	1,125,199	-	1,125,199
32 Social work services	301,248	-	301,248
33 Health services	266,804	-	266,804
34 Student transportation	112,685	-	112,685
35 Food services	1,597,093	-	1,597,093
36 Extracurricular activities	812,282	-	812,282
41 General administration	2,488,787	-	2,488,787
51 Facilities maintenance and operations	4,097,184	-	4,097,184
52 Security and monitoring services	780,137	-	780,137
53 Data processing services	497,116	-	497,116
61 Community services	732,950	-	732,950
71 Debt service	792,381	-	792,381
Total expenses	34,112,967	-	34,112,967
Excess of revenues over expenses from operations	303,573	1,970,680	2,274,253
Non-operating activities:			
Loss on bond refinance	1,014,347	-	1,014,347
Total non-operating activities	1,014,347	-	1,014,347
Change in net assets	(710,774)	1,970,680	1,259,906
Net assets at beginning of year	4,000,145	12,410,711	16,410,856
Net assets at end of year	\$ 3,289,371	\$ 14,381,391	\$ 17,670,762

See notes to financial statements.

Faith Family Kids, Inc.
Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 988,860	1,259,906
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,163,110	1,441,431
Loss on write-off of debt issuance costs	-	1,014,347
Amortization of debt issuance costs	216,594	74,231
Amortization of bond premium	(76,995)	(5,381)
Net gain on sale of vehicle	(7,036)	-
Changes in operating assets and liabilities:		
Due from government agencies	1,600,063	(1,187,235)
Other receivables	(26,022)	49,535
Prepaid expenses	(275,038)	(20,693)
Accounts payable	5,189	(21,817)
Accrued salaries	93,245	195,482
Accrued expenses	(541,237)	603,145
Accrued interest	-	(28,755)
Due to student groups	7,291	4,342
Net cash provided by operating activities	4,148,024	3,378,538
Cash flows from investing activities:		
Proceeds from disposal of assets	45,569	-
Purchases of property and equipment	(6,067,777)	(6,065,843)
Net cash used by investing activities	(6,022,208)	(6,065,843)
Cash flows from financing activities:		
Net proceeds from issuance of bonds payable	-	21,381,872
Principal payments on bonds payable	(470,000)	(12,395,000)
Payment of debt issuance costs	-	(1,229,779)
Net proceeds from issuance of capital lease	-	(452,992)
Principal payments on note payable	-	(81,263)
Net cash provided (used) by financing activities	(470,000)	7,222,838
Net increase in cash	(2,344,184)	4,535,533
Cash, cash equivalents and restricted cash at beginning of year	11,516,813	6,981,280
Cash, cash equivalents and restricted cash at end of year	\$ 9,172,629	\$ 11,516,813
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:		
Cash and cash equivalents	\$ 7,071,261	\$ 6,614,160
Restricted cash	2,101,368	4,902,653
Total cash shown in the statement of cash flows	\$ 9,172,629	\$ 11,516,813
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 618,857	\$ 723,531
Supplemental schedule of noncash investing and financing activities:		
Purchases of equipment through issuance of a capital lease	\$ 775,216	\$ -

See notes to financial statements.

Faith Family Kids, Inc.

Notes to Financial Statements

1. Organization and Nature of Activities

Faith Family Kids, Inc. (Academy) is a nonprofit organization incorporated on February 13, 2003 under the laws of the state of Texas (State). The Academy is the charter holder of Waxahachie Faith Family Academy which operates under an open enrollment charter granted by the State of Texas Board of Education. The original charter was issued for a period from November 24, 1998 to July 31, 2013. The charter was renewed on August 29, 2013 and expires on July 31, 2023. The charter is subject to review and renewal prior to expiration. The Academy does not conduct any non-charter activities. The Academy is governed by a board of directors comprised of six members. The board of directors is selected pursuant to the bylaws of the Academy and has the authority to make decisions, appoint the chief executive officer, significantly influence operations and has the primary accountability for the fiscal affairs of the Academy.

The Academy's mission is to educate, empower and inspire every child for lifelong success. The Academy provides an exemplary education for a diverse student body by emphasizing positive self-esteem, high academic standards, an appreciation for the fine arts and civic responsibility. The Academy provides educational services to students in grades Pre-K through 12th grade.

The Academy is part of the public school system of the State and is therefore entitled to distribution from the State's Foundation School Program (FSP). The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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

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

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.

Faith Family Kids, Inc.

Notes to Financial Statements

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the Academy and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash, restricted cash equivalents and due from government agencies. Cash and restricted cash equivalents are placed with high credit quality financial institutions to minimize risk. The Academy maintains cash balances at financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2022 and 2021, the Academy had no bank balances that were uninsured or without pledged collateral in the Academy's name. Amounts due from government agencies are unsecured and are due from the Texas Education Agency (TEA). The Academy continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of August 31, 2022 and 2021, given that none have been identified.

For the years ended August 31, 2022 and 2021, the Academy received 99% of its total revenue and support from the TEA and the federal government. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

Cash and Cash Equivalents

The Academy considers all highly liquid investments, with original maturities of three months or less from date of purchase, to be cash equivalents. Restricted cash and cash equivalents is limited as to use under the terms of the bond indenture. Restricted cash represents amounts restricted for construction activity and debt service requirements for bonds.

Property and Equipment

Property and equipment purchased by the Academy are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000 and a useful life longer than one year. Depreciation is calculated on the straight-line method based upon the estimated useful lives of 3 to 30 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code.

Faith Family Kids, Inc.
Notes to Financial Statements

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the TEA.

Impairment of Long Lived Assets

The Academy reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment included current operating results, trends and prospects and the effects of obsolescence, demand completion and other economic factors. There were no indications of asset impairment during the years ended August 31, 2022 and 2021.

Revenues and Support

Revenues from the State's available school fund are earned based on reported attendance.

A portion of the Academy's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Academy was awarded cost-reimbursable grants totaling \$1,111,148 that have not been received or recognized at August 31, 2022 because qualifying expenditures have not been incurred.

Government grant contracts that are entered into by the Academy are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

All contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Contributed Goods and Services

Contributed services are recognized in the accompanying financial statements at fair value if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Academy.

Faith Family Kids, Inc.

Notes to Financial Statements

No donated services were utilized that met the criteria to be recorded as revenue in the Academy's financial statements. Contributions of donated noncash assets are recorded at the estimated fair value in the period the unconditional commitment is received. The related expense is recognized as the item is used. The Academy received \$160,360 and \$86,558 of donated commodities valued at fair market value for the year ended August 31, 2022 and 2021, respectively.

Debt Issuance Costs and Original Issue Premiums

Debt issuance costs and original issue premiums represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from or addition to the carrying amount of bonds payable and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statements of activities.

Personal Leave

All employees of the Academy earn five days of personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the Academy does not have a policy to pay any amount when the employees separate from service.

Federal Income Taxes

The Academy is organized as a Texas nonprofit corporation and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Academy is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended August 31, 2022 and 2021, the Academy did not conduct unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's annual Form 990 and recognition of a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax position and has concluded that as of August 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

Faith Family Kids, Inc.

Notes to Financial Statements

of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the Academy's financial statements are related to the Academy's estimate of revenue and receivable for the FSP, depreciation expense and the functional allocation of expenses.

Reclassification

Certain items in the 2021 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2022 financial statements.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Academy is currently assessing the impact that adopting this new guidance will have on the financial statements.

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

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The standard takes effect for fiscal years beginning after December 15, 2021.

Accounting Pronouncement Adopted

The Academy adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs and other activities. ASU 2020-07 requires NFPs to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities. The Academy has adopted this ASU on the modified retrospective basis as of and for the year ended August 31, 2022.

Faith Family Kids, Inc.
Notes to Financial Statements

Analysis of various provisions of this standard resulted in no significant changes in the way the Academy recognizes in-kind contributions, and therefore, no changes were required to net assets as of September 1, 2021. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

3. Restricted Cash Held by Bond Trustee

As a result of its bond issuances, the Academy is required to maintain separate bank accounts that are restricted for construction and debt service which totaled \$2,101,368 and \$4,902,653 at August 31, 2022 and 2021, respectively.

4. Property and Equipment

Property and equipment consist of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,987,852	\$ 1,987,853
Buildings and improvements	34,860,717	29,384,162
Construction in progress	83,219	579,996
Furniture and equipment	2,371,643	1,461,959
Vehicles	<u>2,530,129</u>	<u>1,655,931</u>
Total property and equipment	41,833,560	35,069,901
Less accumulated depreciation	<u>(14,744,418)</u>	<u>(12,622,109)</u>
Property and equipment, net	<u>\$ 27,089,142</u>	<u>\$ 22,447,792</u>

Depreciation expense for the years ended August 31, 2022 and 2021 totaled \$2,163,110 and \$1,441,431, respectively.

Faith Family Kids, Inc.
Notes to Financial Statements

5. Long-Term Debt

The following is a summary of changes in the Academy's long-term debt for the year ended August 31, 2022:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Capital lease payable:					
Charter bus loan	\$ -	\$ 775,216	\$ -	\$ 775,216	\$ 141,082
Bonds payable:					
Series 2021A	18,560,000	-	-	18,560,000	140,000
Series 2021B	820,000	-	(470,000)	350,000	350,000
Total bonds payable	19,380,000	-	(470,000)	18,910,000	490,000
Bond premium	1,996,491	-	(76,995)	1,919,496	-
Bond issuance costs	(1,214,641)	-	216,594	(998,047)	-
Total bonds payable, net	20,161,850	-	(330,401)	19,831,449	490,000
Total	\$ 20,161,850	\$ 775,216	\$ (330,401)	\$ 20,606,665	\$ 631,082

The following is a summary of changes in the Academy's long-term debt for the year ended August 31, 2021:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Capital lease payable:					
Charter bus loan	\$ 452,992	\$ -	\$ (452,992)	\$ -	\$ -
Note payable:					
Regions Bank	81,263	-	(81,263)	-	-
Bonds payable:					
Series 2006A	12,395,000	-	(12,395,000)	-	-
Series 2021A	-	18,560,000	-	18,560,000	-
Series 2021B	-	820,000	-	820,000	470,000
Total bonds payable	12,395,000	19,380,000	(12,395,000)	19,380,000	470,000
Bond premium	-	2,001,872	(5,381)	1,996,491	-
Bond issuance costs	(1,073,440)	(1,229,779)	1,088,578	(1,214,641)	-
Total bonds payable, net	11,321,560	20,152,093	(11,311,803)	20,161,850	470,000
Total	\$ 11,855,815	\$ 20,152,093	\$ (11,846,058)	\$ 20,161,850	\$ 470,000

Bonds Payable

In July 2006, the Academy completed a transaction in which the City of Cameron Education Corporation (CCEC) issued \$15,875,000 Education Revenue Bonds Series 2006A and \$765,000 Taxable Education Revenue Bonds Series 2006B and loaned the proceeds of the bonds to the Academy. The Academy entered into two loan agreements with CCEC for the proceeds of the bond issue, which are held by the bond trustee, The Bank of New York Mellon Trust Company,

Faith Family Kids, Inc.
Notes to Financial Statements

N.A. The bonds were issued as education revenue bonds, and have interest rates ranging from 4.25% to 6.75%, and are collateralized by a pledge of revenues of the Academy. The proceeds of these bonds were used to purchase, repair and renovate certain buildings used for instructional and administrative purposes at both campuses. The bonds are secured by a deed of trust against those properties and a pledge of revenues of the Academy. The 2006 bond series was paid in full from proceeds from the issuance of the 2021 bond series.

In August 2021, the Academy completed a transaction in which the Arlington Higher Education Finance Corporation (AHEFC) issued \$18,560,000 Education Revenue and Refunding Bonds Series 2021A and \$820,000 Education Revenue and Refunding Bonds Taxable Series 2021B and loaned the proceeds of the bonds to the Academy. The Academy entered into two loan agreements with AHEFC for the proceeds of the bond issue, which are held by the bond trustee, The Bank of New York Mellon Trust Company, N.A. The bonds were issued as education revenue bonds, and have interest rates ranging from 0.5% to 4%, and are collateralized by a pledge of revenues of the Academy. The Academy is required to use the bond proceeds to refinance existing debt, pay debt issuance costs, and finance or refinance the cost of the acquisition, improvement, construction, renovation and equipping of educational facilities.

The loan agreement and Supplemental Master Trust Indenture for the 2021 series bonds establishes a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.10 times the annual debt service of the Academy until the individual bond or notes have been paid in full. At August 31, 2022, the Academy was in compliance with this covenant and all other applicable financial covenants contained in the Supplemental Master Trust Indentures and loan agreements.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 490,000	\$ 599,781	\$ 1,089,781
2024	495,000	592,431	1,087,431
2025	515,000	572,631	1,087,631
2026	535,000	552,031	1,087,031
2027	555,000	530,631	1,085,631
2028-2032	3,125,000	2,302,156	5,427,156
2033-2037	3,765,000	1,670,106	5,435,106
2038-2042	4,375,000	1,062,156	5,437,156
2043-2047	<u>5,055,000</u>	<u>384,746</u>	<u>5,439,746</u>
Total	<u>\$18,910,000</u>	<u>\$ 8,266,669</u>	<u>\$27,176,669</u>

Faith Family Kids, Inc.
Notes to Financial Statements

Capital Lease

At August 31, 2022, the Academy entered into a capital lease for vehicles totaling \$775,216. Future payments are as follows for the years ending August 31:

2023		\$	177,672
2024			177,672
2025			177,672
2026			177,672
2027			177,670
			888,358
Less amounts representing interest			(113,142)
Present value of future minimum lease payments			775,216
Less current portion			141,082
Capital leases, net			\$ 634,134

6. Net Assets With Donor Restrictions

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

7. Multi-employer Defined Benefit Pension Plan

Plan Description

The Academy contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS 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 TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Faith Family Kids, Inc.
Notes to Financial Statements

Funding Policy

Plan members contributed 8% of their annual covered salary in 2022. The Academy contributes 8% for new members of the first 90 days of employment, and the State contributes 8%. Additionally, the Academy makes a 1.8% non-OASDI payment for all TRS eligible employees. The Academy contributions do not represent more than 5% of the TRS' total contributions. For the years ended August 31, 2022 and 2021, the Academy contributed \$769,400 and \$520,859, respectively, to the TRS.

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

Total TRS plan assets as of the most recent fiscal years ended for TRS of August 31, 2021 and 2020 were \$223 billion and \$184 billion, respectively. Accumulated benefit obligation as of August 31, 2021 and 2020 was \$227 billion and \$219 billion, respectively. The plan was 88.79% and 75.54% funded as of August 31, 2021 and 2020, respectively.

8. Health Care Coverage

During the years ended August 31, 2022 and 2021, eligible employees of the Academy were covered by a health insurance plan (Plan). The Academy contributed \$313 and \$225 per month per employee to the Plan for the years ended August 31, 2022 and 2021, respectively. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

9. Liquidity and Availability of Resources

The Academy relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

Faith Family Kids, Inc.
Notes to Financial Statements

Financial assets available within one year of the financial position date for general expenditures are as follow as of August 31:

	2022	2021
Cash and cash equivalents	\$ 7,071,261	\$ 6,614,160
Restricted cash - bonds	2,101,368	4,902,653
Due from government agencies	4,312,716	5,912,779
Other receivables	37,917	11,895
Total financial assets	13,523,262	17,441,487
Less financial assets not available for general expenditure:		
Cash contractually restricted for construction and debt service	(2,101,368)	(4,902,653)
Total financial assets available for general expenditure	\$ 11,421,894	\$ 12,538,834

10. Contingencies

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Academy have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the TEA or the grantor agency. The Academy is economically dependent on these charter school funds.

11. Leases

The Academy leases copiers through a non-cancelable operating lease agreement expiring in May 2026. The Academy also leases their phone system through a non-cancelable operating lease agreement expiring in January 2023. All other leases are paid on a month-to-month basis.

Estimated future minimum lease payments on non-cancellable operating leases are as follows for the years ended August 31:

2023	\$	266,681
2024		216,590
2025		196,595
2026		196,595
2027		139,255
		\$ 1,015,716

Faith Family Kids, Inc.
Notes to Financial Statements

Lease expense during the years ended August 31, 2022 and 2021 totaled \$562,683 and \$376,581, respectively.

12. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or support services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the Academy exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services or support services based on actual time worked in each area. Information technology costs, depreciation, interest expense and occupancy costs are allocated based on whether the costs are associated with instructional (program services) or administrative (support services) purposes.

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2022:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 18,595,827	\$ 3,108,264	\$ 1,286,417	\$ 976,291	\$ 452,856	\$ 24,419,655
Instructional leadership	1,471,514	870	3,011	546	8,220	1,484,161
Support services - Direct student based	2,229,345	195,266	1,265,497	446,854	78,122	4,215,084
Support services - Nondirect student based	2,718,903	2,288,033	390,610	1,882,870	127,840	7,408,256
Ancillary services	247,432	502,677	15,161	3,558	14,518	783,346
Total program services	25,263,021	6,095,110	2,960,696	3,310,119	681,556	38,310,502
Support Services:						
School leadership	-	-	-	-	19,651	19,651
Administrative support services	1,787,349	306,824	52,687	374,205	47,607	2,568,672
Support services - Nondirect student based	-	-	-	-	9,642	9,642
Total support services	1,787,349	306,824	52,687	374,205	76,900	2,597,965
Total expenses	\$ 27,050,370	\$ 6,401,934	\$ 3,013,383	\$ 3,684,324	\$ 758,456	\$ 40,908,467

Faith Family Kids, Inc.
Notes to Financial Statements

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2021:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 15,066,711	\$ 2,495,325	\$ 1,748,762	\$ 762,374	\$ 477,351	\$ 20,550,523
Instructional leadership	435,929	-	-	-	10,367	446,296
Support services - Direct student based	1,917,984	115,031	894,367	162,730	73,484	3,163,596
Support services - Nondirect student based	1,939,424	1,531,282	226,348	1,180,267	115,985	4,993,306
Ancillary services	<u>161,916</u>	<u>565,281</u>	<u>2,745</u>	<u>3,008</u>	<u>17,430</u>	<u>750,380</u>
Total program services	19,521,964	4,706,919	2,872,222	2,108,379	694,617	29,904,101
Support Services:						
School leadership	1,125,199	-	-	-	26,758	1,151,957
Administrative support services	1,737,642	385,896	55,289	309,960	59,184	2,547,971
Support services - Nondirect student based	<u>279,643</u>	<u>163,956</u>	<u>53,517</u>	<u>-</u>	<u>11,822</u>	<u>508,938</u>
Total support services	3,142,484	549,852	108,806	309,960	97,764	4,208,866
Total expenses	<u>\$ 22,664,448</u>	<u>\$ 5,256,771</u>	<u>\$ 2,981,028</u>	<u>\$ 2,418,339</u>	<u>\$ 792,381</u>	<u>\$ 34,112,967</u>

13. Subsequent Events

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

**Supplemental Information
Required by Texas Education Agency**

Faith Family Kids, Inc.
Schedule of Assets
August 31, 2022

Description	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 9,172,629	\$ -
1510 Land	-	1,987,852	-
1520 Buildings and improvements	-	33,116,487	1,744,230
1541 Vehicles	-	2,492,182	37,947
1549 Furniture and equipment	-	952,150	1,419,493
1580 Construction in progress	-	83,219	-
	<u>\$ -</u>	<u>\$ 47,804,519</u>	<u>\$ 3,201,670</u>

Faith Family Kids, Inc.
Schedule of Expenses
Year Ended August 31, 2022

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 27,050,370
6200	Professional and contracted services	6,401,934
6300	Supplies and materials	3,013,383
6400	Other operating expenses	3,684,324
6500	Debt service	<u>758,456</u>
		<u>\$ 40,908,467</u>

Faith Family Kids, Inc.
Budgetary Comparison Schedule
Year Ended August 31, 2022

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and other support:				
Local support:				
5740 Other revenue from local sources	\$ 103,122	\$ 227,867	\$ 221,406	\$ (6,461)
5750 Revenue from co-curricular or enterprising	155,550	214,881	215,839	958
Total local support	258,672	442,748	437,245	(5,503)
State program revenue:				
5810 Per capita and foundation school program	28,436,888	27,920,411	27,920,410	(1)
5820 State program revenues distributed by TEA	222,000	234,438	234,438	-
	-	22,444	22,444	-
Total state program revenue	28,658,888	28,177,293	28,177,292	(1)
Federal program revenue:				
5920 Federal revenues distributed by TEA	8,898,843	12,182,236	12,337,288	155,052
5930 Federal revenues distributed by other than TEA	50,000	184,525	189,901	5,376
5940 Federal revenues distributed directly from the federal government	427,729	748,565	748,565	-
Total federal program revenue	9,376,572	13,115,326	13,275,754	160,428
Total revenue and other support	38,294,132	41,735,367	41,890,291	154,924
Expenses:				
11 Instruction	22,210,409	22,993,935	22,547,072	446,863
12 Instructional resources and media services	52,416	66,416	62,901	3,515
13 Curriculum development and instructional staff development	790,112	1,396,112	1,356,826	39,286
21 Instructional leadership	415,160	435,660	435,294	366
23 School leadership	1,008,108	1,309,108	1,040,647	268,461
32 Social work services	391,163	243,180	243,580	(400)
33 Health services	288,216	249,057	246,886	2,171
34 Student transportation	168,599	195,599	194,784	815
35 Food services	1,409,500	1,972,888	2,067,725	(94,837)
36 Extracurricular activities	890,821	1,403,821	1,383,987	19,834
41 General administration	2,005,932	2,525,932	2,521,065	4,867
51 Facilities maintenance and operations	6,422,545	5,757,172	5,597,159	160,013
52 Security and monitoring services	802,770	1,225,770	1,172,682	53,088
53 Data processing services	422,626	528,626	510,575	18,051
61 Community services	731,554	813,234	768,828	44,406
71 Debt service	1,695,086	618,857	758,456	(139,599)
Total expenses	39,705,017	41,735,367	40,908,467	826,900
Excess (deficit) of revenues over expenses from operations	(1,410,885)	-	981,824	981,824
Non-operating activities:				
Gain on sale of property	-	7,036	7,036	-
Total non-operating activities	-	7,036	7,036	-
Change in net assets	(1,410,885)	7,036	988,860	981,824
Net assets at beginning of year	17,670,762	17,670,762	17,670,762	-
Net assets at end of year	\$ 16,259,877	\$ 17,677,798	\$ 18,659,622	\$ (981,824)

Faith Family Kids, Inc.
Education Programs Schedule
Year Ended August 31, 2022

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$4,112,551
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)	\$2,513,173
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year	\$972,083
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$541,677

Faith Family Kids, Inc.
Schedule of Real Property Ownership Interest
Year Ended August 31, 2022

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
Faith Family Kids, Inc., FFA Soccer Field	3515 S RL Thornton Fwy, Dallas, TX 75224	\$ 213,360		\$ 213,360	
Faith Family Kids, Inc., Faith Family Academy of Oak Cliff Campus	300 W. Kiest Blvd., Dallas, TX 75224	7,966,310		7,966,310	
Faith Family Kids, Inc., Waxahachie Faith Family Academy Service Center	1620 Falcon Drive, DeSoto, TX 75115	527,000		527,000	
Faith Family Kids, Inc., Waxahachie Faith Family Academy Charter Schools Central Administration Building	1608 Osprey Drive, DeSoto, TX 75115	986,590		986,590	
Faith Family Kids, Inc., FFA Early Childhood Center Campus	3415 S RL Thornton Fwy, Dallas, TX 75224	5,202,990		5,202,990	
Faith Family Kids, Inc., Property	200 W Wheatland Rd, Dallas, TX 75116	2,035,010		2,035,010	
Faith Family Kids, Inc., Waxahachie Faith Family Academy Campus	701 FM 664 Waxahachie, TX 75167	2,243,360		2,243,360	
Faith Family Kids, Inc., Former Bank Property	334 W Kiest Blvd, Dallas, TX 75224	325,000		325,000	
Faith Family Kids, Inc., Waxahachie Faith Family Academy Charter Schools Central Administration Building - 2	1624 Falcon Drive, DeSoto, TX 75115	865,000		865,000	

Faith Family Kids, Inc.
Schedule of Related Party Transactions
Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
None								

Faith Family Kids, Inc.
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
None							

Compliance Reports

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

Board of Directors of
Faith Family Kids, Inc.

We have audited, 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, the financial statements of Faith Family Kids, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements 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 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Faith Family Kids, Inc.'s (Academy) internal control over financial reporting (internal control) as a basis for designing 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy'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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
December 14, 2022

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

Board of Directors of
Faith Family Kids, Inc.

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Faith Family Kids, Inc.'s (Academy) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2022. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion was expressed.

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.



A Limited Liability Partnership

Arlington, Texas
December 14, 2022

Faith Family Kids, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program or cluster:	
Education Stabilization Fund Under The Coronavirus Aid, Relief Act, And Economic Security Act	ALN 84.425
National School Lunch Program	ALN 10.555
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None

Faith Family Kids, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2022

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal AL Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Texas Education Agency:			
USDA Commodities	10.555	713021	<u>\$ 160,360</u>
National School Lunch Program	10.555	713022	<u>1,697,756</u>
Total Child Nutrition Cluster			<u>1,858,116</u>
Child and Adult Care Food Program	10.558	-	<u>86,303</u>
Total U.S. Department of Agriculture			1,944,419
U.S. Department of Education			
Direct:			
School Safety National Activities	84.184	-	637,960
Passed through Texas Education Agency:			
Special Education Grants to States (IDEA, Part B)	84.027	226600010708016600	481,121
Special Education Grants to States (IDEA, Part B)	84.027A	225350010708015350	133,038
Special Education - Preschool Grants	84.173X	225360010708015360	7,702
Special Education - Preschool Grants	84.173A	226610010708016610	<u>3,538</u>
Total Special Education Cluster			625,399
Title I Grants to Local Educational Agencies	84.010A	22610101070801	1,316,667
Migrant Education - State Grant Program	84.011	-	830
Career and Technical Education - Basic Grants to States (Perkins)	84.048A	22420006070801	53,421
Twenty-First Century Community Learning Centers	84.287C	216950267110049	528,925
English Language Acquisition State Grants	84.365A	22671001070801	151,453
Supporting Effective Instruction State Grants	84.367	22694501070801	157,422
Student Support and Academic Enrichment Program	84.424A	22680101070801	104,138
COVID - Elementary and Secondary School Emergency Relief Fund	84.425D	21521001070801	2,766,303
COVID - Elementary and Secondary School Emergency Relief Fund	84.425W	21533002070801	33,662
COVID - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	21528001070801	<u>4,679,529</u>
Total Education Stabilization Fund			7,479,494
Total U.S. Department of Education			11,055,709
U.S. Department of Homeland Security:			
Passed through Texas Division of Emergency Management:			
Disaster Grants - Public Assistance	97.036	-	<u>61,423</u>
Total U.S. Department of Homeland Security			61,423
U.S. Department of Health and Human Services:			
Passed through Texas Education Agency:			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	39352201	<u>103,598</u>
Total Expenditures of Federal Awards			<u>\$ 13,165,149</u>

See notes to schedule of expenditures of federal awards.

Faith Family Kids, Inc.
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Faith Family Kids, Inc. (Academy) under programs of the federal government for the year ended August 31, 2022. 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 operations of the Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Academy.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Academy has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Non-Cash Federal Awards

The Academy received non-cash awards in the form of food commodities totaling \$160,360 for the year ended August 31, 2022.