

SER-NINOS, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2019

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

CERTIFICATION OF BOARD
August 31, 2019

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, 2019, at a meeting of the governing body of said charter school on the 16 day of January, 2020.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY
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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, 2019, 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, 2019, 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.

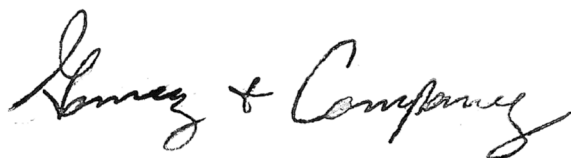
Other Matters

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 14, 2020, 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.



Houston, TX
January 14, 2020

SER-NINOS, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 7,362,761
Restricted Cash	592,807
Certificate of Deposit	260,262
Grants Receivable	480,476
Other Receivables	26,335
TOTAL CURRENT ASSETS	<u>8,722,641</u>

PROPERTY AND EQUIPMENT

Land	3,471,664
Building and Improvements	22,827,468
Construction in Progress	8,963
Furniture and Equipment	641,432
	<u>26,949,527</u>
Less: Accumulated Depreciation	(6,576,695)
	<u>20,372,832</u>

OTHER ASSETS

Prepaid Expenses	<u>17,540</u>
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TOTAL ASSETS	<u><u>\$ 29,113,013</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 209,302
Accrued Liabilities	157,339
Wages Payable	296,739
Interest Payable	21,072
Current Portion Notes Payable	347,969
Current Portion Bonds Payable	310,000
TOTAL CURRENT LIABILITIES	<u>1,342,421</u>

LONG-TERM LIABILITIES

Notes Payable Net of Current Portion	3,908,247
Bonds Payable Net of Issuance Cost, Discount and Current Portion	6,820,158
TOTAL LONG-TERM LIABILITIES	<u>10,728,405</u>

TOTAL LIABILITIES	<u>12,070,826</u>
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NET ASSETS

Without Donor Restrictions	4,365,302
With Donor Restrictions	12,676,885
TOTAL NET ASSETS	<u>17,042,187</u>

TOTAL LIABILITIES NET ASSETS	<u><u>\$ 29,113,013</u></u>
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See accompanying notes to financial statements.

SER-NINOS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues			
Local Support:			
Other revenues from local sources	\$ 219,409	\$ -	\$ 219,409
Interest Income	-	-	-
Total Local Support	219,409	-	219,409
State Program Revenues	-	10,400,846	10,400,846
Total State Program Revenues	-	10,400,846	10,400,846
Federal Program Revenues	-	1,838,079	1,838,079
Total Federal Program Revenues	-	1,838,079	1,838,079
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	11,147,439	(11,147,439)	-
Total Revenues	11,366,848	1,091,486	12,458,334
Expenses			
Program Services			
Instruction and Instructional-Related Services	6,367,929	-	6,367,929
Instructional and School Leadership	585,523	-	585,523
Ancillary Services	49,276	-	49,276
Support Services- Student (Pupil)	1,011,348	-	1,011,348
Support Services			
Administrative Support Services	486,148	-	486,148
Support Services- Non-Student Based	2,166,843	-	2,166,843
Debt Service	671,022		671,022
Fundraising	28,760		28,760
Total Expenses	11,366,848	-	11,366,848
Change in Net Assets	-	1,091,486	1,091,486
Net Assets, beginning of year	4,365,302	11,585,399	15,950,701
Net Assets, end of year	\$ 4,365,302	\$ 12,676,885	\$ 17,042,187

SER-NINOS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Supporting Services			2019 Total
	Program Services	Management and General	Fundraising	
	Program Expense	Management and General	Fundraising	Supporting Services
Expenses				
Salaries	\$ 5,652,447	\$ 239,991	\$ -	\$ 239,991
Employee benefits	660,010	24,709	(518)	24,191
Payroll taxes	95,889	15,156	0	15,156
Professional fees	779,476	366,559	28,365	394,924
Utilities	-	411,501	-	411,501
Travel	122,184	1,602	-	1,602
Interest expense	-	652,952	-	652,952
Insurance	-	72,988	-	72,988
Depreciation	-	788,935	-	788,935
Amortization	-	18,399	-	18,399
Supplies	534,444	83,659	913	84,572
Rental and maintenance of equipment	-	42,358	-	42,358
Miscellaneous expenses	49,097	122,741	-	122,741
Food	118,727	-	-	-
Repairs and Maintenance	1,801	482,463	-	482,463
Total Expenses	\$ 8,014,075	\$ 3,324,013	\$ 28,760	\$ 3,352,773
				\$ 11,366,848

See accompanying notes to financial statements.

SER-NINOS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,091,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	788,935
Amortization expense	18,399
(Increase) decrease in Other Receivable	1,176
(Increase) decrease in Grants Receivable	280,173
(Increase) decrease in Prepaid	(17,540)
Increase (decrease) in Accounts Payable	62,149
Increase (decrease) in Interest Payable	2,836
Increase (decrease) in Accrued Liabilities	(27,836)
Increase (decrease) in Wages Payable	15,180
	2,214,958
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,214,958

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Reinvestment on Certificate of Deposit	(326)
	(326)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	(326)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on notes payable	(338,924)
Principal payments on long term debt	(310,000)
	(648,924)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(648,924)

NET INCREASE (DECREASE) IN CASH 1,565,708

CASH AT BEGINNING OF YEAR 6,389,860

CASH AT END OF YEAR \$ 7,955,568

SUPPLEMENTAL DISCLOSURES

CASH PAID DURING THE YEAR FOR:

INTEREST \$ 652,952

See accompanying notes to financial statements.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

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 1,129 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, 2019

B. Summary of Significant Accounting Policies: (Continued)

NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on August 31, 2019 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective September 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

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.

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.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

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.

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.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

C. Pension Plan: (Continued)

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 from 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, 2019 provided the following information (ABO refers to the accumulated benefit obligation):

<u>Pension</u> <u>Fund</u>	<u>Total Plan Assets</u> <u>2019</u>	<u>ABO</u> <u>2019</u>	<u>Percent</u> <u>Funded</u>
TRS	\$ 181,800,159,000	\$ 209,961,325,000	76.40 %

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 2019, and a state contribution rate of 6.8% for fiscal year 2019. The charter school’s employee contributions to the system for the year ended August 31, 2019 were \$450,367, equal to the required contributions for the year.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

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 \$42,771 for the year ended August 31, 2019. 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	\$	8,215,830
Accounts Receivable		506,811
Total Financial assets at year-end	\$	8,722,641
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted imposed restrictions as to use:		592,807
Financial assets available to meet cash needs for general expenditure within one year	\$	8,661,581

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, 2019

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>	
2020	41,917
2021	41,917
2022	30,746
2023	<u>15,106</u>
Total	<u>\$ 129,686</u>

Operating lease expense amounted to \$42,358 for the twelve months ended August 31, 2019.

G. Health Care Coverage:

During the year ended August 31, 2019, employees of the organization were covered by a Health Insurance Plan (the Plan). The organization contributed \$403 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, 2019

I. 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.	\$ 4,094,299
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>161,917</u>
Total Notes Payable	<u>4,256,216</u>
Less Current Portion of Notes Payable	<u>(347,969)</u>
Long-term Portion of Notes Payable	<u>\$ 3,908,247</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>
2020	\$ 347,969	\$ 179,288	\$ 527,257
2021	3,769,375	59,951	3,829,326
2022	<u>138,872</u>	<u>2,959</u>	<u>141,831</u>
Total	<u>\$ 4,256,216</u>	<u>\$ 242,198</u>	<u>\$ 4,498,414</u>

J. Debt Covenant:

The loan agreements contain the following restrictions and covenants:

The Organization will maintain a Cash Flow Coverage Ratio of not less than 1.25 to 1.00 to be tested yearly. The term Cash Flow Coverage Ratio should mean for this loan: the Organization's net earnings before interest, taxes, depreciation and amortizations, divided by the sum of the Organization's current maturities of long term debt plus interest expense. As of 8/31/19, the Organization was in compliance with debt covenants with a Cash Flow Coverage Ratio of 1.95 to 1.

In addition, the Organization must have a current market value of unencumbered liquid assets at all times equal to or greater than \$250,000. As of 8/31/19, the Organization was in compliance with the total value of unencumbered liquid assets of \$ 6,718,934.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

K. Restricted Cash:

Restricted cash of \$592,807 at August 31, 2019 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.

L. 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.

Bonds payable at August 31, 2019 consist of the following:

2012A Bonds, 6% 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, 6.75% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; Maturity dates range from 2013 to 2030.	<u>3,455,000</u>
Total	<u>\$ 7,470,000</u>
Less current portion of bonds payable	(310,000)
Less unamortized discount	(21,850)
Less unamortized cost of issuance	<u>(317,992)</u>
Long-term portion of bonds payable net of discount	<u>\$ 6,820,158</u>

Future maturities of long-term debt at August 31, 2019 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 310,000	\$ 474,113	\$ 784,113
2021	310,000	453,188	763,188
2022	315,000	432,263	747,263
2023	315,000	411,000	726,000
2024	315,000	389,737	704,768
Thereafter	<u>5,905,000</u>	<u>3,475,012</u>	<u>9,380,012</u>
Total	<u>\$ 7,470,000</u>	<u>\$ 5,635,313</u>	<u>\$ 13,105,313</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

M. Bond Debt Covenants:

The bond agreements contain certain restrictions and covenants. SER-Ninos, Inc. must maintain a debt service reserve fund which is required to maintain a minimum balance of \$ 510,900. At August 31, 2019, the debt service reserve fund had a balance of \$531,748.

Additionally, SER-Ninos, Inc. is required to maintain a debt service coverage Ratio of not less than 1.10 to 1.00 for Series 2012A Bonds and 1.25 to 1.00 for Series 2012Q Bonds at the end of the fiscal year. At August 31, 2019, the Organization was in compliance with debt covenants with a debt service coverage ratio of 1.27.

N. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2019, are available for the following periods:

Periods after August 31, 2019	
State TEA funds	\$ 12,615,825
Capital Campaign funds	<u>61,060</u>
Total restricted funds	<u>\$ 12,676,885</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	\$ 9,309,360
Federal Funds	<u>1,838,079</u>
Total restrictions released	<u>\$ 11,474,439</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

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

SER-Ninos, Inc. Houston Special Education Cooperative received \$491,642 and \$1,285 in IDEA-B Formula and IDEA-B Preschool funds for the year ended August 31, 2019. 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, 2019:

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
Alief Montessori	\$ 35,552	\$ 35,552
GIS Houston	149,328	149,328
Heights Charter	42,637	42,637
U of H Charter	28,279	28,279
SER Ninos	161,063	161,063
Two Dimensions Charter	74,783	74,783
Total IDEA-B Formula Funds	<u>\$ 491,642</u>	<u>\$ 491,642</u>

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
SER Ninos	1,285	1,285
Total IDEA-B Preschool Funds	<u>\$ 1,285</u>	<u>\$ 1,285</u>

P. Certificate of Deposits:

SER-Ninos, Inc. has renewed a \$262,084 six-month certificate of deposit with an interest rate of .30%. The certificate of deposit has a maturity date of June 14, 2020 and will automatically renew for a six month period.

Q. Evaluation of Subsequent Events:

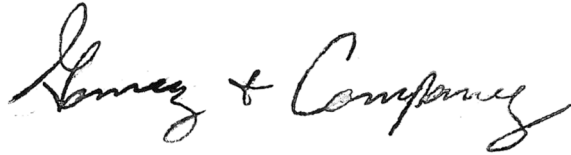
SER-Ninos, Inc. has evaluated subsequent events through January 14, 2020 the date which the financial statements were available to be issued.

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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, 2019, and our report thereon dated January 14, 2020, 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, 2019, and appearing on pages 19 to 24, 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 14, 2020

SER-NINOS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

	Unrestricted	Temporarily Restricted	2019 Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5720 Local Revenues Realized as a Result of Services Rendered to Other Sources	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	179,557	-	179,557
5750 Revenue from Cocurricular Activities	39,852	-	39,852
Total Local Support	219,409	-	219,409
State Program Revenues:			
5810 Foundation School Program Act Revenues		10,396,242	10,396,242
5820 State Program Revenues Distributed by Texas Education Agency		4,604	4,604
Total State Program Revenues	-	10,400,846	10,400,846
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	1,639,428	1,639,428
5940 Federal Revenues Distributed Directly From the Federal Government		198,651	198,651
Total Federal Program Revenues	-	1,838,079	1,838,079
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	11,147,439	(11,147,439)	-
Total Revenues	11,366,848	1,091,486	12,458,334
Expenses			
11 Instruction	6,281,362		6,281,362
12 Instructional Resources and Media Services	73,835		73,835
13 Curriculum Development and Instructional Staff Development	12,731		12,731
21 Instructional Leadership	0		0
23 School Leadership	585,523		585,523
31 Guidance, Counseling and Evaluating Services	13,370		13,370
32 Social Work Services	0		0
33 Health Services	96,517		96,517
34 Student (Pupil) Transportation	0		0
35 Food Services	848,850		848,850
36 Cocurricular/Extracurricular Activities	52,611		52,611
41 General Administration	486,148		486,148
51 Plant Maintenance and Operations	1,921,746		1,921,746
52 Security and Monitoring Services	176,541		176,541
53 Data Processing Services	68,556		68,556
61 Community Services	49,276		49,276
71 Debt Service	671,022		671,022
81 Fund Raising	28,760		28,760
Total Expenses	11,366,848	-	11,366,848
CHANGE IN NET ASSETS	-	1,091,486	1,091,486
NET ASSETS, beginning of year	4,365,302	11,585,399	15,950,701
NET ASSETS, end of year	\$ 4,365,302	\$ 12,676,885	\$ 17,042,187

See accompanying notes to financial statements.

SER-NINOS, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

EXPENSES

6100 Payroll Costs	\$ 6,687,683
6200 Professional and Contracted Services	2,112,524
6300 Supplies and Materials	737,743
6400 Other Operating Costs	1,810,499
6500 Debt	18,399
Total Expenses	<u>\$ 11,366,848</u>

SER-NINOS, INC.
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	470,125	7,745,705	
1510 Land and Improvements	1,522,192	1,949,472	
1520 Building and Improvements	20,623,072	204,396	2,000,000
1539 Furniture and Equipment	31,953	609,479	
1580 Construction in Progress		8,963	
Total Capital Assets	\$ 22,647,342	\$ 10,518,015	\$ 2,000,000

See accompanying notes to financial statements.

SER-NINOS, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
REVENUES, GAINS AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 564,200	\$ 284,464	\$ 179,557	\$ (104,907)
5750 Revenue from Cocurricular Activities	55,300	39,486	39,852	366
Total Local Support	<u>619,500</u>	<u>323,950</u>	<u>219,409</u>	<u>(104,541)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	9,767,000	10,293,703	10,396,242	102,539
5820 State Program Revenues Distributed by Texas Education Agency	247,300	4,070	4,604	534
Total State Program Revenues	<u>10,014,300</u>	<u>10,297,773</u>	<u>10,400,846</u>	<u>103,073</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	1,541,428	1,613,749	1,639,428	25,679
5940 Federal Revenues Distributed Directly From the Federal Government	-	-	198,651	198,651
Total Federal Program Revenues	<u>1,541,428</u>	<u>1,613,749</u>	<u>1,838,079</u>	<u>224,330</u>
Total Revenues	<u>12,175,228</u>	<u>12,235,472</u>	<u>12,458,334</u>	<u>222,862</u>
Expenses				
11 Instruction	5,960,789	5,951,972	6,281,362	(329,390)
12 Instructional Resources and Media Services	118,000	70,700	73,835	(3,135)
13 Curriculum Development and Instructional Staff Development	10,625	10,625	12,731	(2,106)
21 Instructional Leadership	-	-	-	-
23 School Leadership	515,659	450,116	585,523	(135,407)
31 Guidance, Counseling and Evaluating Services	6,760	16,799	13,370	3,429
32 Social Work Services	-	-	-	-
33 Health Services	65,000	80,500	96,517	(16,017)
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	840,000	774,311	848,850	(74,539)
36 Cocurricular/Extracurricular Activities	104,000	52,610	52,611	(1)
41 General Administration	480,278	480,278	486,148	(5,870)
51 Plant Maintenance and Operations	2,197,040	1,904,881	1,921,746	(16,865)
52 Security and Monitoring Services	181,620	162,107	176,541	(14,434)
53 Data Processing Services	52,000	63,699	68,556	(4,857)
61 Community Services	52,671	43,385	49,276	(5,891)
71 Debt Service	652,000	719,570	671,022	48,548
81 Fundraising	128,900	29,277	28,760	517
Total Expenses	<u>11,365,342</u>	<u>10,810,830</u>	<u>11,366,848</u>	<u>(556,018)</u>
CHANGE IN NET ASSETS	<u>809,886</u>	<u>1,424,642</u>	<u>1,091,486</u>	<u>778,880</u>
NET ASSETS, beginning of year	<u>15,950,701</u>	<u>15,950,701</u>	<u>15,950,701</u>	
NET ASSETS, end of year	<u>\$ 16,760,587</u>	<u>\$ 17,375,343</u>	<u>\$ 17,042,187</u>	<u>\$ (333,156)</u>

See accompanying notes to financial statements.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019.

- Object 5740- The amount of variance was due to resignation of Development Director at beginning of fiscal year resulting in lower fundraising activities.
- Object 5750- The amount of the variance was due to reduced revenue due to unexpected cancellation of out of state student field trip.
- Object 5820- The amount of variance was due to accounts receivable from FY 2018, a one-time emergency payment, included in original budget in error.

(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, 2019.

- Object 5740- The amount of the variance was due to reclassification of IRS interest subsidy to 5940 from 5740.
- Object 5820- The amount of the variance was due to grant money received was more than budgeted.
- Object 5940- The amount of the variance was due to reclassification of IRS interest subsidy to 5940 from 5740.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019.

- Function 12 - The amount of the variance was due to all the materials were not purchased; some materials were donated.
- Function 13 - The amount of the variance was due to an increase in the number of new staff needing training.
- Function 23 - The amount of the variance was due to extended leave of absence for a staff member resulted in lower expense.
- Function 31 - The amount of variance was due to increase in the number of students needing evaluations was greater than budgeted.
- Function 33 – The amount of variance was due to new nurse hire and a consultant was used to help with training.
- Function 36- The amount of variance was due to a cancelation of an out of state field trip due to a lack of student participation.
- Function 51 – The amount of variance was due to a decrease in cost of internet service and lower depreciation expense.
- Function 52 – The amount of variance was due to initial budget anticipated an increase in security cost; however, there was no increased cost.
- Function 53 – The amount of variance was due to purchase of additional software anticipated for PEIMS and Virus Protection.
- Function 61 – The amount of variance was due to reduction in anticipated federal fund eligible expenses.
- Function 71 – The amount of the variance was due to debt service amortization revised with more funds allocated to principle than to interest expense.
- Function 81– The amount of variance was due to resignation of development Director and the position not being filled.

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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, 2019, 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 14, 2020.

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.

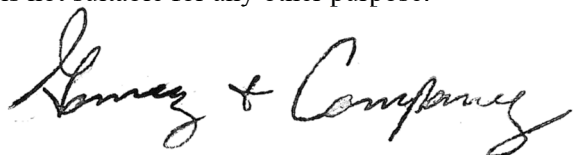
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 "Ramirez + Company". The signature is written in black ink and is positioned above the printed text of the firm's name.

Houston, TX
January 14, 2020

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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, 2019. 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, 2019.

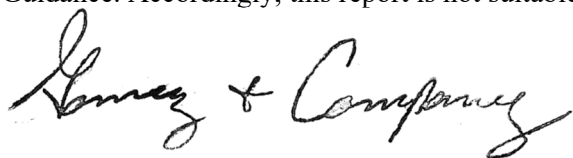
Report on Internal Control Over Compliance

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.



Houston, TX
January 14, 2020

SER-NINOS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) for the year ended August 31, 2018.	\$	-0-
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SER-NINOS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2019

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	19610101101802	\$ 558,785	
ESEA, Title II, Part A Teacher and Principal	84.367A	19694501101802	54,470	
ESEA, Title III, Part A - LEP	84.365A	19671001101802	82,255	
ESEA, Title III, LEP Summer School	84.369A	69551802	13,768	
IDEA-B, Formula	84.027A	196600011018026000	161,063	330,579
IDEA-B Preschool	84.173A	196610011018026000	1,285	
ESEA, Title IV, Part A, Subpart 1	84.424A	19680101101802	20,803	
Total U.S. Department of Education			892,429	330,579
<u>U.S. Department of Agriculture</u>				
Passed - Through Texas Education Agency				
Federal Food Service Reimbursement				
Breakfast	10.553	71401801	12,017	
Breakfast	10.553	71401901	102,036	
Lunch	10.555	71301801	58,466	
Lunch	10.555	71301901	530,290	
			702,809	-
Passed - Through Texas Department of Human Services				
USDA Commodity Food Distribution	10.555	101201A	44,190	
			44,190	-
Total U.S. Department of Agriculture			746,999	-
Total Expenditures of Federal Awards			\$ 1,639,428	\$ 330,579

SER-NINOS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019. 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 \$198,651 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	\$ 1,639,428
Q-Series Bond Subsidy Revenue / Expenditure	<u>198,651</u>
Total federal revenues per the Statement of Activities	<u>\$ 1,838,079</u>