



Faith Family Kids, Inc.

**Financial Statements with Supplemental Information
and Compliance Reports
August 31, 2021 and 2020**

**Faith Family Kids, Inc.
Certificate of Board**

Faith Family Kids, Inc.
Name of Charter Holder

06-1689571
Federal Employer ID Number

Waxahachie Faith Family Academy
Name of Charter School

Dallas
County

070-801
Co. Dist. Number

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, 2021, at a meeting of the governing body of the charter school on the 1st day of December 2021.


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.

Report on Financial Statements

We have audited the accompanying financial statements of Faith Family Kids, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior Period Financial Statements

The financial statements of Faith Family Kids, Inc. as of and for the year ended August 31, 2020 were audited by other auditors whose report dated December 7, 2020 expressed an unmodified opinion on those statements.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying 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. 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*, is presented for purposes of additional analysis and is also not a required part of the financial statements. The supplemental 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021 on our consideration of Faith Family Kids, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Faith Family Kids, Inc.'s internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
December 1, 2021

Faith Family Kids, Inc.
Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,614,160	\$ 5,701,214
Restricted cash - bonds	4,902,653	1,280,066
Due from government agencies	5,910,690	4,723,455
Other receivables	11,895	61,430
Prepaid expenses	<u>20,693</u>	-
Total current assets	17,460,091	11,766,165
Noncurrent assets:		
Property and equipment, net	<u>22,447,792</u>	<u>17,823,380</u>
Total noncurrent assets	<u>22,447,792</u>	<u>17,823,380</u>
Total assets	<u>\$ 39,907,883</u>	<u>\$ 29,589,545</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,891	\$ 23,708
Accrued salaries	1,173,028	977,546
Accrued expenses	857,519	254,374
Accrued interest	-	28,755
Due to student groups	42,833	38,491
Capital lease payable, current portion	-	117,368
Note payable, current portion	-	19,120
Bonds payable, current portion	<u>470,000</u>	<u>470,000</u>
Total current liabilities	2,545,271	1,929,362
Noncurrent liabilities:		
Capital lease payable, net	-	335,624
Note payable, net	-	62,143
Bonds payable, net	<u>19,691,850</u>	<u>10,851,560</u>
Total noncurrent liabilities	<u>19,691,850</u>	<u>11,249,327</u>
Total liabilities	22,237,121	13,178,689
Net assets:		
Without donor restrictions	3,289,371	4,000,145
With donor restrictions	<u>14,381,391</u>	<u>12,410,711</u>
Total net assets	<u>17,670,762</u>	<u>16,410,856</u>
Total liabilities and net assets	<u>\$ 39,907,883</u>	<u>\$ 29,589,545</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 enterprise	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	27,665,512
5820 State program revenues distributed by TEA	- 190,521	190,521	190,521
Total state program revenue	- 27,856,033	27,856,033	27,856,033
Federal program revenue:			
5920 Federal revenues distributed by TEA	- 7,730,475	7,730,475	7,730,475
5930 Federal revenues distributed by other than TEA	- 57,382	57,382	57,382
5940 Federal revenues distributed directly from the federal government	- 439,757	439,757	439,757
Total federal program revenue	- 8,227,614	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
Increase 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.
Statement of Activities
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5740 Other revenue from local sources	\$ 294,647	\$ -	\$ 294,647
5750 Revenue from co-curricular or enterprise	<u>173,649</u>	<u>-</u>	<u>173,649</u>
Total local support	468,296	-	468,296
State program revenue:			
5810 Per capita and foundation school program	-	28,684,069	28,684,069
5820 State program revenues distributed by TEA	<u>-</u>	<u>564,094</u>	<u>564,094</u>
Total state program revenue	-	29,248,163	29,248,163
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	5,046,169	5,046,169
5930 Federal revenues distributed by other than TEA	<u>-</u>	<u>118,622</u>	<u>118,622</u>
5940 Federal revenues distributed directly from the federal government	<u>-</u>	<u>4,241,960</u>	<u>4,241,960</u>
Total federal program revenue	-	9,406,751	9,406,751
Net assets released from restrictions-			
Satisfaction of program restrictions	<u>33,264,575</u>	<u>(33,264,575)</u>	<u>-</u>
Total revenues and other support	33,732,871	5,390,339	39,123,210
Expenses:			
11 Instruction	18,061,302	-	18,061,302
12 Instructional resources and media services	<u>62,603</u>	<u>-</u>	<u>62,603</u>
13 Curriculum development and instructional staff development	683,246	-	683,246
21 Instructional leadership	394,817	-	394,817
23 School leadership	<u>1,360,518</u>	<u>-</u>	<u>1,360,518</u>
31 Guidance, counseling and evaluation services	415	-	415
32 Social work services	274,831	-	274,831
33 Health services	272,578	-	272,578
34 Student transportation	206,250	-	206,250
35 Food services	1,982,032	-	1,982,032
36 Extracurricular activities	689,518	-	689,518
41 General administration	2,338,963	-	2,338,963
51 Facilities maintenance and operations	<u>4,092,461</u>	<u>-</u>	<u>4,092,461</u>
52 Security and monitoring services	724,653	-	724,653
53 Data processing services	572,009	-	572,009
61 Community services	784,960	-	784,960
71 Debt service	<u>763,419</u>	<u>-</u>	<u>763,419</u>
Total expenses	33,264,575	-	33,264,575
Increase in net assets	468,296	5,390,339	5,858,635
Net assets at beginning of year	<u>3,531,849</u>	<u>7,020,372</u>	<u>10,552,221</u>
Net assets at end of year	<u>\$ 4,000,145</u>	<u>\$ 12,410,711</u>	<u>\$ 16,410,856</u>

See notes to financial statements.

Faith Family Kids, Inc.
Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 1,259,906	5,858,635
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,441,431	1,129,132
Loss on write-off of debt issuance costs	1,014,347	-
Amortization of debt issuance costs	74,231	63,625
Amortization of bond premium	(5,381)	-
Changes in operating assets and liabilities:		
Due from government agencies	(1,187,235)	(2,790,364)
Other receivables	49,535	(51,246)
Prepaid expenses	(20,693)	12,488
Accounts payable	(21,817)	-
Accrued salaries	195,482	76,252
Accrued expenses	603,145	106,185
Accrued interest	(28,755)	-
Due to student groups	4,342	1,887
Net cash provided by operating activities	<u>3,378,538</u>	<u>4,406,594</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(6,065,843)</u>	<u>(2,746,284)</u>
Net cash used by investing activities	<u>(6,065,843)</u>	<u>(2,746,284)</u>
Cash flows from financing activities:		
Net proceeds from issuance of bonds payable	21,381,872	-
Principal payments on bonds payable	(12,395,000)	(566,014)
Payment of debt issuance costs	(1,229,779)	-
Principal payments on capital lease	(452,992)	(47,008)
Principal payments on note payable	(81,263)	(18,737)
Net cash provided (used) by financing activities	<u>7,222,838</u>	<u>(631,759)</u>
Net increase in cash	<u>4,535,533</u>	<u>1,028,551</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>6,981,280</u>	<u>5,952,729</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 11,516,813</u>	<u>\$ 6,981,280</u>
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:		
Cash and cash equivalents	\$ 6,614,160	\$ 5,701,214
Restricted cash	4,902,653	1,280,066
Total cash shown in the statement of cash flows	<u>\$ 11,516,813</u>	<u>\$ 6,981,280</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 723,531</u>	<u>\$ 699,794</u>
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 500,000</u>

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 December 14, 1994 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 May 24, 1992 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 U.S. generally accepted accounting principles (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.

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.

Faith Family Kids, Inc.

Notes to Financial Statements

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, 2021 and 2020, 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, 2021 and 2020, given that none have been identified.

For the years ended August 31, 2021 and 2020, 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.

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.

Faith Family Kids, Inc.
Notes to Financial Statements

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, 2021 and 2020.

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 of \$7,482,163 that have not been received or recognized at August 31, 2021 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. 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 \$86,558 of donated goods for the year ended August 31, 2021. During the year ended August 31, 2020, the Academy did not receive any contributed services.

Faith Family Kids, Inc.
Notes to Financial Statements

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 exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Academy's exempt purposes is subject to tax under Code Section 511. The Academy had no unrelated business income for the years ended August 31, 2021 and 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's tax returns 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 Internal Revenue Service. Management has analyzed the tax positions taken by the Academy, and has concluded that as of August 31, 2021 and 2020, 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 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 2020 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2021 financial statements.

Faith Family Kids, Inc.
Notes to Financial Statements

Recent 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 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 new standard is effective for the Academy for the fiscal year beginning September 1, 2022.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in an effort to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU requires NFPs to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities. The new standard is effective for the Academy for the fiscal year beginning September 1, 2021.

The Academy is currently assessing the impact that adopting this new guidance will have on the financial statements.

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 \$4,902,653 and \$1,280,066 at August 31, 2021 and 2020, respectively.

Faith Family Kids, Inc.
Notes to Financial Statements

4. Property and Equipment

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

	2021	2020
Land	\$ 1,987,853	\$ 1,739,221
Buildings and improvements	29,384,162	24,065,436
Construction in progress	579,996	6,272
Furniture and equipment	1,461,959	1,449,588
Vehicles	<u>1,655,931</u>	<u>1,783,428</u>
Total property and equipment	35,069,901	29,043,945
Less accumulated depreciation	<u>(12,622,109)</u>	<u>(11,220,565)</u>
Property and equipment, net	<u>\$ 22,447,792</u>	<u>\$ 17,823,380</u>

Depreciation expense for the years ended August 31, 2021 and 2020 totaled \$1,441,431 and \$1,129,132, respectively.

5. Long-Term Debt

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	- -	<u>820,000</u>	- -	<u>820,000</u>	<u>470,000</u>
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	<u>(1,073,440)</u>	<u>(1,229,779)</u>	<u>1,088,578</u>	<u>(1,214,641)</u>	- -
Total bonds payable, net	<u>11,321,560</u>	<u>20,152,093</u>	<u>(11,311,803)</u>	<u>20,161,850</u>	<u>470,000</u>
Total	<u>\$ 11,855,815</u>	<u>\$ 20,152,093</u>	<u>\$ (11,846,058)</u>	<u>\$ 20,161,850</u>	<u>\$ 470,000</u>

Faith Family Kids, Inc.
Notes to Financial Statements

The following is a summary of changes in the Academy's long-term debt for the year ended August 31, 2020:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Capital lease payable:					
Charter bus loan	\$ -	\$ 500,000	\$ (47,008)	\$ 452,992	\$ 117,368
Note payable:					
Regions Bank	100,000	-	(18,737)	81,263	19,120
Bond payable:					
Series 2006A	12,845,000	-	(450,000)	12,395,000	470,000
Bond issuance costs	(1,137,065)	-	63,625	(1,073,440)	-
Total bond payable, net	11,707,935	-	(386,375)	11,321,560	470,000
Total	\$ 11,807,935	\$ 500,000	\$ (452,120)	\$ 11,855,815	\$ 606,488

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, 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.

Faith Family Kids, Inc.
Notes to Financial Statements

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, 2021, 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:

	Principal	Interest	Total
2022	\$ 470,000	\$ 618,857	\$ 1,088,857
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
2027-2031	3,005,000	2,422,357	5,427,357
2032-2036	3,640,000	1,793,106	5,433,106
2037-2041	4,250,000	1,189,657	5,439,657
2042-2046	4,920,000	519,500	5,439,500
2047	<u>1,060,000</u>	<u>25,175</u>	<u>1,085,175</u>
Total	<u>\$19,380,000</u>	<u>\$ 8,885,526</u>	<u>\$28,265,526</u>

Capital Lease

In 2020, the Academy entered into a capital lease for vehicles totaling \$500,000. Accumulated depreciation on these assets totaled \$154,656 and \$30,833 at August 31, 2021 and 2020, respectively. The lease was paid off in full in the year ended August 31, 2021.

Note Payable

In May 2019, the Academy entered into a \$100,000 loan agreement with a bank bearing interest at 5.55%. Payments totaling \$1,917 are due monthly until maturity on May 2, 2024. During the year ended August 31, 2021, the note was paid in full.

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.

Faith Family Kids, Inc.
Notes to Financial Statements

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.

Funding Policy

Plan members contributed 7.7% of their annual covered salary in 2021. The Academy contributes 7.5% for new members of the first 90 days of employment, and the State contributes 7.5%. Additionally, the Academy makes a 1.6% 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, 2021 and 2020, the Academy contributed \$520,859 and \$545,462, 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, 2020 and 2019 were \$184 billion and \$181 billion, respectively. Accumulated benefit obligation as of August 31, 2020 and 2019 was \$219 billion and \$210 billion, respectively. The plan was 75.54% and 75.42% funded as of August 31, 2020 and 2019, respectively.

Faith Family Kids, Inc.
Notes to Financial Statements

8. Health Care Coverage

During the years ended August 31, 2021 and 2020, eligible employees of the Academy were covered by a health insurance plan (Plan). The Academy contributed \$225 per month per employee to the Plan for the years ended August 31, 2021 and 2020. 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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,614,160	\$ 5,701,214
Restricted cash - bonds	4,902,653	1,280,066
Due from government agencies	5,910,690	4,723,455
Other receivables	<u>11,895</u>	<u>61,430</u>
Total financial assets	17,439,398	11,766,165
Less financial assets not available for general expenditure:		
Cash contractually restricted for construction and debt service	(4,902,653)	(1,280,066)
Total financial assets available for general expenditure	<u>\$ 12,536,745</u>	<u>\$ 10,486,099</u>

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.

10. Uncertainties and Contingencies

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Academy. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Faith Family Kids, Inc.
Notes to Financial Statements

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 December 2023. 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:

2022	\$ 84,226
2023	70,086
2024	19,995

Lease expense during the years ended August 31, 2021 and 2020 totaled \$376,581 and \$382,952, 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.

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 & Contracted Services	Supplies & 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	161,916	565,281	2,745	3,008	17,430	750,380
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	279,643	163,956	53,517	-	11,822	508,938
Total support services	3,142,484	549,852	108,806	309,960	97,764	4,208,866
Total expenses	\$ 22,664,448	\$ 5,256,771	\$ 2,981,028	\$ 2,418,339	\$ 792,381	\$ 34,112,967

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2020:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 14,942,760	\$ 1,752,501	\$ 1,646,721	\$ 465,164	\$ 441,760	\$ 19,248,906
Instructional leadership	394,814	-	-	-	9,274	404,088
Support services - Direct student based	1,922,774	82,779	1,223,414	196,666	80,465	3,506,098
Support services - Nondirect student based	2,122,656	1,363,750	288,258	1,042,450	113,149	4,930,263
Ancillary services	48,996	718,246	10,505	7,212	18,438	803,397
Total program services	19,432,000	3,917,276	3,168,898	1,711,492	663,086	28,892,752
Support Services:						
School leadership	1,359,271	1,050	-	195	31,957	1,392,473
Administrative support services	1,636,607	218,391	40,235	443,732	54,940	2,393,905
Support services - Nondirect student based	251,647	169,202	151,160	-	13,436	585,445
Total support services	3,247,525	388,643	191,395	443,927	100,333	4,371,823
Total expenses	\$ 22,679,525	\$ 4,305,919	\$ 3,360,293	\$ 2,155,419	\$ 763,419	\$ 33,264,575

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 Capital Assets
August 31, 2021

Description	Ownership Interest		
	Local	State	Federal
1510 Land	\$ -	\$ 1,987,853	\$ -
1520 Buildings and improvements	-	28,814,767	569,395
1541 Vehicles	-	1,617,984	37,947
1549 Furniture and equipment	-	876,029	585,930
1580 Construction in progress	-	579,996	-
	<hr/>	<hr/>	<hr/>
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Faith Family Kids, Inc.
Schedule of Expenses
Year Ended August 31, 2021

Object Code	Description	Amount
6100	Payroll costs	\$ 22,664,448
6200	Professional and contracted services	5,256,771
6300	Supplies and materials	2,981,028
6400	Other operating expenses	2,418,339
6500	Debt service	<u>792,381</u>
		<u>\$ 34,112,967</u>

Faith Family Kids, Inc.
Budgetary Comparison Schedule
Year Ended August 31, 2021

	Budgeted Amounts				Variance from Final Budget
	Original	Final	Actual Amounts		
Revenue and other support:					
Local support:					
5740 Other revenue from local sources	\$ 101,100	\$ 50,571	(1)	\$ 148,368	\$ 97,797 (6)
5750 Revenue from co-curricular or enterprise	238,500	158,362	(2)	155,205	(3,157)
Total local support	339,600	208,933		303,573	94,640
State program revenue:					
5810 Per capita and foundation school program	26,461,958	27,383,393		27,665,512	282,119
5820 State program revenues distributed by TEA	89,000	205,311	(3)	190,521	(14,790)
Total state program revenue	26,550,958	27,588,704		27,856,033	267,329
Federal program revenue:					
5920 Federal revenues distributed by TEA	4,477,655	7,662,509	(4)	7,730,475	67,966
5930 Federal revenues distributed by other than TEA	-	-		57,382	57,382
5940 Federal revenues distributed directly from the federal government	150,000	643,969	(5)	439,757	(204,212) (7)
Total federal program revenue	4,627,655	8,306,478		8,227,614	(78,864)
Total revenue and other support	31,518,213	36,104,115		36,387,220	283,105
Expenses:					
11 Instruction	16,945,898	19,537,083	(8)	19,205,556	331,527
12 Instructional resources and media services	98,037	72,037	(9)	71,850	187
13 Curriculum development and instructional staff development	683,835	836,835	(10)	795,766	41,069
21 Instructional leadership	365,729	436,729	(11)	435,929	800
23 School leadership	1,329,066	1,126,166	(12)	1,125,199	967
32 Social work services	280,350	302,794		301,248	1,546
33 Health services	248,307	276,770	(13)	266,804	9,966
34 Student transportation	195,180	120,361	(14)	112,685	7,676
35 Food services	1,867,250	1,552,582	(15)	1,597,093	(44,511)
36 Extracurricular activities	854,344	819,630		812,282	7,348
41 General administration	1,979,847	2,529,847	(16)	2,488,787	41,060
51 Facilities maintenance and operations	3,926,540	4,435,029	(17)	4,097,184	337,845
52 Security and monitoring services	511,606	787,208	(18)	780,137	7,071
53 Data processing services	435,132	535,132	(19)	497,116	38,016
61 Community services	492,150	735,400	(20)	732,950	2,450
71 Debt service	809,398	781,074		792,381	(11,307)
Total expenses	31,022,669	34,884,677		34,112,967	771,710
Excess of revenues over expenses from operations	495,544	1,219,438		2,274,253	1,054,815
Non-operating activities:					
Loss on bond refinance	-	1,014,347		1,014,347	-
Total non-operating activities	-	1,014,347		1,014,347	-
Increase in net assets	495,544	205,091		1,259,906	1,054,815
Net assets at beginning of year	16,410,856	16,410,856		16,410,856	-
Net assets at end of year	\$ 16,906,400	\$ 16,615,947		\$ 17,670,762	\$ (1,054,815)

Faith Family Kids, Inc.
Budgetary Variance Explanations
Year Ended August 31, 2021 (unaudited)

Material Budget Variance Revenue

The following is an explanation of the 10% variances from *original budget to final budget of revenue* reported on the Budgetary Comparison Schedule:

- (1) One time bond reimbursement for surveys and environmental reports
- (2) Less revenue received
- (3) Increase in IMA allotment
- (4) U.S. Department of Education (USDE) issued ESSER II/III funds under American Rescue Plan (ARP)
- (5) Due to COVID, the Academy was unable to fulfill all activities as approved under USDE School Climate Transformation Grant

The following is an explanation of the 10% variances from *final budget to actual revenue* reported on the Budgetary Comparison Schedule:

- (6) One time bond reimbursement for surveys and environmental reports
- (7) Due to COVID, the Academy was unable to fulfill all activities as approved under USDE School Climate Transformation Grant

Material Budget Variance Expenditures

The following is an explanation of the 10% variances from *original budget to final budget of expenditures* reported on the Budgetary Comparison Schedule:

- (8) ESSER II/III funds received under ARP allowed for activities to decrease gap caused from COVID learning loss
- (9) Unable to fulfill all activities due to staffing shortages
- (10) ESSER II/III funds received under ARP allowed for activities to decrease gap caused from COVID learning loss
- (11) ESSER II/III funds received under ARP allowed for activities to decrease gap caused from COVID learning loss
- (12) Staffing needs changed based on campus needs
- (13) Planned costs had estimated increases
- (14) Unable to fulfill all activities due to staffing shortages
- (15) Reduced expenses due to shortages in staffing and supplies as well as part of the year was virtual
- (16) Incurred one-time expenses in legal and professional services from bond and real estate transactions
- (17) Anticipated end of year expenses in plant maintenance that did not occur
- (18) Due to increased campus enrollment, increased staffing was needed to assist with traffic management
- (19) Increased technology staff to assist with increased technology needs on campuses
- (20) Increased staff to assist working within the community as a result of the pandemic

Faith Family Kids, Inc.
Budgetary Variance Explanations
Year Ended August 31, 2021 (unaudited)

Corrective Action

The Academy will review timelines for all end of year transactions and amendments to final budget accordingly. The Academy will continue to review biweekly budget to actuals and causes for variances. The majority of original budget to final budget variances were caused by one time occurrences of funds received from the USDE (SCTG/ESSER II-III) and Bond 2021 Project.

Faith Family Kids, Inc.
Education Programs Schedule
Year Ended August 31, 2021

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.	\$4,276,946
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)	\$4,453,402
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	\$1,099,647
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$688,565

Faith Family Kids, Inc.
Schedule of Real Property Ownership Interest
Year Ended August 31, 2021

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, 2021

<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, 2021

<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***

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

We have audited, in accordance with U.S. generally accepted auditing standards 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. (Academy), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 1, 2021



Sutton Frost Cary LLP
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited Faith Family Kids, Inc.'s (Academy) (a nonprofit organization) compliance with the types of compliance requirements described 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, 2021. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy'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 U.S. generally accepted auditing standards; 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 Academy'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 Academy's compliance.

Opinion on Major Federal Program

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 its major federal programs for the year ended August 31, 2021.

Report on Internal Control over Compliance

Management of the Academy 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 Academy'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 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 Academy'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 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.



A Limited Liability Partnership

Arlington, Texas
December 1, 2021

Faith Family Kids, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

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:

<u>Program Title:</u>	<u>Assistance Listing Number:</u>
Title I Grants to Local Educational Agencies	84.010
Elementary and Secondary School Emergency Relief Fund	84.425D
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

None reported.

Faith Family Kids, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Summary of Prior Year Audit Findings

Audit findings: None

Faith Family Kids, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2021

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of the Treasury:			
Passed through Texas Division of Emergency Management:			
COVID - Coronavirus Relief Fund	21.019	-	<u>60,659</u>
Total U.S. Department of Treasury			60,659
U.S. Department of Education:			
Direct:			
School Safety National Activities	84.184	-	345,054
Passed through Texas Education Agency:			
Special Education Grants to States	84.027	H027A200008	459,047
Special Education - Preschool Grants	84.173	H173A200004	<u>3,396</u>
Total Special Education Cluster			462,443
Supporting Effective Instruction State Grants	84.367	S367A200041	133,383
Teacher Leadership Cycle 2	84.367	S367A200041	<u>20,000</u>
Total Title II, Part A			153,383
Title III, Part A - English Language Acquisition State Grants	84.365	S365A200043	135,352
Title III, Part A - Immigrant	84.365	S365A200043	<u>11,646</u>
Total Title III, Part A			146,998
COVID - Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210042	1,115,633
COVID - American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210042	<u>2,576,161</u>
Total Education Stabilization Fund			3,691,794
Instructional Continuity	84.377	S377A160044	17,016
Title I Grants to Local Educational Agencies	84.010	S010A200043	1,294,909
Career and Technical Education - Basic Grants to States (Perkins V)	84.048	V048A200043	45,779
Student Support and Academic Enrichment Program	84.424	S424A200045	93,324
Twenty-First Century Community Learning Centers	84.287	S287C200044	503,557
Passed through Social Security Administration:			
Migrant Education State Grant Program	84.011	-	<u>2,084</u>
Total U.S. Department of Education			6,756,341
U.S. Department of Agriculture:			
Passed through Texas Education Agency:			
School Breakfast Program	10.553	202020N109946/202121N109946	326,107
National School Lunch Program	10.555	202020N109946/202121N109946	700,220
National School Lunch Program - Seamless Summer Option	10.555	202020N109946/202121N109946	206,303
Direct:			
USDA Commodities (noncash)	10.555	-	<u>86,558</u>
Total Child Nutrition Cluster			1,319,188
Child and Adult Care Food Program	10.558	-	<u>57,382</u>
Total U.S. Department of Agriculture			1,376,570
Total Expenditures of Federal Awards			\$ 8,193,570

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). The information in this Schedule is presented in accordance with the requirements of Title 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.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Academy has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Non-Cash Federal Awards

The Academy received non-cash awards in the form of food commodities totaling \$86,558 for the year ended August 31, 2021.