

**SER-NINOS, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED AUGUST 31, 2021**


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**SER-NINOS, INC.**  
**(Federal Employer Identification Number 76-0511534)**  
**101-802**

**CERTIFICATION OF BOARD**  
August 31, 2021

We, the undersigned, certify that the attached Annual Financial and Compliance Report of SER-Ninos, Inc. was reviewed and  approved  disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter school on the 27th day of JANUARY, 2022.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
SER-Ninos, Inc.  
Houston, Texas

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 SER-Ninos, 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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 27, 2022, on our consideration of SER-Ninos, 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 the effectiveness of SER-Ninos, Inc.'s 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 SER-Ninos, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Ramirez & Company".

Houston, TX  
January 27, 2022

**SER-NINOS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 36,060,754
Restricted Cash	61,027
Certificate of Deposit	263,382
Grants Receivable	1,647,363
Other Receivables	6,340
<b>TOTAL CURRENT ASSETS</b>	<u>38,038,866</u>

**PROPERTY AND EQUIPMENT**

Land	9,900,029
Building and Improvements	23,719,691
Furniture and Equipment	677,934
Operating Lease Right-of-Use Assets	45,787
	<u>34,343,441</u>
Less: Accumulated Depreciation	<u>(8,149,504)</u>
	<u>26,193,937</u>

**OTHER ASSETS**

Prepaid Expenses	20,496
Other Assets	7,870
	<u>28,366</u>

**TOTAL ASSETS**

\$ 64,261,169

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 897,402
Accrued Liabilities	197,759
Wages Payable	273,810
Interest Payable	20,674
Current Portion of Operating Lease Liabilities	30,724
Current Portion Notes Payable	535,244
Current Portion Bonds Payable	500,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,455,613</u>

**LONG-TERM LIABILITIES**

Operating Lease Liabilities- Net of Current Portion	15,063
Notes Payable Net of Current Portion	107,424
Bonds Payable Net of Issuance Cost, Discount and Current Portion	39,400,780
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>39,523,267</u>

**TOTAL LIABILITIES**

41,978,880

**NET ASSETS**

Without Donor Restrictions	4,091,418
With Donor Restrictions	18,190,871
<b>TOTAL NET ASSETS</b>	<u>22,282,289</u>

**TOTAL LIABILITIES NET ASSETS**

\$ 64,261,169

See accompanying notes to financial statements.

**SER-NINOS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Local Support:			
Other revenues from local sources	\$ 79,890	\$ -	\$ 79,890
Interest Income	-	-	-
Total Local Support	79,890	-	79,890
State Program Revenues	-	12,685,207	12,685,207
Total State Program Revenues	-	12,685,207	12,685,207
Federal Program Revenues	-	3,159,531	3,159,531
Total Federal Program Revenues	-	3,159,531	3,159,531
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	11,762,297	(11,762,297)	-
Total Revenues	11,842,187	4,082,441	15,924,628
<b>Expenses</b>			
Program Services			
Instruction and Instructional-Related Services	6,883,430	-	6,883,430
Instructional and School Leadership	488,928	-	488,928
Ancillary Services	53,678	-	53,678
Support Services- Student (Pupil)	663,737	-	663,737
Total Program Services	8,089,773	-	8,089,773
Support Services			
Administrative Support Services	634,733	-	634,733
Support Services- Non-Student Based	2,451,135	-	2,451,135
Debt Service	666,546	-	666,546
Fundraising	-	-	-
Total Support Services	3,752,414	-	3,752,414
Total Expenses	11,842,187	-	11,842,187
<b>Change in Net Assets</b>	-	4,082,441	4,082,441
<b>Net Assets, beginning of year</b>	4,091,418	14,108,430	18,199,848
<b>Net Assets, end of year</b>	\$ 4,091,418	\$ 18,190,871	\$ 22,282,289

**SER-NINOS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	Program Expense	Management and General	Fundraising	Total Supporting Services	
<b>Expenses</b>					
Salaries	\$ 5,834,812	\$ 287,624	\$ -	\$ 287,624	\$ 6,122,436
Employee benefits	728,856	36,752	-	36,752	765,608
Payroll taxes	112,942	23,866	-	23,866	136,808
Professional fees	499,781	500,907	-	500,907	1,000,688
Utilities	-	629,348	-	629,348	629,348
Travel	-	28	-	28	28
Interest expense	-	508,163	-	508,163	508,163
Insurance	-	186,556	-	186,556	186,556
Depreciation	-	785,739	-	785,739	785,739
Amortization	-	158,383	-	158,383	158,383
Supplies	835,447	95,590	-	95,590	931,037
Rental and maintenance of equipment	-	44,869	-	44,869	44,869
Miscellaneous expenses	17,957	66,768	-	66,768	84,725
Food	59,374	-	-	-	59,374
Repairs and Maintenance	604	427,821	-	427,821	428,425
<b>Total Expenses</b>	<b>\$ 8,089,773</b>	<b>\$ 3,752,414</b>	<b>\$ -</b>	<b>\$ 3,752,414</b>	<b>\$ 11,842,187</b>

See accompanying notes to financial statements.



**SER-NINOS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 4,082,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	785,739
Amortization expense	158,383
Forgiveness of PPP Loan	(1,374,700)
(Increase) decrease in Other Receivable	4,227
(Increase) decrease in Grants Receivable	(1,243,108)
(Increase) decrease in Prepaid	66,735
Increase (decrease) in Accounts Payable	685,740
Increase (decrease) in Interest Payable	(1,150)
Increase (decrease) in Accrued Liabilities	13,648
Increase (decrease) in Wages Payable	(5,617)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>3,172,338</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	(7,259,463)
Interest Reinvestment on Certificate of Deposit	(26)
<b>NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES</b>	<b>(7,259,489)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from loans	3,500,000
Repayment of loans	(3,009,145)
Net Proceeds form Restricted Cash-Bond Trustee	31,624,344
Principal payments on long term debt	(535,087)
Bond Issuance Costs	(1,861,725)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>29,718,387</b>

**NET INCREASE (DECREASE) IN CASH** 25,631,236

**CASH AT BEGINNING OF YEAR** 10,490,545

**CASH AT END OF YEAR** \$ 36,121,781

**SUPPLEMENTAL DISCLOSURES**

**CASH PAID DURING THE YEAR FOR:**

**INTEREST** \$ 508,163

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

A. Organization:

SER-Ninos, Inc. (Corporation), a nonprofit organization, was incorporated in the State of Texas in 1996, under the Texas Non-Profit Corporation Act. The Internal Revenue Service determined that the organization was exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Pursuant to its charter granted by the State Board of Education in accordance with Texas Education Code Section 12, Subchapter D, Open-Enrollment Charter School, the organization operates as part of the state public school system subject to all federal and state laws and rules governing public schools. The organization is also subject to all laws and rules pertaining to open-enrollment charter schools in section 12 of the Texas Education Code.

The organization provides elementary education to approximately 1,146 children with half-day programs for three year old students and full day programs for pre-kindergarten through eighth grade. It is managed by an eight member Board of Directors that has the exclusive power and duty to direct the supervision, management, and administration of the organization's activities.

The charter holder, SER-Ninos, Inc., only operates a single charter school and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. SER-Ninos, Inc. reports its financial information based on the Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements. Under FASB ASC 958-205, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

CLASSIFICATION OF NET ASSETS—

Net assets of SER-Ninos, Inc. are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

*Net Assets Without Donor Restrictions*— Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

*Net Assets with Donor Restrictions* – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use.

Restrictions may be met by the passage of time or by actions of the SER-Ninos, Inc. Certain restrictions may need to be maintained in perpetuity. Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law. On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the organization.

CONTRIBUTIONS

In accordance with Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue Recognition, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchased by SER-Ninos, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of five years for equipment, seven years for furniture, fifteen years for building and land improvements, and thirty years for buildings. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to net assets without donor restrictions.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to SER-Ninos, Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the organization's multiple function expenditures.

INCOME TAXES

SER-Ninos, Inc. qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

SER-Ninos, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at a bank. The accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. Even though the organization has not experienced any losses on such accounts, arrangements should be made to avoid potential, future losses.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets.

ESTIMATES

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

NEW ACCOUNTING STANDARD AFFECTING LEASE ACCOUNTING

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (topic 815), and Leases (topic 842): Effective Dates*; ASU 2020-02, *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*; and ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

SER-Ninos, Inc. elected to adopt these ASUs using the modified retrospective approach required by the standards and implementing the standards using the effective date method, which established September 1, 2020 as both the effective date and date of initial application. The Academy elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Academy to carry forward the historical lease classification. In addition, the Academy made the following elections: to use hindsight in determining the lease term for existing leases; to apply the short-term lease exception to all leases with a term of one year or less; and to use a risk-free discount rate for all operating leases, determined using a period comparable with that of the lease term.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

C. Pension Plan:

*Plan Description*

The charter school 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 of Texas. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan 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 Texas 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 form the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2021 provided the following information (ABO refers to the accumulated benefit obligation):

<u>Pension</u>	<u>Total Plan Assets</u>	<u>ABO</u>	<u>Percent</u>
<u>Fund</u>	<u>2021</u>	<u>2021</u>	<u>Funded</u>
TRS	\$ 223,172,755,000	\$ 227,273,464,000	88.79%

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

C. Pension Plan: (Continued)

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for fiscal year 2021, and a state contribution rate of 7.5% for fiscal year 2021.

The charter school's employee contributions to the system for the year ended August 31, 2021 were \$469,246, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$180,002 for the year ended August 31, 2021. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was not assessed a surcharge.

D. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

E. Liquidity and Availability of Financial Assets:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end		
Cash and Cash Equivalents	\$	36,385,163
Accounts Receivable		1,653,703
Total Financial assets at year-end	\$	38,038,866
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted imposed restrictions as to use:		61,027
Financial assets available to meet cash needs for general expenditure within one year	\$	37,977,839

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

F. Operating Lease Commitment:

SER-Ninos, Inc. is currently leasing its copy machines on a non-cancellable operating lease agreement.

The organization's minimum annual lease commitment is as follows:

<u>Twelve months ending</u>	<u>Amount</u>
<u>August 31,</u>	
2022	30,746
2023	<u>15,106</u>
Total Operating Lease Payments	\$ 45,852
Less: Present Value Discount	<u>(65)</u>
Total Operating Lease Liabilities	\$ 45,787
Less Current Portion	<u>(30,724)</u>
Long-term Portion of Operating Lease Liabilities	<u>\$ 15,063</u>

Right-of-use assets under operating leases were as follows:

Copy Machines           \$ 45,787

G. Health Care Coverage:

During the year ended August 31, 2021, employees of the organization were covered by a Health Insurance Plan (the Plan). The organization contributed \$369 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

H. Commitments and Contingencies:

The charter school 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 the Texas Education Agency, and it 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 charter school 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 Texas Education Agency or the grantor agency. The school is economically dependent on these charter school funds.



SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

I. Notes Payable:

SER-Ninos, Inc.'s obligations under notes payable consists of the following:

Construction Loan from Amegy Bank. The loan is dated August 31, 2016, has a 3.75% interest rate, and a face amount of \$ 3,000,000, secured by land and building. Date of maturity is December 23,2022.	\$ 137,872
Construction Loan from Amegy Bank. The loan is dated January 26, 2021, has a 3.75% interest rate, and a face amount of \$ 3,500,000, secured by land and building. Date of maturity is January 26, 2026.	<u>504,796</u>
Total Notes Payable	642,688
Less Current Portion of Notes Payable	<u>(535,244)</u>
Long-term Portion of Notes Payable	<u>\$ 107,424</u>

Maturities of notes payable over the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 535,244	\$ 13,112	\$ 548,356
2023	107,424	576	108,000
Total	<u>\$ 642,668</u>	<u>\$ 13,688</u>	<u>\$ 656,356</u>

J. Paycheck Protection Program Loan:

The organization was approved for and received a loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) for the amount of \$1,374,700 dated May 8, 2020. The loan had a maturity date of May 8, 2022 with an interest rate of 1%. The organization applied for loan forgiveness on December 9, 2020 and the loan was forgiven on January 23, 2021. The organization has recognized forgiveness of the loan as a contribution in accordance with ASC 958-605 and reflected the forgiven loan balance in its operating revenues in the current fiscal year.

K. Restricted Cash:

Restricted cash of \$61,027 at August 31, 2021 consisted of debt service reserve fund bond and capital campaign cash accounts. These funds are to be solely used in the repayment of bond liabilities, capital improvements and cannot be used for normal operating expenditures.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

L. Bonds Payable:

Bonds payable at August 31, 2021 consist of the following:

2012Q Bonds, 6.75% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; Maturity dates range from 2013 to 2030.	\$ 2,835,000
2020A Bonds, 4.00% interest; principle and interest due in semi-annual installments, commencing August 15, 2020; Maturity dates range from 2022 to 2041.	6,845,000
2021A Bonds, 2.38% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; Maturity dates range from 2031 to 2041.	29,440,000
2021B Bonds, 1.45% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; Maturity date is August 31, 2027	<u>455,000</u>
Total	<u>39,575,000</u>
Plus Premium on bond payable	2,629,213
Less current portion of bonds payable	(500,000)
Less unamortized cost of issuance	<u>(2,303,433)</u>
Long-term portion of bonds payable net of discount	<u>\$ 39,400,780</u>

Future maturities of long-term debt at August 31, 2021 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 500,000	\$ 1,822,794	\$ 2,322,794
2023	510,000	1,840,848	2,350,848
2024	620,000	1,921,785	2,541,785
2025	620,000	1,891,673	2,511,673
2026	625,000	1,866,210	2,491,210
Thereafter	<u>36,700,000</u>	<u>52,424,678</u>	<u>89,124,678</u>
Total	<u>\$ 39,575,000</u>	<u>\$ 61,767,988</u>	<u>\$ 101,342,988</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

L. Bonds Payable: (Continued)

SER-Ninos, Inc. closed on August 31, 2021, \$29,440,000 of Arlington Higher Education Finance Corporation Education Revenue Bonds Series 2021A and \$455,000 in Taxable Education Revenue Bonds, Series 2020B bonds. The 2020A series bonds had a premium of \$1,729,345. Debt and reserve fund proceeds were employed as follows: wire transfer to Project Fund account \$29,454,861, transfer to debt service account \$307,758 and the remaining balance of \$1,861,726 were used for payment of issuance costs. The stated interest rates for Series 2020A range from 0.65% to 4% with an effective yield of 1.45% and 2.71% for respective maturities of the bonds. The stated interest rate for Series 2020B is 2.38% with an effective yield of 2.38%. Principal and interest is paid semi-annually on February 15th and August 15th for both bond issues. SER-Ninos, Inc. has applied for and has been granted conditional approval for participation in the Permanent School Fund Guarantee Program by the Texas Education Agency (“TEA”), guaranteeing payment of the bonds by the corpus of the state’s Permanent School Fund.

M. Debt Covenants:

SER-Ninos, Inc. is required to maintain a debt service coverage Ratio of not less than 1.10 to 1.00 for Series 2020A, 2021A & 2021B Bonds and 1.25 to 1.00 for Series 2012Q Bonds at the end of the fiscal year. At August 31, 2021, the Organization was in compliance with debt covenants with a debt service coverage ratio of 1.81.

N. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2021, are available for the following periods:

Periods after August 31, 2021	
State TEA funds	\$ 18,129,844
Capital Campaign funds	<u>61,027</u>
Total restricted funds	<u>\$ 18,190,871</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

State Funds	\$ 8,602,766
Federal Funds	<u>3,159,531</u>
Total restrictions released	<u>\$ 11,762,297</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

O. SER-Ninos, Inc. Houston Special Education Cooperative:

SER-Ninos, Inc. Houston Special Education Cooperative received \$526,504 in IDEA-B Formula funds for the year ended August 31, 2021. The cooperative has a TEA approved Shared Services Arrangement (SSA) with the following member schools/ entities, member revenue and member expense for the year ended August 31, 2021:

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
Alief Montessori	\$ 46,011	\$ 46,011
GIS Houston	174,282	174,282
Heights Charter	39,424	39,424
U of H Charter	23,056	23,056
SER Ninos	155,589	155,589
Two Dimensions Charter	88,142	88,142
Total IDEA-B Formula Funds	<u>\$ 526,504</u>	<u>\$ 526,504</u>

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
GIS Houston	1,211	1,211
Total IDEA-B Preschool Funds	<u>\$ 1,211</u>	<u>\$ 1,211</u>

P. Certificate of Deposits:

SER-Ninos, Inc. has renewed a \$263,382 six-month certificate of deposit with an interest rate of .01%. The certificate of deposit has a maturity date of December 14, 2021 and will automatically renew for a six month period.

Q. Evaluation of Subsequent Events:

SER-Ninos, Inc. has evaluated subsequent events through January 27, 2022 the date which the financial statements were available to be issued.

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Directors of  
SER-Ninos, Inc.  
Houston, Texas

We have audited the financial statements of SER-Ninos, Inc. as of and for the year ended August 31, 2021, and our report thereon dated January 27, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated August 31, 2021, and appearing on pages 19 to 24 and on pages 33 to 34, are presented for purposes of additional analysis and are 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.



Houston, Texas  
January 27, 2022

**SER-NINOS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 70,668.00	\$ -	\$ 70,668
5750 Revenue from Cocurricular Activities	<u>9,222</u>		<u>9,222</u>
Total Local Support	79,890		79,890
State Program Revenues:			
5810 Foundation School Program Act Revenues		12,474,959	12,474,959
5820 State Program Revenues Distributed by Texas Education Agency		<u>210,248</u>	<u>210,248</u>
Total State Program Revenues		12,685,207	12,685,207
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		1,587,147	1,587,147
5930 Federal Revenues Distributed by Other State of Texas Govt Agencies		68,059	68,059
5940 Federal Revenues Distributed Directly From the Federal Government		<u>1,504,325</u>	<u>1,504,325</u>
Total Federal Program Revenues		3,159,531	3,159,531
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>11,762,297</u>	<u>(11,762,297)</u>	<u>-</u>
Total Revenues	<u>11,842,187</u>	<u>4,082,441</u>	<u>15,924,628</u>
<b>Expenses</b>			
11 Instruction	6,793,162		6,793,162
12 Instructional Resources and Media Services	90,268		90,268
13 Curriculum Development and Instructional Staff Development	20,224		20,224
21 Instructional Leadership	-		-
23 School Leadership	488,928		488,928
31 Guidance, Counseling and Evaluating Services	-		-
32 Social Work Services	13,931.00		13,931.00
33 Health Services	111,216		111,216
34 Student (Pupil) Transportation	-		-
35 Food Services	538,591		538,591
36 Cocurricular/Extracurricular Activities	-		-
41 General Administration	614,509		614,509
51 Plant Maintenance and Operations	2,115,995		2,115,995
52 Security and Monitoring Services	252,192		252,192
53 Data Processing Services	82,947		82,947
61 Community Services	53,678		53,678
71 Debt Service	666,546		666,546
81 Fund Raising	-		-
Total Expenses	<u>11,842,187</u>	<u>-</u>	<u>11,842,187</u>
<b>CHANGE IN NET ASSETS</b>	<u>-</u>	<u>4,082,441</u>	<u>4,082,441</u>
<b>NET ASSETS, beginning of year</b>	<u>4,091,418</u>	<u>14,108,430</u>	<u>18,199,848</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,091,418</u>	<u>\$ 18,190,871</u>	<u>\$ 22,282,289</u>

**SER-NINOS, INC.**  
**SCHEDULE OF EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**EXPENSES**

6100 Payroll Costs	\$ 7,024,852
6200 Professional and Contracted Services	2,103,331
6300 Supplies and Materials	990,411
6400 Other Operating Costs	1,057,047
6500 Debt	<u>666,546</u>
Total Expenses	<u>\$ 11,842,187</u>

**SER-NINOS, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 428,078	\$ 35,957,085	\$ -
1510 Land and Improvements	1,522,192	8,377,837	
1520 Building and Improvements	20,623,072	1,096,619	2,000,000
1532 Right-of-Use Assets		45,787	
1539 Furniture and Equipment	31,953	645,981	
<b>Total Capital Assets</b>	<b>\$ 22,605,295</b>	<b>\$ 46,123,309</b>	<b>\$ 2,000,000</b>

See accompanying notes to financial statements.



**SER-NINOS, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 121,195	\$ 128,345	\$ 70,668	\$ (57,677)
5750 Revenue from Cocurricular Activities	12,500	7,062	9,222	2,160
Total Local Support	<u>133,695</u>	<u>135,407</u>	<u>79,890</u>	<u>(55,517)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	11,432,464	11,273,802	12,474,959	1,201,157
5820 State Program Revenues Distributed by Texas Education Agency			210,248	210,248
Total State Program Revenues	<u>11,432,464</u>	<u>11,273,802</u>	<u>12,685,207</u>	<u>1,411,405</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	1,004,735	1,004,735	1,587,147	582,412
5930 Federal Revenues Distributed by Other State of Texas Govt Agencies	-	-	68,059	68,059
5940 Federal Revenues Distributed Directly From the Federal Government	1,511,700	1,533,855	1,504,325	(29,530)
Total Federal Program Revenues	<u>2,516,435</u>	<u>2,538,590</u>	<u>3,159,531</u>	<u>620,941</u>
Total Revenues	<u>14,082,594</u>	<u>13,947,799</u>	<u>15,924,628</u>	<u>1,976,829</u>
<b>Expenses</b>				
11 Instruction	6,712,763	6,817,754	6,793,162	24,592
12 Instructional Resources and Media Services	72,049	84,149	90,268	(6,119)
13 Curriculum Development and Instructional Staff Development	21,625	10,401	20,224	(9,823)
21 Instructional Leadership	-	-	-	-
23 School Leadership	552,405	552,405	488,928	63,477
31 Guidance, Counseling and Evaluating Services	18,700	-	-	-
32 Social Work Services	13,931	13,931	13,931	-
33 Health Services	98,603	95,000	111,216	(16,216)
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	797,640	442,759.00	538,591	(95,832)
36 Cocurricular/Extracurricular Activities	25,000	-	-	-
41 General Administration	537,698	709,076	614,509	94,567
51 Plant Maintenance and Operations	2,397,730	1,929,860	2,115,995	(186,135)
52 Security and Monitoring Services	172,043	201,088	252,192	(51,104)
53 Data Processing Services	87,540	83,223	82,947	276
61 Community Services	95,133	59,862	53,678	6,184
71 Debt Service	720,000	766,884	666,546	100,338
81 Fund Raising	9,820	-	-	-
Total Expenses	<u>12,332,680</u>	<u>11,766,392</u>	<u>11,842,187</u>	<u>(75,795)</u>
<b>TOTAL CHANGE IN NET ASSETS AFTER LOSS</b>	<u>1,749,914</u>	<u>2,181,406</u>	<u>4,082,441</u>	<u>1,901,035</u>
<b>NET ASSETS, beginning of year</b>	<u>18,199,848</u>	<u>18,199,848</u>	<u>18,199,848</u>	
<b>NET ASSETS, end of year</b>	<u>\$ 19,949,762</u>	<u>\$ 20,381,254</u>	<u>\$ 22,282,289</u>	<u>\$ 1,901,035</u>

See accompanying notes to financial statements.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2021

**MATERIAL BUDGET VARIANCE REVENUE**

**(1) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2021.**

Object 5750 - The amount of variance was due to an anticipated decrease in revenue due to COVID

**(2) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ending August 31, 2021.**

Object 5740 - The amount of variance was due to a decrease in donations.

Object 5750 - The amount of the variance in revenue was attributed to a decrease in activities due to COVID.

Object 5810 - The amount of the variance is due to funding increase due to COVID.

Object 5920 - The amount of variance in revenue is attributed to an increase in funding due to COVID.

Object 5930 - The amount of the variance is due to funding increase due to COVID.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2021

**MATERIAL BUDGET VARIANCE EXPENDITURES**

**(1) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2021.**

- Function 12 - The amount of the variance of expenses was due to an increase in staffing due to COVID.
- Function 13 - The amount of the variance was due to an anticipated decrease in staff development due to COVID.
- Function 31 - The amount of the variance was due to COVID related school disruption.
- Function 35 - The amount of the variance was due to a decrease in the number of students receiving meals at school due to COVID.
- Function 36 - The amount of the variance is due to a decrease in extra-curricular activities due to COVID.
- Function 41 - The amount of the variance was due to an anticipated increase in administrative cost due to COVID.
- Function 51 - The amount of the variance was due to an anticipated decrease in expenditure due to COVID school closure.
- Function 52 - The amount of the variances was due to an anticipated increase of cost due to COVID.
- Function 61 - The amount of the variance was due to a decrease in activities due to COVID.
- Function 81 - The amount of the variance was due to decrease in fundraising activities due to COVID.

**(2) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ending August 31, 2021.**

- Function 13 - The amount of the variance was due to an increase in additional Professional Development due to COVID.
- Function 23 - The amount of the variance was due to a decrease in staffing due to COVID.
- Function 35 - The amount of the variance was due to an increase in expenses due to COVID.
- Function 41 - The amount of the variance was due to lower expenses due to COVID.
- Function 52 - The amount of the variance was due to additional cost related to COVID.
- Function 61 - The amount of the variance was a lower expense due to COVID.
- Function 71 - The amount of the variance was due to a decrease in interest related activities.

# GOMEZ & COMPANY

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### 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  
SER-Ninos, Inc.  
Houston, 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 SER-Ninos, 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, and have issued our report thereon dated January 27, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SER-Ninos, 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 SER-Ninos, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of SER-Ninos, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 SER-Ninos, 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 cursive script that reads "Loney & Company".

Houston, TX  
January 27, 2022

# GOMEZ & COMPANY

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

To The Board of Directors of  
SER-Ninos, Inc.  
Houston, Texas

#### **Report on Compliance for Each Major Federal Program**

We have audited SER-Ninos, Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SER-Ninos, Inc.'s major federal programs for the year ended August 31, 2021. SER-Ninos, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of SER-Ninos, 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 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 SER-Ninos, 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 SER-Ninos, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion SER-Ninos, 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, 2021.

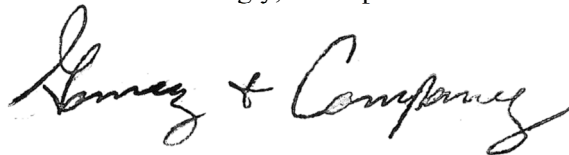
## Report on Internal Control Over Compliance

Management of SER-Ninos, 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 SER-Ninos, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SER-Ninos, Inc.'s internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Ramirez & Company". The signature is written in black ink and is positioned above the printed text of the firm's name and date.

Houston, TX  
January 27, 2022

SER-NINOS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).
7. Major programs:  

U.S. Department of Education  
Passed – Through Texas Education Agency  
Title I, Part A

CFDA Number 84.010A
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. SER-Ninos, Inc. qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a).	\$ -0-



SER-NINOS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) for the year ended August 31, 2020. \$ -0-

SER NINOS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures	Amount Relating to Subrecipients
<u>U.S. Department of Education</u>				
Passed - Through Texas Education Agency:				
ESEA, Title I, Part A	84.010A	21610101101802	\$ 442,534	\$ -
ESEA, Title II, Part A Teacher and Principal	84.367A	21694501101802	23,552	
ESEA, Title III, Part A - LEP	84.365A	21671001101802	59,313	
IDEA-B, Formula	84.027A	216600011018026000	155,589	370,915
IDEA-B Preschool	84.173A	216610011018026000	-	1,211
ESEA, Title IV, Part A, Subpart 1	84.424A	21680101101802	21,078	
Restart Hurricane Recovery	84.938A	18511701101802	51,499	
Total U.S. Department of Education, non-COVID-19 Assistance			753,565	372,126
<i>COVID-19 - Elementary and Secondary School Emergency Relief Fund</i>				
(ESSER) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act	84.425D	20521001101802	242,324	-
(ESSER) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act	84.425D	52102135	104,149	-
Total U.S. Department of Education, COVID-19 Assistance			346,473	-
Total U.S. Department of Education			1,100,038	372,126
<u>U.S. Treasury Department</u>				
Passed - Through Texas Education Agency:				
<i>COVID-19 - Coronavirus Relief Fund (CRF) of the CARES Act</i>	21.019	39312101	12,650	-
<i>COVID-19 - Coronavirus Relief Fund (CRF) of the CARES Act</i>	21.019	52202002	12,650	-
			25,300	-
Passed - Through Texas Division of Emergency Management				
<i>COVID-19 - Coronavirus Relief Fund (CRF) of the CARES Act</i>	21.019	2020-CF-21019	55,408	-
Total U.S. Treasury Department			80,708	-
<u>U.S. Department of Agriculture</u>				
Passed - Through Texas Education Agency				
Federal Food Service Reimbursement				
Breakfast	10.553	71402001	89,314	
Breakfast	10.553	71402101	4,979	
Lunch	10.555	71302001	231,169	
Lunch	10.555	71302101	19,612	
			345,074	-
Passed - Through Texas Department of Human Services				
USDA Commodity Food Distribution	10.555	101201A	60,136	
			60,136	-
Total U.S. Department of Agriculture, non-COVID-19 Assistance			405,210	-
Passed - Through Texas Department of Agriculture				
<i>COVID-19 - Emergency Operations Cost Reimbursement</i>	10.555		69,250	-
Total U.S. Department of Agriculture, COVID-19 Assistance			69,250	-
Total U.S. Department of Agriculture			474,460	-
Total Expenditures of Federal Awards			\$ 1,655,206	\$ 372,126

SER-NINOS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

**NOTE 1- SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of SER-Ninos, Inc. under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of SER-Ninos, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of SER-Ninos, Inc.

***Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

***Indirect Cost Rate***

SER-Ninos, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES**

Other sources of federal revenues are \$129,625 in tax credits for qualifying bonds and \$1,374,700 of debt forgiveness from the Paycheck Protection Program Loan dated May 8, 2020, which are not includible in the current Schedule of Expenditures of Federal Awards (SEFA).

***Reconciliation of Federal Revenues and (SEFA):***

Total expenditure of federal awards per the SEFA	\$ 1,655,206
Q-Series Bond Subsidy Revenue / Expenditure	129,625
Paycheck Protection Program Loan	<u>1,374,700</u>
Total federal revenues per the Statement of Activities	<u>\$ 3,159,531</u>

SER-NINOS, INC  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
FOR THE YEAR ENDED AUGUST 31, 2021

Description (List each parcel separately)	Property Address	Total Assessed	Ownership Interest-Local	Ownership Interest-State	Ownership Interest-Federal
RES A BLK 1 SER NINOS CHARTER PLAZ	5919 DASHWOOD DR HOUSTON TX 77081	3,879,822	3,081,928	95,548	702,346
RES A2 BLK 1 CHIMNEY ROCK CENTRAL SEC 2	5815 ALDER DRIVE HOUSTON TX 77081	4,372,056	3,938,179	51,957	381,920
RES A BLK 1 SER NINOS CHARTER SCHOOL	5610 GULFTON ST HOUSTON TX 77081	7,802,317	6,423,479	185,444	1,193,394
RES A BLK 1 SER-NINOS CHARTER HIGH SCHOOL	5803 GLENMONT ST HOUSTON TX 77081	9,465,379	9,465,379	-	-

SER-NINOS, INC  
 SCHEDULE OF RELATED PARTY TRANSACTIONS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Types of Transactions	Description of Terms and Conditions	Source of Fund Used	Payment Frequency	Total Paid During FY	Principal Balance Due
None								