

SER-NINOS, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2017

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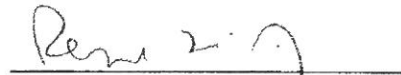
SER-NINOS, INC.
(Federal Employer Identification Number 76-0511534)
101-802

CERTIFICATION OF BOARD
August 31, 2017

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, 2017, at a meeting of the governing body of said charter school on the 18 day of January, 2018.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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. (SER, Inc.) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, 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, Inc. as of August 31, 2017, 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 5, 2018, on our consideration of SER, 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, 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, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Loney & Company".

Houston, TX
January 5, 2018

SER NINOS, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017

ASSETS

Current Assets:

| | |
|------------------------|--------------|
| Cash | \$ 5,369,732 |
| Restricted Cash | 826,248 |
| Certificate of Deposit | 259,486 |
| Grants Receivable | 334,018 |
| Other Receivables | 51,965 |
| Total Current Assets | 6,841,449 |

Property & Equipment

| | |
|--------------------------------|-------------|
| Land | 3,471,664 |
| Buildings | 19,382,844 |
| Construction in Progress | 3,523,320 |
| Equipment and Furniture | 364,548 |
| | 26,742,376 |
| Less: Accumulated Depreciation | (5,059,313) |
| | 21,683,063 |

| | |
|--------------|---------------|
| Total Assets | \$ 28,524,512 |
|--------------|---------------|

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|----------------------------------|------------|
| Accounts Payable | \$ 598,505 |
| Accrued Liabilities | 149,983 |
| Wages Payable | 255,074 |
| Interest Payable | 18,857 |
| Current Portion of Notes Payable | 250,686 |
| Current Portion of Bonds Payable | 310,000 |
| Total Current Liabilities | 1,583,105 |

Long-term Liabilities:

| | |
|--|------------|
| Notes Payable Net of Current Portion | 5,033,377 |
| Bonds Payable Net of Issuance Cost, Discount and Current Portion | 7,403,360 |
| Total Liabilities | 14,019,842 |

Net Assets:

| | |
|------------------------|------------|
| Unrestricted | 4,365,302 |
| Temporarily Restricted | 10,139,368 |
| Total Net Assets | 14,504,670 |

| | |
|----------------------------------|---------------|
| Total Liabilities and Net Assets | \$ 28,524,512 |
|----------------------------------|---------------|

See accompanying notes to financial statements.

SER NINOS. INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|----------------------|
| REVENUES | | | |
| Local Support: | | | |
| 5740 Other Revenues from Local Sources | \$ 256,916 | \$ 474,821 | \$ 731,737 |
| 5750 Revenue from Curricular | <u>39,649</u> | | <u>39,649</u> |
| Total Local Support | <u>296,565</u> | <u>474,821</u> | <u>771,386</u> |
| State Program Revenues | | | |
| 5810 Foundation School Program Act Revenues | | 9,187,208 | 9,187,208 |
| 5820 State Program Revenues Distributed by Texas Education Agency | | <u>110,421</u> | <u>110,421</u> |
| Total State Program Revenues | | <u>9,297,629</u> | <u>9,297,629</u> |
| Federal Program Revenues: | | | |
| 5910 Federal Revenues Distributed Through Government Entities Other than State or Federal | | 2,000,000 | 2,000,000 |
| 5920 Federal Revenues Distributed by Texas Education Agency | | 1,307,265 | 1,307,265 |
| 5940 Federal Revenues Distributed Directly From the Federal Government | | <u>183,710</u> | <u>183,710</u> |
| Total Federal Program Revenues | | <u>3,490,975</u> | <u>3,490,975</u> |
| Net assets released from restrictions: | | | |
| Restrictions satisfied by payments | <u>9,867,312</u> | <u>(9,867,312)</u> | <u>-</u> |
| Total Revenues | <u>10,163,877</u> | <u>3,396,113</u> | <u>13,559,990</u> |
| EXPENSES | | | |
| 11 Instruction | 5,547,839 | | 5,547,839 |
| 12 Instructional Resources and Media Services | 5,046 | | 5,046 |
| 13 Curriculum Development and Instructional Staff Development | 4,814 | | 4,814 |
| 23 School Leadership | 493,732 | | 493,732 |
| 31 Guidance, Counseling, and Evaluation Services | 3,400 | | 3,400 |
| 33 Health Services | 53,238 | | 53,238 |
| 35 Food Service | 730,391 | | 730,391 |
| 36 Cocurricular/Extracurricular Activities | 81,476 | | 81,476 |
| 41 General Administration | 458,595 | | 458,595 |
| 51 Facilities Maintenance and Operations | 1,779,611 | | 1,779,611 |
| 52 Security and Monitoring Services | 177,129 | | 177,129 |
| 53 Data Processing Services | 45,633 | | 45,633 |
| 61 Community Services | 33,474 | | 33,474 |
| 71 Debt Services | 655,106 | | 655,106 |
| 81 Fund Raising | <u>94,393</u> | | <u>94,393</u> |
| Total Expenses | <u>10,163,877</u> | | <u>10,163,877</u> |
| Change in Net Assets | | <u>3,396,113</u> | <u>3,396,113</u> |
| Net Assets, Beginning of Year | <u>4,365,302</u> | <u>6,743,255</u> | <u>11,108,557</u> |
| Net Assets, End of Year | <u>\$ 4,365,302</u> | <u>\$10,139,368</u> | <u>\$ 14,504,670</u> |

See accompanying notes to financial statements.

SER NINOS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2017

| | |
|--|----------------------------|
| Cash Flows From Operating Activities | |
| Change in Net Assets | \$ 3,396,113 |
| Adjustments to Reconcile Change in Net Assets to Net | |
| Cash provided (used) by Operating Activities: | |
| Depreciation | 697,463 |
| Amortization | 18,399 |
| (Increase) decrease in Other Receivable | (3,929) |
| (Increase) decrease in Grants Receivable | (245,229) |
| Increase (decrease) in Accounts Payable | 379,209 |
| Increase (decrease) in Interest Payable | (620) |
| Increase (decrease) in Accrued Liabilities | 16,733 |
| Increase (decrease) in Wages Payable | <u>52,965</u> |
| Total Adjustments | <u>914,991</u> |
| Net Cash Provided (Used) by Operating Activities | <u>4,311,104</u> |
| Cash Flows From Investing Activities | |
| Purchase of Fixed Assets | (3,254,627) |
| Purchase of Certificate of Deposit | <u>(259,486)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(3,514,113)</u> |
| Cash Flows From Financing Activities | |
| Proceeds from Loans | 543,781 |
| Repayment of Long-Term Debt | (236,951) |
| Repayment of Bonds | <u>(310,000)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>(3,170)</u> |
| NET INCREASE (DECREASE) IN CASH | <u>793,821</u> |
| CASH AT BEGINNING OF YEAR | <u>5,402,159</u> |
| CASH AT END OF YEAR | <u><u>\$ 6,195,980</u></u> |
| <u>Supplemental Disclosures</u> | |
| Cash Paid During the Year for: | |
| Interest | <u><u>\$ 679,473</u></u> |

See accompanying notes to financial statements.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

A. Organization:

SER-Ninos, Inc. (Ser, 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 was formed to provide elementary education to approximately 1,107 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

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the corporation. Board-designated net assets represent amounts the corporation has set aside for a specific purpose.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, 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

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

B. Summary of Significant Accounting Policies: (Continued)

Change for New Accounting Pronouncement

Effective September 1, 2016, the Charter School retroactively changed its method for presenting debt issuance costs within the statement of financial position to conform with Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. The pronouncement requires that debt issuance costs related to debt be reported within the statement of financial position as a direct deduction from the face amount of the debt and that amortization of debt issuance costs be reported as interest expense. The pronouncement does not affect current guidance regarding the recognition and measurement of debt issuance costs. The cost of issuance of bonds is amortized over the life of each bond. The Charter School reclassified issuance costs from other assets and netted the amounts against long-term bonds payable amounts.

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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 unrestricted net assets.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

B. Summary of Significant Accounting Policies: (Continued)

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 unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

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.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

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, 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, 2017 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>2017</u> | <u>2017</u> | <u>Funded</u> |
| TRS | \$ 165,379,342,000 | \$ 179,336,535,000 | 82.17% |

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 2017. The state’s contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2017. The charter school’s employee contributions to the system for the year ended August 31, 2017 were \$396,721 equal to the required contributions for the year.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

C. Pension Plan: (Continued)

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 6.8% totaling \$31,104 for the year ending August 31, 2017. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan and 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. 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> | |
| 2018 | 18,405 |
| 2019 | 5,321 |
| Total | <u>\$ 23,726</u> |

Operating lease expense amounted to \$41,371 for the twelve months ended August 31, 2017.

F. Health Care Coverage:

During the year ended August 31, 2017, employees of the organization were covered by a Health Insurance Plan (the Plan). The organization contributed \$ 347 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.

G. 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, 2017

H. Notes Payable:

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

| | |
|--|---------------------|
| Construction Loan from Amegy Bank. The loan is dated December 7, 2010, has a 4.40% interest rate, and a face amount of \$ 6,000,000, secured by land and building. Date of maturity is December 7, 2020. | \$ 4,740,282 |
| 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. | <u>543,781</u> |
| Total Notes Payable | <u>5,284,063</u> |
| Less Current Portion of Notes Payable | <u>(250,686)</u> |
| Long-term Portion of Notes Payable | <u>\$ 5,033,377</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> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 250,686 | \$ 224,497 | \$ 475,183 |
| 2019 | 289,364 | 212,689 | 502,053 |
| 2020 | 330,112 | 198,811 | 528,923 |
| 2021 | 4,012,515 | 73,681 | 4,086,196 |
| 2022 | 401,386 | 8,452 | 409,838 |
| Total | <u>\$ 5,284,063</u> | <u>\$ 718,130</u> | <u>\$ 6,002,193</u> |

I. Restricted Cash:

Restricted cash at August 31, 2017 consisted of debt service and debt service reserve fund bond cash accounts. These funds are to be solely used in the repayment of bond liabilities and cannot be used for normal operating expenditures.

J. Bonds Payable:

SER-Ninos, Inc. has secured bond financing pursuant to Chapter 53 of the Texas Education Code of "Qualified Tax Exempt" Education Revenue Bonds, \$4,475,000 of Tax-Exempt Education Revenue Bonds, Series 2012A and \$5,110,000 Qualified School Construction Bonds, Series 2012Q. The bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. None of the state, the city, nor any political corporation, subdivision, or agency of the state is pledged to the payment of the principal of premium, or interest on the bonds.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

J. Bonds Payable (Continued)

Bonds payable at August 31, 2017 consist of the following:

2012A Bonds, 5.79% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; Maturity dates range from 2012 to 2041. \$ 4,015,000

2012Q Bonds, 4.50% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; Maturity dates range from 2013 to 2030. 4,075,000

| | |
|--|---------------------|
| Total | <u>\$ 8,090,000</u> |
| Less current portion of bonds payable | (310,000) |
| Less unamortized discount | (23,869) |
| Less unamortized cost of issuance | <u>(352,771)</u> |
| Long-term portion of bonds payable net of discount | <u>\$ 7,403,360</u> |

Future maturities of long-term debt at August 31, 2017 are as follows:

| Year Ending August 31, | Principal | Interest | Total |
|------------------------|---------------------|---------------------|----------------------|
| 2018 | \$ 310,000 | \$ 424,275 | \$ 734,275 |
| 2019 | 310,000 | 410,325 | 720,325 |
| 2020 | 310,000 | 396,375 | 706,375 |
| 2021 | 310,000 | 382,425 | 692,425 |
| 2022 | 315,000 | 368,475 | 683,475 |
| Thereafter | <u>6,535,000</u> | <u>4,020,600</u> | <u>10,555,600</u> |
| Total | <u>\$ 8,090,000</u> | <u>\$ 6,002,475</u> | <u>\$ 14,092,475</u> |

SER-Ninos, Inc. must maintain a debt service fund which is required to maintain a minimum balance of \$ 510,900. At August 31, 2017, the debt service fund had a balance of \$513,899.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

K. Temporarily Restricted Net Assets:

Temporarily restricted net assets at August 31, 2017, are available for the following periods:

| | |
|-------------------------------|----------------------|
| Periods after August 31, 2017 | |
| State TEA funds | \$ 9,313,120 |
| Capital Campaign funds | <u>826,248</u> |
| Total restricted funds | <u>\$ 10,139,368</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 | \$ 6,376,337 |
| Federal Funds | <u>3,490,975</u> |
| Total restrictions released | <u>\$ 9,867,312</u> |

L. SER Ninos, Inc. Houston Special Education Cooperative:

SER Ninos, Inc. Houston Special Education Cooperative received \$466,697 and \$200 in IDEA-B Formula and IDEA-B Preschool funds respectively for the year ended August 31, 2017. 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, 2017:

| <u>Member/ Entity</u> | <u>Revenue</u> | <u>Expense</u> |
|----------------------------|-------------------|-------------------|
| Alief Montessori | \$ 38,328 | \$ 38,328 |
| GIS Houston | 122,787 | 122,787 |
| Heights Charter | 47,199 | 47,199 |
| U of H Charter | 39,837 | 39,837 |
| SER Ninos | 118,429 | 118,429 |
| Two Dimensions Charter | 100,117 | 100,117 |
| Total IDEA-B Formula Funds | <u>\$ 466,697</u> | <u>\$ 466,697</u> |

| <u>Member/ Entity</u> | <u>Revenue</u> | <u>Expense</u> |
|------------------------------|----------------|----------------|
| SER Ninos | \$ 200 | \$ 200 |
| Total IDEA-B Preschool Funds | <u>\$ 200</u> | <u>\$ 200</u> |

| | | |
|----------------------------|-------------------|-------------------|
| Total IDEA-B Federal Funds | <u>\$ 466,897</u> | <u>\$ 466,897</u> |
|----------------------------|-------------------|-------------------|

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

M. Certificate of Deposits:

Ser Ninos has renewed a \$259,486 six-month certificate of deposit with an interest rate of .25%. The certificate of deposit matured on December 14, 2017 and automatically renews for a six month period.

N. Evaluation of Subsequent Events:

SER Ninos, Inc. has evaluated subsequent events through January 5, 2018, the date which the financial statements were available to be issued.

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 77056
TEL: (713) 666-5900
FAX: (713) 666-1049
<http://www.gomezandco.com>

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. (SER, Inc.) as of and for the year ended August 31, 2017, and our report thereon dated January 5, 2018, 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, 2017, and appearing on pages 16 to 20, 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 5, 2018

SER NINOS, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017

| Expenses | |
|---|----------------------|
| 6100 Payroll Costs | \$ 5,882,540 |
| 6200 Professional and Contracted Services | 1,860,217 |
| 6300 Supplies and Materials | 683,159 |
| 6400 Other Operating Costs | 1,064,456 |
| 6500 Debt | 673,505 |
| Total Expenses | <u>\$ 10,163,877</u> |

See accompanying notes to financial statements.

SER NINOS, INC.
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2017

| | Ownership Interest | | |
|---------------------------------|----------------------|---------------------|---------------------|
| | Local | State | Federal |
| 1110 Cash & Investments | \$ 466,375 | \$ 5,989,091 | \$ |
| 1510 Land and Improvements | 1,522,192 | 1,949,472 | |
| 1520 Buildings and Improvements | 19,178,448 | 204,396 | |
| 1539 Furniture and Equipment | 31,953 | 332,595 | |
| 1580 Construction in Progress | | 1,523,320 | 2,000,000 |
| Total Property and Equipment | <u>\$ 21,198,968</u> | <u>\$ 9,998,874</u> | <u>\$ 2,000,000</u> |

See accompanying notes to financial statements.

SER NINOS, INC.

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance from Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Support: | | | | |
| 5740 Other Revenues from Local Sources | \$ 26,700 | \$ 732,861 | \$ 731,737 | \$ (1,124) |
| 5750 Food Service Sales | 50,000 | 39,649 | 39,649 | |
| Total Local Support | <u>76,700</u> | <u>772,510</u> | <u>771,386</u> | <u>(1,123)</u> |
| State Program Revenues: | | | | |
| 5810 Foundation School Program Act Revenues | 9,779,840 | 9,224,253 | 9,187,208 | (37,045) |
| 5820 State Program Revenues Distributed by Texas Education Agency | <u>64,260</u> | <u>110,421</u> | <u>110,421</u> | |
| Total State Program Revenues | <u>9,844,100</u> | <u>9,334,674</u> | <u>9,297,629</u> | <u>(37,045)</u> |
| Federal Program Revenues: | | | | |
| 5910 Federal Revenues Distributed Through Government Entities Other than State or Federal | 1,900,000 | 2,000,000 | 2,000,000 | |
| 5920 Federal Revenues Distributed by 5930 Federal Revenues Distributed by Texas Education Agency | 1,234,713 | 1,264,875 | 1,307,265 | 42,391 |
| 5940 Federal Revenues Distributed by From the Federal Government | <u>199,500</u> | <u>199,500</u> | <u>183,710</u> | <u>-15,790</u> |
| Total Federal Program Revenues | <u>3,334,213</u> | <u>3,464,375</u> | <u>3,490,975</u> | <u>26,600</u> |
| Total Revenues | <u>13,255,013</u> | <u>13,571,559</u> | <u>13,559,990</u> | <u>(11,568)</u> |
| EXPENSES | | | | |
| 11 Instruction | 5,519,732 | 5,547,840 | 5,547,839 | 1 |
| 12 Instructional Resources and Media Services | 32,681 | 5,046 | 5,046 | |
| 13 Curriculum Development and Instructional Staff Development | 8,077 | 4,814 | 4,814 | |
| 23 School Leadership | 462,881 | 493,732 | 493,732 | |
| 31 Guidance, Counseling, and Evaluation Services | 7,000 | 3,400 | 3,400 | |
| 33 Health Services | 103,792 | 53,238 | 53,238 | |
| 35 Food Service | 590,859 | 730,391 | 730,391 | |
| 36 Cocurricular/Extracurricular Activities | 40,000 | 81,476 | 81,476 | |
| 41 General Administration | 512,700 | 458,595 | 458,595 | |
| 51 Facilities Maintenance and Operations | 1,389,173 | 1,779,611 | 1,779,611 | |
| 52 Security and Monitoring Services | 190,295 | 177,129 | 177,129 | |
| 53 Data Processing Services | 70,000 | 45,633 | 45,633 | |
| 61 Community Services | 28,603 | 33,474 | 33,474 | |
| 71 Debt Services | 708,300 | 655,106 | 655,106 | |
| 81 Fund Raising | <u>300,000</u> | <u>94,393</u> | <u>94,393</u> | |
| Total Expenses | <u>9,964,093</u> | <u>10,163,878</u> | <u>10,163,877</u> | <u>1</u> |
| Change in Net Assets | <u>3,290,920</u> | <u>3,407,681</u> | <u>3,396,113</u> | <u>(11,568)</u> |
| Net Assets, Beginning of Year | <u>11,108,557</u> | <u>11,108,557</u> | <u>11,108,557</u> | |
| Net Assets, End of Year | <u>\$14,399,477</u> | <u>\$14,516,238</u> | <u>\$14,504,670</u> | <u>\$ (11,568)</u> |

See accompanying notes to financial statements.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017.

- Object 5740- The amount of variance includes revenue from IRS subsidy, Special Education Coop, Fundraising Activity and E-rate reimbursement that was not included in the budget.
- Object 5750- The amount of variance includes an underestimation of Food Service Activity.
- Object 5820- The amount of variance includes an underestimation of Funds from State Program Revenues distributed by TEA.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017.

- Function 12 – The amount of the variance includes budgeted library supplies that were not incurred.
- Function 13 – The amount of the variance includes a decrease in staff development expenses.
- Function 31 - The amount of variance includes a decrease in services needed.
- Function 33 – The amount of variance includes decrease in health related payroll cost.
- Function 35 – The amount of the variance includes increase in food service related expenses due to increased enrollment.
- Function 36 – The amount of variance includes increase in Cocurricular/Extracurricular Activities related expenses.
- Function 41 – The amount of variance includes underestimation and reclassification of General Administrative related expenses.
- Function 51 – The amount of variance includes underestimation of depreciation expenses.
- Function 53 – The amount of variance includes the cost of IT services expenses for the library that were not incurred.
- Function 61 – The amount of variance include an underestimation of community service related expenses
- Function 81 – The amount of the variance includes overestimation of Fund Development Activities expenses

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 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
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. (SER, Inc.) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, 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 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SER, 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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of SER, 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, 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". The signature is written in black ink and is positioned below the main text of the report.

Houston, TX
January 5, 2018

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 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 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. (SER, 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, Inc.'s major federal programs for the year ended August 31, 2017. SER, 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, 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, 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, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion SER-Ninos, Inc. (SER, 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, 2017.

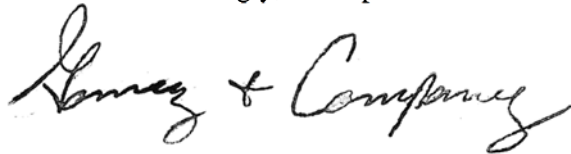
Report on Internal Control Over Compliance

Management of SER, 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, 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, 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.



Houston, TX
January 5, 2018

SER-NINOS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2017

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 City of Houston
 - Community Development Block Grant
 - CFDA Number 14.218
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. SER, 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, 2017

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) for the year ended August 31, 2016.

\$ -0-

SER NINOS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2017

| Federal Grantor/ Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass - Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| <u>U.S. Department of Education</u> | | | |
| Passed - Through Texas Education Agency: | | | |
| ESEA, Title I, Part A | 84.010A | 17610101101802 | \$ 392,525 |
| ESEA, Title II, Part A Teacher and Principal | 84.367A | 17694501101802 | 64,568 |
| ESEA, Title III, Part A - LEP | 84.365A | 17671001101802 | 94,937 |
| ESEA, Title III, LEP Summer School | 84.369A | 69551602 | 9,319 |
| IDEA-B, Formula | 84.027A | 176600011018026000 | 118,429 |
| IDEA-B, Preschool | 84.173A | 176610011018026000 | 200 |
| Total U.S. Department of Education | | | 679,978 |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed - Through Texas Education Agency | | | |
| Federal Food Service Reimbursement | | | |
| Breakfast | 10.553 | 71401601 | 10,945 |
| Breakfast | 10.553 | 71401701 | 80,189 |
| Lunch | 10.555 | 71301601 | 58,086 |
| Lunch | 10.555 | 71301701 | 435,677 |
| | | | 584,897 |
| Passed - Through Texas Department of Human Services | | | |
| USDA Commodity Food Distribution | 10.555 | 101201A | 42,390 |
| | | | 42,390 |
| Total U.S. Department of Agriculture | | | 627,287 |
| <u>U.S. Department of Housing & Urban Development</u> | | | |
| Passed through City of Houston | | | |
| Community Development Block Grant | 14.218 | | 2,000,000 |
| Total U.S. Department of Housing & Urban Development | | | 2,000,000 |
| Total Expenditures of Federal Awards | | | \$ 3,307,265 |

SER-NINOS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2017

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. (SER, Inc.) under programs of the federal government for the year ended August 31, 2017. 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, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of SER, 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, 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 \$183,710 in tax credits for qualifying bonds, which are not includible in the Schedule of Expenditures of Federal Awards (SEFA).

Reconciliation of Federal Revenues and (SEFA):

| | |
|---|---------------------|
| Total expenditure of federal awards per the SEFA | \$ 3,307,265 |
| Q-Series Bond Subsidy Revenue / Expenditure | <u>183,710</u> |
| Total federal revenues per the Statement of Activities | <u>\$ 3,490,975</u> |