

Faith Family Kids, Inc.

Financial Statements

August 31, 2015

For the year then ended

TABLE OF CONTENTS

	Page(s)
CERTIFICATE OF BOARD	1
INDEPENDENT AUDITOR’S REPORT	2-3
BASIC PURPOSE FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	4
<i>Statements of Activities</i>	5
<i>Statements of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7-14
SPECIFIC PURPOSE FINANCIAL STATEMENTS	
<i>Independent Auditor’s Report on Supplementary Information</i>	15
<i>Statements of Financial Position – Faith Family Academy of Oak Cliff</i>	16
<i>Statements of Financial Position – Faith Family Academy of Waxahachie</i>	17
<i>Statements of Activities – Faith Family Academy of Oak Cliff</i>	18
<i>Statements of Activities – Faith Family Academy of Waxahachie</i>	19
<i>Statements of Cash Flows – Faith Family Academy of Oak Cliff</i>	20
<i>Statements of Cash Flows – Faith Family Academy of Waxahachie</i>	21
SUPPLEMENTAL INFORMATION	
<i>Schedule of Expenses</i>	22
<i>Schedule of Capital Assets</i>	23
<i>Budgetary Comparison Schedules</i>	24-25
FEDERAL AWARDS	
<i>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</i>	26-27
<i>Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133</i>	28-29
<i>Schedule of Findings and Questioned Costs</i>	30
<i>Summary Schedule of Prior Audit Findings</i>	31
<i>Schedule of Expenditures of Federal Awards</i>	32
<i>Notes to Schedule of Expenditures of Federal Awards</i>	33

CERTIFICATE OF BOARD

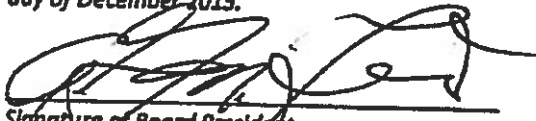
**Faith Family Academy of Oak Cliff
County-District Number: 057-815**

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

We, the undersigned, certify that the attached annual financial reports of the above named charter holder were reviewed and:

approved _____ **disapproved**

for the year ended August 31, 2015, at a meeting of the board of trustees of such charter holder on the 15th day of December 2015.



Signature of Board President



Signature of Board Secretary

If the board of trustees/directors disapproved of the auditors' report, the reason(s) for disapproving it (is/are):

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Faith Family Kids, Inc.
Desoto, Texas

Report on the 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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith Family Kids, Inc. as of August 31, 2015 and 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes 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 auditing standards generally accepted in the United States of America. 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 11, 2015 on our consideration of 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 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.



Houston, TX
December 11, 2015

FAITH FAMILY KIDS, INC.
Statements of Financial Position
As of August 31, 2015 and 2014

	Assets	
	2015	2014
Current assets		
Cash and cash equivalents	\$ 7,724,138	\$ 6,318,311
Restricted cash - debt service reserve	1,145,964	1,533,582
Due from grantor agencies	1,733,067	658,064
Other receivables	9,720	6,456
Other assets	6,909	6,909
Total current assets	10,619,798	8,523,322
Noncurrent assets		
Deferred charges	1,418,318	1,488,923
Property and equipment, net	14,829,950	14,565,295
Total noncurrent assets	16,248,268	16,054,218
Total assets	\$ 26,868,066	\$ 24,577,540
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 524,241	\$ 107,554
Accrued liabilities	464,363	344,882
Accrued expenses	31,288	32,596
Due to student groups	34,454	27,449
Notes payable - current portion	175,535	194,007
Bonds payable - current portion	380,000	360,000
Total current liabilities	1,609,881	1,066,488
Long-term liabilities		
Notes payable - less current portion	1,828,149	2,019,397
Bonds payable - less current portion	14,075,000	14,455,000
Total long-term liabilities	15,903,149	16,474,397
Total liabilities	17,513,030	17,540,885
Net assets		
Unrestricted	2,398,698	2,398,698
Temporarily restricted	6,956,338	4,637,957
Total net assets	9,355,036	7,036,655
Total liabilities and net assets	\$ 26,868,066	\$ 24,577,540

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

FAITH FAMILY KIDS, INC.
Statements of Activities
For the Years Ended August 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
Revenues				
<i>Local support:</i>				
5740 Other revenues from local sources	\$ 89,851	\$ -	\$ 89,851	\$ 107,046
5750 Revenue from co-curricular or enterprising	149,001	-	149,001	162,767
Total local support	<u>238,852</u>	<u>-</u>	<u>238,852</u>	<u>269,813</u>
<i>State program revenues:</i>				
5811 Available school fund	-	599,970	599,970	562,334
5812 Foundation school program	-	23,414,165	23,414,165	19,847,624
5820 State program revenues distributed by the TEA	-	53,677	53,677	323,703
Total state program revenues	<u>-</u>	<u>24,067,812</u>	<u>24,067,812</u>	<u>20,733,661</u>
<i>Federal program revenues:</i>				
5920 Federal revenues distributed by the TEA	-	3,470,944	3,470,944	3,261,934
Total federal program revenues	<u>-</u>	<u>3,470,944</u>	<u>3,470,944</u>	<u>3,261,934</u>
Net assets released from restrictions	<u>25,220,375</u>	<u>(25,220,375)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>25,459,227</u>	<u>2,318,381</u>	<u>27,777,608</u>	<u>24,265,408</u>
Expenses				
<i>Program services:</i>				
11 Instruction	13,243,002	-	13,243,002	12,617,520
12 Instructional resources and media services	101,099	-	101,099	63,125
13 Curriculum and instructional staff development	456,271	-	456,271	271,253
21 Instructional leadership	62,709	-	62,709	-
23 School leadership	920,886	-	920,886	1,117,618
<i>Support services:</i>				
31 Guidance, counseling and evaluation services	331,087	-	331,087	259,423
33 Health services	184,377	-	184,377	192,411
34 Student (pupil) transportation	190,898	-	190,898	178,489
35 Food service	1,977,603	-	1,977,603	1,395,467
36 Extracurriculars	191,253	-	191,253	151,536
41 General administration	2,227,002	-	2,227,002	1,243,531
51 Plant maintenance and operations	3,528,686	-	3,528,686	3,256,292
52 Security and monitoring services	472,139	-	472,139	256,447
53 Data processing services	347,913	-	347,913	349,829
61 Community services	305,271	-	305,271	229,274
71 Interest expense	919,031	-	919,031	874,493
Total expenses	<u>25,459,227</u>	<u>-</u>	<u>25,459,227</u>	<u>22,456,708</u>
Change in net assets	-	2,318,381	2,318,381	1,808,700
Net assets, beginning of year	<u>2,398,698</u>	<u>4,637,957</u>	<u>7,036,655</u>	<u>5,227,955</u>
Net assets, end of year	<u>\$ 2,398,698</u>	<u>\$ 6,956,338</u>	<u>\$ 9,355,036</u>	<u>\$ 7,036,655</u>

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

FAITH FAMILY KIDS, INC.
Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 2,318,381	\$ 1,808,700
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	947,375	757,610
Amortization expense	70,605	71,768
Increase in funds due from federal agencies	(1,075,003)	(266,523)
(Increase) decrease in other receivables	(3,264)	30,290
Decrease in other assets	-	13,462
Decrease in accounts payable	416,687	(105,016)
Increase (decrease) in accrued liabilities	119,481	(120,285)
Decrease in accrued expenses	(1,308)	(784)
Increase (decrease) in due to student groups	7,005	(4,680)
Net cash provided by operating activities	<u>2,799,959</u>	<u>2,184,542</u>
<i>Cash flows from investing activities</i>		
Payments for depreciable assets	<u>(1,212,030)</u>	<u>(1,936,902)</u>
Net cash used by investing activities	<u>(1,212,030)</u>	<u>(1,936,902)</u>
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	91,211	-
Payments of long-term debt	<u>(660,931)</u>	<u>(456,517)</u>
Net cash used by financing activities	<u>(569,720)</u>	<u>(456,517)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	1,018,209	(208,877)
<i>Cash and cash equivalents at beginning of year</i>	<u>7,851,893</u>	<u>8,060,770</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 8,870,102</u>	<u>\$ 7,851,893</u>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the year for:		
Interest	<u>\$ 848,426</u>	<u>\$ 802,725</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

Nature of activities

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

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter Holder and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or net assets subject to donor-imposed restrictions that have been met by the Charter Holder within the same year received. State and federal revenues are reported as unrestricted net assets because it met all state and federal restrictions in the same reporting period and this accounting treatment has been applied consistently from period to period.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Charter Holder and/or the passage of time. When a restriction is met in the year following receipt, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - Net assets required to be maintained in perpetuity with only the income to be used for the charter school activities due to donor-imposed restrictions.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash equivalents

Cash equivalents consist of short term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Functional allocation of expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated absences

Compensated absences cannot be reasonably estimated and are therefore recorded at cost when paid.

Depreciable assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general purpose and specific purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated lives of assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Income taxes

The Charter Holder is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, the Charter Holder has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Charter Holder is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years beginning prior to September 1, 2010.

Date of Management's Review

Subsequent events were evaluated through December 11, 2015, which is the date the financial statements were available to be issued.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

2. Due from Grantor Agencies

As of August 31, 2015 and 2014, the Charter Holder had earned the following revenues which were not received until after the end of the fiscal year:

	Faith Family Academy of					
	Oak Cliff		Waxahachie		Total	
	2015	2014	2015	2014	2015	2014
State Foundation Program	\$ 248,765	\$ 138,034	\$ 834,895	\$ 26,075	\$ 1,083,660	\$ 164,109
State Available School Fund Program	-	-	2,436	-	2,436	-
State Textbook Fund	-	165,709	-	28,983	-	194,692
ESEA Title I Part A - Improving Basic Programs	453,430	175,226	643	12,290	454,073	187,516
IDEA - Part B, Formula & Preschool	1,354	36,510	3,324	2,900	4,678	39,410
Child Nutrition Program	71,288	31,216	32,553	7,211	103,841	38,427
Title II Part A - Teacher and Principal Training	8,855	23,475	-	588	8,855	24,063
Career and Technology Grant	2,896	-	-	-	2,896	-
Title III Part A - English Language Acquisition	9,135	6,750	246	-	9,381	6,750
Other State grants	50,071	475	13,176	2,622	63,247	3,097
Total	\$ 845,794	\$ 577,395	\$ 887,273	\$ 80,669	\$ 1,733,067	\$ 658,064

3. Depreciable Assets

The following is a summary of property and equipment as of August 31, 2015:

	Faith Family Academy of					
	Oak Cliff		Waxahachie		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 110,288	\$ 110,288	\$ 33,828	\$ 33,828	\$ 144,116	\$ 144,116
Construction in progress	762,686	14,251	-	-	762,686	14,251
Buildings and Improvements	13,606,351	13,606,351	5,168,218	5,168,218	18,774,569	18,774,569
Vehicles	543,043	453,598	179,144	86,933	722,187	540,531
Equipment	691,414	435,776	50,906	50,906	742,320	486,682
Total property and equipment	15,713,782	14,620,264	5,432,096	5,339,885	21,145,878	19,960,149
Less accumulated depreciation	5,047,651	4,344,449	1,268,277	1,050,405	6,315,928	5,394,854
Property and equipment, net	\$ 10,666,131	\$ 10,275,815	\$ 4,163,819	\$ 4,289,480	\$ 14,829,950	\$ 14,565,295

Depreciation expense for the year ended August 31, 2015 and 2014 was \$947,375 and \$757,610, respectively.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

4. Contingent Liabilities

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

5. Notes payable

The Charter Holder's loan activity during the year ended August 31, 2015 was as follows:

<u>Lender</u>	<u>Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Wells Fargo	77 Passenger Bus	5.25%	2016	\$ 37,526	\$ -	\$ 37,526	\$ -
Wells Fargo	77 Passenger Bus	5.25%	2016	37,526	-	37,526	-
Wells Fargo	77 Passenger Bus	4.89%	2018	61,685	-	17,465	44,220
Wells Fargo	77 Passenger Bus	4.86%	2020	-	91,211	13,708	77,503
Regions Bank	Construction loan	4.34%	2019	<u>2,076,667</u>	-	<u>194,706</u>	<u>1,881,961</u>
				<u>\$2,213,404</u>	<u>\$ 91,211</u>	<u>\$ 300,931</u>	<u>\$2,003,684</u>

Presented below is a summary of note payment requirements to maturity:

<u>Year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 175,535	\$ 85,132	\$ 260,667
2017	177,307	77,200	254,507
2018	165,579	69,372	234,951
2019	1,481,853	52,352	1,534,205
2020	<u>3,410</u>	<u>21</u>	<u>3,431</u>
	<u>\$ 2,003,684</u>	<u>\$ 284,077</u>	<u>\$ 2,287,761</u>

6. Bonds Payable

Faith Family Kids, Inc. had two outstanding bond issues which were issued on July 20, 2006 through the Bank of New York. The proceeds of these bonds were used to purchase, repair, and renovate certain buildings used for instructional and administrative purposes at both Faith Family Academy campuses. The bonds are secured by a deed of trust against those properties.

The Charter Holder's bond activity during the year ended August 31, 2015 was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Series 2006A	4.75% - 5.125%	2015-2036	\$14,585,000	\$ -	\$ 250,000	\$14,335,000
Series 2006B	6.75%	2015-2016	<u>230,000</u>	-	<u>110,000</u>	<u>120,000</u>
			<u>\$14,815,000</u>	<u>\$ -</u>	<u>\$ 360,000</u>	<u>\$14,455,000</u>

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

6. Bonds Payable (continued)

At August 31, 2015, future debt service requirements pursuant to these bond issues were as follows:

<u>Year ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 380,000	\$ 750,906	\$ 1,130,906
2017	390,000	730,131	1,120,131
2018	410,000	710,631	1,120,631
2019	430,000	690,131	1,120,131
2020	450,000	668,631	1,118,631
2021-2025	2,610,000	2,979,063	5,589,063
2026-2030	3,360,000	2,233,381	5,593,381
2031-2035	4,340,000	1,254,225	5,594,225
2036	2,085,000	109,463	2,194,463
	<u>\$ 14,455,000</u>	<u>\$ 10,126,562</u>	<u>\$ 24,581,562</u>

All scheduled debt payments were made in a timely manner and the Charter Holder is in compliance with all debt covenants as of August 31, 2015.

7. Health Care Coverage

During the year ended August 31, 2015, employees of the Charter Holder were covered by a private health insurance plan (the "Plan"). The Charter Holder contributed \$150 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

8. Retirement Benefits

Plan Description - The School contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature.

Participating employers in the System are legal separate entities from the State and from each other. Contributions to the System by one employer may be used for the benefit of a plan member of another participating employer. The unfunded obligations are passed along to the participating employers. There is no withdrawal penalty for a plan member for leaving the System.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

8. Retirement Benefits (continued)

Information with respect to the System is shown in the following table:

Name of Plan	Federal Employer ID/Plan Number	Certified Zone Status	Expiration Date of Collective Bargaining Agreement	Improvement or Rehabilitation Plan	Surcharge Paid 2014-2015	Contributions Made 2014-2015
<i>Teacher Retirement</i>						
<i>System of Texas</i>	<i>n/a</i>	<i>Unknown</i>	<i>n/a</i>	<i>n/a</i>	\$ 18,843	\$ <u>186,476</u>
<i>Total contributions made</i>						\$ <u><u>186,476</u></u>

Notes to the table:

1. *Certified Zone Status (as defined by the Pension Protection Act) represents the level at which the plan is funded. Details of the funding status are as follows:*
 - i. *Total plan assets - \$157,261,707,241*
 - ii. *Accumulated benefit obligations - \$159,496,075,886*
 - iii. *The System is 83.25% funded.*
2. *There is no collective-bargaining agreement.*
3. *Based on the audited GASB 68 allocation schedules from the TRS website as of August 31, 2014, the year-end of the System, contributions made to the System did not represent more than 5% of the total contributions received by the System.*
4. *Contribution rates:*

<i>Member</i>	<i>6.7%</i>
<i>State</i>	<i>6.8%</i>
<i>Employer</i>	<i>6.8%</i>

Prior to September 1, 2014, there were no required retirement contributions from the employer as contributions were made solely by the State and the employee. As a result, no employer retirement contributions were made during the year ending August 31, 2014. The System's annual financial report and other required disclosure information are available by writing the General Accounting Department, Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698.

In addition, employees may contribute 0.65% of their salary and the School must contribute 0.55% of the salary of each active employee to TRS-Care (the TRS health plan for retired employees). The total amount contributed to TRS-Care for the year ending August 31, 2015 was \$176,368, which is comprised on contributions of \$148,771 from the Oak Cliff charter and \$27,597 from the Waxahachie charter. The total amount contributed to TRS-Care for the year ending August 31, 2014 was \$161,922, which is comprised on contributions of \$141,780 from the Oak Cliff charter and \$20,142 from the Waxahachie charter. These contributions are equal to the employees' contributions and the School's required contributions for each year.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

9. Operating Leases

The Charter Holder leases equipment under non-cancelable operating leases which expire between December of 2016 and May of 2019. Minimum annual rental commitments at August 31, 2015, are as follows:

	2016	\$ 191,782
	2017	145,638
	2018	59,986
	2019	<u>39,991</u>
Total minimum lease commitments under non-cancellable operating leases		\$ <u>437,397</u>
Total rent expense during 2015		\$ <u>491,795</u>
Total rent expense during 2014		\$ <u>381,422</u>

10. State Foundation Program Revenue

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the TEA and the reports are subject to audit by the TEA. The final State foundation program earnings may be adjusted as a result of any such audit. A reconciliation of cash paid to revenue recognized for the periods ended August 31, 2015 and 2014, is as follows:

	2015	2014
Cash paid during fiscal year	\$ 22,494,614	\$ 19,846,832
Revenue accrued at year-end	1,083,660	164,109
Revenue accrued in prior year	(164,109)	(163,317)
Revenue recognized during current year	\$ <u>23,414,165</u>	\$ <u>19,847,624</u>

11. Temporarily Restricted Net Assets

As of August 31, 2015, and 2014 the Charter Holder had \$6,956,338 and \$4,637,957, in temporarily restricted net assets related to the Foundation School Program, respectively.

FAITH FAMILY KIDS, INC.

Notes to Financial Statements

12. Budget Amendments

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

Function 41 (General Administration) in the Oak Cliff charter contained an unfavorable variance of \$267,895 from budget. The variance was primarily due to legal fees billed after the end of the fiscal year. In addition, function 36 (Food Service) and 41 (General Administration) in the Waxahachie charter contained unfavorable variances of \$45,032 and \$47,057 from budget, respectively. The variance was primarily due to increases in food costs and administrative support accrued after the final budget amendment as a result of the consolidation process discussed in Note 13.

Management has taken steps to ensure that future related budgets are amended on a frequent basis to reflect changes in actual and budgeted amounts.

13. Subsequent Event

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

The notes payable and bonds payable reflected on the Statements of Financial Position are obligations of the Charter Holder and are collateralized and secured by real property and other assets, and revenues of the Charter Holder. Because the notes payable and bonds payable are obligations of the Charter Holder, the obligations and related collateralization have been unaffected by the revocation of the Oak Cliff charter.

Effective September 1, 2015, the TEA has included the estimated attendance from the Oak Cliff charter in the revenue projections for the Waxahachie charter for the 2015-2016 school year. Consequently, the Foundation School Program payments received from the TEA for the Oak Cliff daily attendance will be remitted to the Waxahachie charter enabling the uninterrupted financial operation of both campuses.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To The Board of Directors of
Faith Family Kids, Inc.
Desoto, Texas

We have audited the financial statements of Faith Family Kids, Inc. as of and for the years ended August 31, 2015 and 2014, and have issued our report thereon dated December 11, 2015 which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements dated as a whole. The Schedules for Individual Charter School dated August 31, 2015 and 2014, pages 16 to 25 is presented for purposes of additional analysis is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
December 11, 2015

FAITH FAMILY KIDS, INC.
Statements of Financial Position
Faith Family Academy of Oak Cliff
As of August 31, 2015 and 2014

Assets		<u>2015</u>	<u>2014</u>
Current assets			
Cash and cash equivalents	\$	6,579,878	\$ 5,263,340
Restricted cash - debt service reserve		1,145,964	1,533,582
Due from Texas Education Agency		845,794	577,395
Other receivables		9,720	6,456
Other assets		3,186	3,186
Total current assets		<u>8,584,542</u>	<u>7,383,959</u>
Noncurrent assets			
Deferred charges		663,065	692,856
Property and equipment, net		10,666,131	10,275,815
Total noncurrent assets		<u>11,329,196</u>	<u>10,968,671</u>
Total assets	\$	<u>19,913,738</u>	\$ <u>18,352,630</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$	257,676	\$ 103,315
Accrued liabilities		561	307,553
Accrued expenses		24,342	24,988
Due to student groups		18,631	14,137
Notes payable - current portion		39,337	56,735
Bonds payable - current portion		295,640	280,080
Total current liabilities		<u>636,187</u>	<u>786,808</u>
Long-term liabilities			
Notes payable - less current portion		273,797	353,976
Bonds payable - less current portion		10,950,350	11,245,990
Total long-term liabilities		<u>11,224,147</u>	<u>11,599,966</u>
Total liabilities		<u>11,860,334</u>	<u>12,386,774</u>
Net assets			
Unrestricted		1,875,364	1,875,364
Temporarily restricted		6,178,040	4,090,492
Total net assets		<u>8,053,404</u>	<u>5,965,856</u>
Total liabilities and net assets	\$	<u>19,913,738</u>	\$ <u>18,352,630</u>

FAITH FAMILY KIDS, INC.
Statements of Financial Position
Waxahachie Faith Family Academy
As of August 31, 2015 and 2014

Assets		<u>2015</u>	<u>2014</u>
Current assets			
Cash and cash equivalents	\$	1,144,260	\$ 1,054,971
Due from Texas Education Agency		887,273	80,669
Other receivables		-	-
Other assets		3,723	3,723
Total current assets		<u>2,035,256</u>	<u>1,139,363</u>
Noncurrent assets			
Deferred charges		755,253	796,067
Property and equipment, net		4,163,819	4,289,480
Total noncurrent assets		<u>4,919,072</u>	<u>5,085,547</u>
Total assets	\$	<u>6,954,328</u>	\$ <u>6,224,910</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$	266,565	\$ 4,239
Accrued liabilities		463,802	37,329
Accrued expenses		6,946	7,608
Due to student groups		15,823	13,312
Notes payable - current portion		136,198	137,272
Bonds payable - current portion		84,360	79,920
Total current liabilities		<u>973,694</u>	<u>279,680</u>
Long-term liabilities			
Notes payable - less current portion		1,554,352	1,665,421
Bonds payable - less current portion		3,124,650	3,209,010
Total long-term liabilities		<u>4,679,002</u>	<u>4,874,431</u>
Total liabilities		<u>5,652,696</u>	<u>5,154,111</u>
Net assets			
Unrestricted		523,334	523,334
Temporarily restricted		778,298	547,465
Total net assets		<u>1,301,632</u>	<u>1,070,799</u>
Total liabilities and net assets	\$	<u>6,954,328</u>	\$ <u>6,224,910</u>

FAITH FAMILY KIDS, INC.
Faith Family Academy of Oak Cliff
Statements of Activities
For the Years Ended August 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
Revenues				
<i>Local support:</i>				
5740 Other revenues from local sources	\$ 74,259	\$ -	\$ 74,259	\$ 89,831
5750 Revenue from cocurricular or enterprising	101,586	-	101,586	118,449
Total local support	175,845	-	175,845	208,280
<i>State program revenues:</i>				
5811 Available school fund	-	505,759	505,759	470,662
5812 Foundation school program	-	19,077,399	19,077,399	16,893,819
5820 State program revenues distributed by the TEA	-	46,115	46,115	265,464
Total state program revenues	-	19,629,273	19,629,273	17,629,945
<i>Federal program revenues:</i>				
5920 Federal revenues distributed by the TEA	-	2,986,179	2,986,179	2,897,252
Total federal program revenues	-	2,986,179	2,986,179	2,897,252
Net assets released from restrictions	20,527,904	(20,527,904)	-	-
Total revenues	20,703,749	2,087,548	22,791,297	20,735,477
Expenses				
<i>Program services:</i>				
11 Instruction	10,726,756	-	10,726,756	11,010,582
12 Instructional resources and media services	71,658	-	71,658	58,818
13 Curriculum and instructional staff development	418,719	-	418,719	251,880
21 Instructional leadership	50,190	-	50,190	-
23 School leadership	725,634	-	725,634	1,018,592
<i>Support services:</i>				
31 Guidance, counseling and evaluation services	251,831	-	251,831	188,440
33 Health services	137,219	-	137,219	143,980
34 Student (pupil) transportation	66,057	-	66,057	87,825
35 Food service	1,589,474	-	1,589,474	1,177,770
36 Extracurriculars	151,890	-	151,890	106,300
41 General administration	1,979,789	-	1,979,789	1,132,467
51 Plant maintenance and operations	2,886,259	-	2,886,259	2,709,724
52 Security and monitoring services	420,046	-	420,046	220,226
53 Data processing services	281,822	-	281,822	286,117
61 Community services	304,437	-	304,437	223,760
71 Interest expense	641,968	-	641,968	657,558
Total expenses	20,703,749	-	20,703,749	19,274,039
Change in net assets	-	2,087,548	2,087,548	1,461,438
Net assets, beginning of year	1,875,364	4,090,492	5,965,856	4,504,418
Net assets, end of year	\$ 1,875,364	\$ 6,178,040	\$ 8,053,404	\$ 5,965,856

FAITH FAMILY KIDS, INC.
Waxahachie Faith Family Academy
Statements of Activities
For the Years Ended August 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 15,592	\$ -	\$ 15,592	\$ 17,215
5750 Revenue from cocurricular or enterprising	47,415	-	47,415	44,318
Total local support	63,007	-	63,007	61,533
State program revenues:				
5811 Available school fund	-	94,211	94,211	91,672
5812 Foundation school program	-	4,336,766	4,336,766	2,953,805
5820 State program revenues distributed by the TEA	-	7,562	7,562	58,239
Total state program revenues	-	4,438,539	4,438,539	3,103,716
Federal program revenues:				
5920 Federal revenues distributed by the TEA	-	484,765	484,765	364,682
Total federal program revenues	-	484,765	484,765	364,682
Net assets released from restrictions	4,692,471	(4,692,471)	-	-
Total revenues	4,755,478	230,833	4,986,311	3,529,931
Expenses				
Program services:				
11 Instruction	2,516,246	-	2,516,246	1,606,938
12 Instructional resources and media services	29,441	-	29,441	4,307
13 Curriculum and instructional staff development	37,552	-	37,552	19,373
21 Instructional leadership	12,519	-	12,519	-
23 School leadership	195,252	-	195,252	99,026
Support services:				
31 Guidance, counseling and evaluation services	79,256	-	79,256	70,983
33 Health services	47,158	-	47,158	48,431
34 Student (pupil) transportation	124,841	-	124,841	90,664
35 Food service	388,129	-	388,129	217,697
36 Extracurriculars	39,363	-	39,363	45,236
41 General administration	247,213	-	247,213	111,064
51 Plant maintenance and operations	642,427	-	642,427	546,568
52 Security and monitoring services	52,093	-	52,093	36,221
53 Data processing services	66,091	-	66,091	63,712
61 Community services	834	-	834	5,514
71 Interest expense	277,063	-	277,063	216,935
Total expenses	4,755,478	-	4,755,478	3,182,669
Change in net assets	-	230,833	230,833	347,262
Net assets, beginning of year	523,334	547,465	1,070,799	723,537
Net assets, end of year	\$ 523,334	\$ 778,298	\$ 1,301,632	\$ 1,070,799

FAITH FAMILY KIDS, INC.
Faith Family Academy of Oak Cliff
Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<i>Cash flows from operating activities</i>		
<i>Change in net assets</i>	\$ 2,087,548	\$ 1,461,438
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
<i>Depreciation expense</i>	729,503	619,747
<i>Amortization expense</i>	29,791	29,965
<i>Increase in funds due from federal agencies</i>	(268,399)	(244,039)
<i>(Increase) decrease in other receivables</i>	(3,264)	19,541
<i>Decrease in other assets</i>	-	14,119
<i>Decrease in accounts payable</i>	154,361	(109,255)
<i>Decrease in accrued liabilities</i>	(306,992)	(81,507)
<i>Decrease in accrued expenses</i>	(646)	(610)
<i>Increase (decrease) in due to student groups</i>	4,494	(6,257)
<i>Net cash provided by operating activities</i>	<u>2,426,396</u>	<u>1,703,142</u>
<i>Cash flows from investing activities</i>		
<i>Payments for depreciable assets</i>	(1,119,819)	(508,881)
<i>Net cash used by investing activities</i>	<u>(1,119,819)</u>	<u>(508,881)</u>
<i>Cash flows from financing activities</i>		
<i>Payments of long-term debt</i>	(377,657)	(308,272)
<i>Net cash used by financing activities</i>	<u>(377,657)</u>	<u>(308,272)</u>
<i>Net increase in cash and cash equivalents</i>	928,920	885,989
<i>Cash and cash equivalents at beginning of year</i>	<u>6,796,922</u>	<u>5,910,933</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 7,725,842</u>	<u>\$ 6,796,922</u>
<i>Supplemental disclosures of cash flow information:</i>		
<i>Cash paid during the year for:</i>		
<i>Interest</i>	\$ <u>612,177</u>	\$ <u>627,593</u>
<i>Income taxes</i>	\$ <u>-</u>	\$ <u>-</u>

FAITH FAMILY KIDS, INC.
Waxahachie Faith Family Academy
Statements of Cash Flows
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 230,833	\$ 347,262
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	217,872	137,863
Amortization expense	40,814	41,803
Increase in funds due from federal agencies	(806,604)	(22,484)
Decrease in other receivables	-	10,749
Increase in other assets	-	(657)
Increase (decrease) in accounts payable	262,326	4,239
Increase (decrease) in accrued liabilities	426,473	(38,778)
Decrease in accrued expenses	(662)	(174)
Increase in due to student groups	2,511	1,577
Net cash provided by operating activities	<u>373,563</u>	<u>481,400</u>
<i>Cash flows from investing activities</i>		
Payments for depreciable assets	(92,211)	(1,428,021)
Net cash used by investing activities	<u>(92,211)</u>	<u>(1,428,021)</u>
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	91,211	-
Payments of long-term debt	(283,274)	(148,245)
Net cash used by financing activities	<u>(192,063)</u>	<u>(148,245)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	89,289	(1,094,866)
<i>Cash and cash equivalents at beginning of year</i>	<u>1,054,971</u>	<u>2,149,837</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 1,144,260</u>	<u>\$ 1,054,971</u>
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid during the year for:		
Interest	\$ <u>236,249</u>	\$ <u>175,132</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

FAITH FAMILY KIDS, INC.
Schedule of Expenses
For the Years Ended August 31, 2015 and 2014

Expenses	Faith Family Academy of Oak Cliff	Waxahachie Faith Family Academy	Totals	
			2015	2014
6100 Payroll costs	\$ 13,692,957	\$ 3,071,449	\$ 16,764,406	\$ 14,832,344
6200 Professional and contracted services	2,617,976	482,490	3,100,466	2,925,691
6300 Supplies and materials	2,659,207	632,133	3,291,340	2,670,508
6400 Other operating costs	1,088,692	286,745	1,375,437	1,145,277
6500 Debt	644,917	282,661	927,578	882,888
Total expenses	\$ 20,703,749	\$ 4,755,478	\$ 25,459,227	\$ 22,456,708

FAITH FAMILY KIDS, INC.
Schedule of Capital Assets
As of August 31, 2015

	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Faith Family Academy of Oak Cliff				
1510 Land and improvements	\$ -	\$ 110,288	\$ -	\$ 110,288
1520 Buildings and improvements	-	13,565,036	41,315	13,606,351
1541 Vehicles	-	543,043	-	543,043
1549 Furniture and equipment	-	251,789	439,625	691,414
1580 Construction in progress	-	762,686	-	762,686
Total property and equipment	\$ -	\$ 15,232,842	\$ 480,940	\$ 15,713,782
Waxahachie Faith Family Academy				
1510 Land and improvements	\$ -	\$ 33,828	\$ -	\$ 33,828
1520 Buildings and improvements	-	5,168,218	-	5,168,218
1531 Vehicles	-	179,144	-	179,144
1539 Furniture and equipment	-	50,906	-	50,906
1580 Construction in progress	-	-	-	-
Total property and equipment	\$ -	\$ 5,432,096	\$ -	\$ 5,432,096
Total				
1510 Land and improvements	\$ -	\$ 144,116	\$ -	\$ 144,116
1520 Buildings and improvements	-	18,733,254	41,315	18,774,569
1531 Vehicles	-	722,187	-	722,187
1539 Furniture and equipment	-	302,695	439,625	742,320
1580 Construction in progress	-	762,686	-	762,686
Total property and equipment	\$ -	\$ 20,664,938	\$ 480,940	\$ 21,145,878

FAITH FAMILY KIDS, INC.
Faith Family Academy of Oak Cliff
Budgetary Comparison Schedule
Faith Family Kids, Inc.
For the Year Ended August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local support				
5740 Other revenues - local sources	\$ 66,815	\$ 24,189	\$ 74,259	\$ 50,070
5750 Revenue from co-curricular or enterprising	<u>123,500</u>	<u>104,000</u>	<u>101,586</u>	<u>(2,414)</u>
Total local support	<u>190,315</u>	<u>128,189</u>	<u>175,845</u>	<u>47,656</u>
State program revenues				
5811 Available school fund	461,215	493,629	505,759	12,130
5812 Foundation school program	16,695,369	18,847,993	19,077,399	229,406
5820 State program revenues distributed by the TEA	<u>45,385</u>	<u>63,092</u>	<u>46,115</u>	<u>(16,977)</u>
Total state program revenues	<u>17,201,969</u>	<u>19,404,714</u>	<u>19,629,273</u>	<u>224,559</u>
Federal program revenues				
5920 Federal revenues distributed by the TEA	<u>2,605,931</u>	<u>2,917,187</u>	<u>2,986,179</u>	<u>68,992</u>
Total federal program revenues	<u>2,605,931</u>	<u>2,917,187</u>	<u>2,986,179</u>	<u>68,992</u>
Total revenues	<u>19,998,215</u>	<u>22,450,090</u>	<u>22,791,297</u>	<u>341,207</u>
Expenses				
11 Instruction	10,414,399	10,763,588	10,726,756	36,832
12 Instructional resources and media services	64,173	71,881	71,658	223
13 Curriculum and instructional staff development	392,400	418,400	418,719	(319)
21 Instructional leadership	887,421	51,971	50,190	1,781
23 School leadership	550,829	724,871	725,634	(763)
31 Guidance, counseling and evaluation services	324,365	251,365	251,831	(466)
33 Health services	142,522	142,522	137,219	5,303
34 Student (pupil) transportation	56,652	65,638	66,057	(419)
35 Food service	1,549,600	1,549,600	1,589,474	(39,874)
36 Cocurricular/extracurricular activities	130,760	147,260	151,890	(4,630)
41 General administration	814,679	1,711,894	1,979,789	(267,895)
51 Plant maintenance and operations	2,778,814	3,215,399	2,886,259	329,140
52 Security and monitoring services	230,298	422,118	420,046	2,072
53 Data processing services	489,337	281,837	281,822	15
61 Community services	220,705	315,885	304,437	11,448
71 Interest expense	<u>951,261</u>	<u>607,774</u>	<u>641,968</u>	<u>(34,194)</u>
Total expenses	<u>19,998,215</u>	<u>20,742,003</u>	<u>20,703,749</u>	<u>38,254</u>
Change in net assets	-	<u>1,708,087</u>	<u>2,087,548</u>	<u>-379,461</u>
Net assets, beginning of year	<u>5,965,856</u>	<u>5,965,856</u>	<u>5,965,856</u>	-
Net assets, end of year	<u>\$ 5,965,856</u>	<u>\$ 7,673,943</u>	<u>\$ 8,053,404</u>	<u>\$ 379,461</u>

FAITH FAMILY KIDS, INC.
Waxahachie Faith Family Academy
Budgetary Comparison Schedule
Faith Family Kids, Inc.
For the Year Ended August 31, 2015

Exhibit E-1.2

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local support				
5740 Other revenues - local sources	\$ -	\$ 4,086	\$ 15,592	\$ 11,506
5750 Revenue from co-curricular or enterprising	46,275	46,190	47,415	1,225
Total local support	<u>46,275</u>	<u>50,276</u>	<u>63,007</u>	<u>12,731</u>
State program revenues				
5811 Available school fund	89,832	91,775	94,211	2,436
5812 Foundation school program	2,943,426	4,261,686	4,336,766	75,080
5820 State program revenues distributed by the TEA	37,466	23,451	7,562	(15,889)
Total state program revenues	<u>3,070,724</u>	<u>4,376,912</u>	<u>4,438,539</u>	<u>61,627</u>
Federal program revenues				
5920 Federal revenues distributed by the TEA	354,327	444,430	484,765	40,335
Total federal program revenues	<u>354,327</u>	<u>444,430</u>	<u>484,765</u>	<u>40,335</u>
Total revenues	<u>3,471,326</u>	<u>4,871,618</u>	<u>4,986,311</u>	<u>114,693</u>
Expenses				
11 Instruction	1,589,169	2,437,651	2,516,246	(78,595)
12 Instructional resources and media services	5,787	28,873	29,441	(568)
13 Curriculum and instructional staff development	23,500	34,500	37,552	(3,052)
21 Instructional leadership	137,557	12,557	12,519	38
23 School leadership	97,504	194,146	195,252	(1,106)
31 Guidance, counseling and evaluation services	75,351	79,067	79,256	(189)
33 Health services	46,150	46,150	47,158	(1,008)
34 Student (pupil) transportation	80,745	121,539	124,841	(3,302)
35 Food service	264,097	343,097	388,129	(45,032)
36 Cocurricular/extracurricular activities	62,500	40,500	39,363	1,137
41 General administration	120,847	200,156	247,213	(47,057)
51 Plant maintenance and operations	431,822	588,072	642,427	(54,355)
52 Security and monitoring services	10,047	49,262	52,093	(2,831)
53 Data processing services	78,336	66,337	66,091	246
61 Community services	32,000	1,000	834	166
71 Interest expense	415,914	286,013	277,063	8,950
Total expenses	<u>3,471,326</u>	<u>4,528,920</u>	<u>4,755,478</u>	<u>(226,558)</u>
Change in net assets	<u>-</u>	<u>342,698</u>	<u>230,833</u>	<u>(111,865)</u>
Net assets, beginning of year	<u>1,070,799</u>	<u>1,070,799</u>	<u>1,070,799</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,070,799</u>	<u>\$ 1,413,497</u>	<u>\$ 1,301,632</u>	<u>\$ (111,865)</u>

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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

To The Board of Directors of
Faith Family Kids, Inc.
Desoto, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Faith Family Kids, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2015, 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 11, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Faith Family Kids, Inc.'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 Faith Family Kids, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Faith Family Kids, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Ramsey & Company". The signature is written in a cursive, flowing style.

Houston, TX
December 11, 2015

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To The Board of Directors of
Faith Family Kids, Inc.
Desoto, Texas

Report on Compliance for Each Major Federal Program

We have audited Faith Family Kids, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Faith Family Kids, Inc.'s major federal programs for the year ended August 31, 2015. Faith Family Kids, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Faith Family Kids, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Faith Family Kids, Inc.'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 Faith Family Kids, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Faith Family Kids, Inc. 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, 2015.

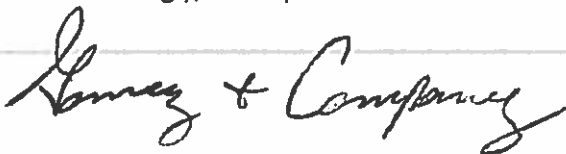
Report on Internal Control over Compliance

Management of Faith Family Kids, Inc. 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 Faith Family Kids, Inc.'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 OMB Circular A-133, 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 internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Houston, TX
December 11, 2015

FAITH FAMILY KIDS, INC.

**Schedule of Findings and Questioned Costs
Year Ended August 31, 2015**

Summary of Auditors' Results

1. The type of report issued on the general-purpose financial statements: **Unqualified and unmodified**
2. Significant deficiencies in internal controls were disclosed by the audit of the financial statements: **None.**
Material Weaknesses: **None.**
3. Noncompliance that is material to the financial statements: **None.**
4. The type of report issued on compliance for major programs: **Unqualified.**
5. Significant deficiencies in internal controls were disclosed by the audit of the major programs: **None.**
Material Weaknesses: **None.**
6. Any audit findings that are required to be reported under Section .510(a) of OMB Circular A-133: **None.**
7. Major Program:

ESEA, Title I – Improving Basic Programs	84.010
Special Education Cluster	84.027
8. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
9. Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards

None

Findings and Questioned Costs Related to Federal Awards

None

FAITH FAMILY KIDS, INC.

**Summary Schedule of Prior Audit Findings
Year ended August 31, 2015**

There were no prior year audit findings.

FAITH FAMILY KIDS, INC.
Schedule of Expenditures of Federal Awards
August 31, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs</i>			
ESEA, Title VI, Part B - Rural Education	84.358	S358A116464	\$ <u>26,102</u>
Total Direct Programs			<u>26,102</u>
<i>Pass-through programs from:</i>			
<i>Texas Education Agency</i>			
ESEA, Title I, Part A - Improving Basic Programs	84.010	15610101057815	998,429
ESEA, Title I, Part A - Improving Basic Programs	84.010	15610101070801	54,099
IDEA - Part B, Formula	84.027	156600010578156000	286,065
IDEA - Part B, Formula	84.027	156600010708016000	61,423
Summer School LEP	84.369	69551102	4,426
ESEA, Title III, Part A - English Language Acquisition	84.365	15671001057815	45,135
ESEA, Title II, Part A - Teacher and Principal Training	84.367	15694501057815	102,659
ESEA, Title II, Part A - Teacher and Principal Training	84.367	15694501070801	9,847
Carl D. Perkins - Career and Technology Grant	84.048	15420006057815	30,049
Total Passed Through Texas Education Agency			<u>1,592,132</u>
<i>Education Service Center Region 10</i>			
ESEA, Title III, Part A - English Language Acquisition	84.365	070-801	5,395
Carl D. Perkins - Career and Technology Grant	84.048	070-801	1,648
Total Passed Through Education Service Center Region 10			<u>7,043</u>
Total U.S. Department of Education			<u>\$ 1,625,277</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Pass-through programs from:</i>			
<i>Texas Education Agency</i>			
National School Breakfast Program	10.553	71401201	\$ 417,569
National School Breakfast Program	10.553	71401201	106,328
National School Lunch Program	10.555	71301201	941,321
National School Lunch Program	10.555	71301201	205,495
National School Lunch Program -non cash support	10.555		87,740
National School Lunch Program -non cash support	10.555		14,428
National School Lunch Program - equipment	10.579		71,289
Total Passed Through Texas Education Agency			<u>1,844,170</u>
Total U.S. Department of Agriculture			<u>\$ 1,844,170</u>
Total Federal Awards			<u>\$ 3,469,447</u>

The accompanying notes are an integral part of this schedule

FAITH FAMILY KIDS, INC.

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of Faith Family Kids, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reconciliation of Federal Revenues and Schedule of Expenditures of Federal Awards:

Total expenditure of federal awards per the Schedule of Expenditures of Federal Awards	\$ 3,469,447
SHARS revenue	<u>1,497</u>
Total federal revenues per the Statement of Activities (Exhibit A-2)	<u>\$ 3,470,944</u>