

**SER-NINOS, INC.**

Financial Statements  
and Supplementary Information

August 31, 2024



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

**CERTIFICATE OF BOARD**  
August 31, 2024

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, 2024, at a meeting of the governing body of said charter school on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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

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

**SER-NINOS, INC.**

(Federal Employer Identification Number 76-0511534) 101-802

**CERTIFICATE OF BOARD**

August 31, 2024

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, 2024, at a meeting of the governing body of said charter school on the 23 day of January, 2025.

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

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





LaPorte, APAC  
1770 St. James Place | Suite 250  
Houston, TX 77056  
713.963.8008 | Fax 713.963.9052  
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## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of SER-Ninos, Inc. (the Corporation) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of August 31, 2024, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Supplementary 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 schedule of expenditures 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 20, 2024, on our consideration of the Corporation'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 solely 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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Houston, TX  
January 20, 2025

**SER-NINOS, INC.**  
**Statement of Financial Position**  
**August 31, 2024**

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**Assets**

**Current Assets**

|                           |               |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 12,586,067 |
| Certificate of Deposit    | 279,110       |
| Grants Receivable         | 4,941,062     |
| Other Receivable          | 3,074         |
| Prepaid Expenses          | <u>2,586</u>  |

|                             |                          |
|-----------------------------|--------------------------|
| <b>Total Current Assets</b> | <b><u>17,811,899</u></b> |
|-----------------------------|--------------------------|

**Property, Plant, and Equipment**

|                                |                            |
|--------------------------------|----------------------------|
| Land                           | 9,840,182                  |
| Buildings and Improvements     | 52,907,705                 |
| Furniture and Equipment        | 2,088,232                  |
| Construction in Progress       | <u>-</u>                   |
|                                | <b>64,836,119</b>          |
| Less: Accumulated Depreciation | <b><u>(10,640,788)</u></b> |

|   |                          |
|---|--------------------------|
| <b>Total Property, Plant, and Equipment</b> | <b><u>54,195,331</u></b> |
|---|--------------------------|

**Other Assets**

|                                 |               |
|---------------------------------|---------------|
| Restricted Cash                 | 243,781       |
| Other Lease Right-of-Use Assets | <u>59,668</u> |

|                           |                       |
|---------------------------|-----------------------|
| <b>Total Other Assets</b> | <b><u>303,449</u></b> |
|---------------------------|-----------------------|

|                     |                             |
|---------------------|-----------------------------|
| <b>Total Assets</b> | <b><u>\$ 72,310,679</u></b> |
|---------------------|-----------------------------|

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

**SER-NINOS, INC.**  
**Statement of Financial Position (Continued)**  
**August 31, 2024**

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**Liabilities and Net Assets**

**Current Liabilities**

|  |                |
|--|----------------|
| Accounts Payable                               | \$ 868,377     |
| Accrued Liabilities                            | 119,904        |
| Wages Payable                                  | 543,062        |
| Interest Payable                               | 55,553         |
| Current Portion of Operating Lease Liabilities | 25,611         |
| Current Portion of Bonds Payable               | <u>620,000</u> |

|                                  |                         |
|----------------------------------|-------------------------|
| <b>Total Current Liabilities</b> | <u><b>2,232,507</b></u> |
|----------------------------------|-------------------------|

**Long-Term Liabilities**

|  |                   |
|--|-------------------|
| Operating Lease Liabilities - Net of Current Portion                   | 34,057            |
| Bonds Payable, Net of Discount, Issuance Costs,<br>and Current Portion | <u>37,636,841</u> |

|                                    |                          |
|------------------------------------|--------------------------|
| <b>Total Long-Term Liabilities</b> | <u><b>37,670,898</b></u> |
|------------------------------------|--------------------------|

|                          |                          |
|--------------------------|--------------------------|
| <b>Total Liabilities</b> | <u><b>39,903,405</b></u> |
|--------------------------|--------------------------|

**Net Assets**

|                            |                   |
|----------------------------|-------------------|
| Without Donor Restrictions | 3,973,727         |
| With Donor Restrictions    | <u>28,433,547</u> |

|                         |                          |
|-------------------------|--------------------------|
| <b>Total Net Assets</b> | <u><b>32,407,274</b></u> |
|-------------------------|--------------------------|

|   |                                    |
|---|------------------------------------|
| <b>Total Liabilities and Net Assets</b> | <u><u><b>\$ 72,310,679</b></u></u> |
|---|------------------------------------|

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

**SER-NINOS, INC.**  
**Statement of Activities**  
**For the Year Ended August 31, 2024**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>                                |                               |                            |                      |
| <b>Local Support</b>                           |                               |                            |                      |
| Other Revenues from Local Sources              | \$ 381,131                    | \$ -                       | \$ 381,131           |
| <b>Total Local Support</b>                     | <b>381,131</b>                | <b>-</b>                   | <b>381,131</b>       |
| <b>State Program Revenues</b>                  | <b>-</b>                      | <b>13,682,639</b>          | <b>13,682,639</b>    |
| <b>Federal Program Revenues</b>                | <b>-</b>                      | <b>6,913,453</b>           | <b>6,913,453</b>     |
| <b>Net Assets Released from Restrictions</b>   |                               |                            |                      |
| Restrictions Satisfied by Payments             | 15,411,054                    | (15,411,054)               | -                    |
| <b>Total Revenues</b>                          | <b>15,792,185</b>             | <b>5,185,038</b>           | <b>20,977,223</b>    |
| <b>Expenses</b>                                |                               |                            |                      |
| <b>Program Services</b>                        |                               |                            |                      |
| Instruction and Instructional-Related Services | 8,771,446                     | -                          | 8,771,446            |
| Instructional and School Leadership            | 690,561                       | -                          | 690,561              |
| Ancillary Services                             | 69,534                        | -                          | 69,534               |
| Support Services- Student (Pupil)              | 1,311,784                     | -                          | 1,311,784            |
| <b>Total Program Services</b>                  | <b>10,843,325</b>             | <b>-</b>                   | <b>10,843,325</b>    |
| <b>Supporting Services</b>                     |                               |                            |                      |
| Administrative Support Services                | 629,476                       | -                          | 629,476              |
| Support Services- Non-Student Based            | 3,076,783                     | -                          | 3,076,783            |
| Debt Service                                   | 1,227,752                     | -                          | 1,227,752            |
| Fundraising                                    | 14,849                        | -                          | 14,849               |
| <b>Total Supporting Services</b>               | <b>4,948,860</b>              | <b>-</b>                   | <b>4,948,860</b>     |
| <b>Total Expenses</b>                          | <b>15,792,185</b>             | <b>-</b>                   | <b>15,792,185</b>    |
| <b>Change in Net Assets</b>                    | <b>-</b>                      | <b>5,185,038</b>           | <b>5,185,038</b>     |
| <b>Restatement (Note 15)</b>                   | <b>-</b>                      | <b>43,820</b>              | <b>43,820</b>        |
| <b>Net Assets, Beginning of Year</b>           | <b>3,973,727</b>              | <b>23,204,689</b>          | <b>27,178,416</b>    |
| <b>Net Assets, End of Year</b>                 | <b>\$ 3,973,727</b>           | <b>\$ 28,433,547</b>       | <b>\$ 32,407,274</b> |

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

**SER-NINOS, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2024**

|                                     | Program<br>Services  | Supporting<br>Services    |                  |                                |                      |
|-------------------------------------|----------------------|---------------------------|------------------|--------------------------------|----------------------|
|                                     | Program<br>Expense   | Management<br>and General | Fundraising      | Total<br>Supporting<br>Expense | Total                |
| <b>Expenses</b>                     |                      |                           |                  |                                |                      |
| Salaries                            | \$ 6,756,891         | \$ 337,190                | \$ -             | \$ 337,190                     | \$ 7,094,081         |
| Employee Benefits                   | 1,245,276            | 61,987                    | -                | 61,987                         | 1,307,263            |
| Payroll Taxes                       | 76,117               | 12,557                    | -                | 12,557                         | 88,674               |
| Professional Fees                   | 1,513,770            | 420,994                   | -                | 420,994                        | 1,934,764            |
| Utilities                           | -                    | 771,549                   | -                | 771,549                        | 771,549              |
| Repairs and Maintenance             | -                    | 633,894                   | -                | 633,894                        | 633,894              |
| Rental and Maintenance of Equipment | -                    | 59,565                    | -                | 59,565                         | 59,565               |
| Supplies                            | 1,172,696            | 190,161                   | 14,849           | 205,010                        | 1,377,706            |
| Depreciation                        | -                    | 911,079                   | -                | 911,079                        | 911,079              |
| Insurance                           | -                    | 164,344                   | -                | 164,344                        | 164,344              |
| Miscellaneous Expenses              | (18,631)             | 140,808                   | -                | 140,808                        | 122,177              |
| Travel                              | 99,337               | -                         | -                | -                              | 99,337               |
| Interest Expense                    | -                    | 1,147,610                 | -                | 1,147,610                      | 1,147,610            |
| Amortization                        | -                    | 80,142                    | -                | 80,142                         | 80,142               |
| <b>Total Expenses</b>               | <b>\$ 10,845,456</b> | <b>\$ 4,931,880</b>       | <b>\$ 14,849</b> | <b>\$ 4,946,729</b>            | <b>\$ 15,792,185</b> |

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

**SER-NINOS, INC.**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2024**

|  |                      |
|--|----------------------|
| <b>Cash Flows from Operating Activities</b>  |                      |
| Change in Net Assets   | \$ 5,228,858         |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities: |                      |
| Depreciation Expense   | 911,079              |
| Amortization of Bond Issuance Costs  | 80,142               |
| Amortization of Bond Premium   | (131,554)            |
| Loss on Sale of Fixed Assets   | 54,471               |
| Increase in Grants Receivable  | (3,713,835)          |
| Decrease in Other Receivable   | 110,831              |
| Decrease in Prepaid  | 3,246                |
| Decrease in Right-of-Use Assets for Operating Leases   | 22,452               |
| Decrease in Accounts Payable   | (2,276,155)          |
| Decrease in Interest Payable   | (1,359)              |
| Increase in Accrued Liabilities  | 100,502              |
| Increase in Wages Payable  | 97,134               |
| Decrease in Operating Lease Liabilities  | (22,452)             |
| <b>Total Adjustments</b>   | <b>(4,765,498)</b>   |
| <b>Net Cash Provided by Operating Activities</b>   | <b>463,360</b>       |
| <b>Cash Flows from Investing Activities</b>  |                      |
| Purchases of Fixed Assets  | (5,229,055)          |
| Interest Reinvestment on Certificate of Deposit  | (15,333)             |
| <b>Net Cash Used in Investing Activities</b>   | <b>(5,244,388)</b>   |
| <b>Cash Flows from Financing Activities</b>  |                      |
| Principal Payments on Bonds Payable  | (620,000)            |
| <b>Net Cash Used in Financing Activities</b>   | <b>(620,000)</b>     |
| <b>Net Decrease in Cash</b>  | <b>(5,401,028)</b>   |
| <b>Cash, Beginning of Year</b>   | <b>18,230,876</b>    |
| <b>Cash, End of Year</b>   | <b>\$ 12,829,848</b> |
| <b>Supplemental Disclosure</b>   |                      |
| Cash Paid During the Year for:   |                      |
| Interest   | \$ 1,280,523         |
| <b>Cash Reconciliation</b>   |                      |
| Cash and Cash Equivalents  | \$ 12,586,067        |
| Restricted Cash  | 243,781              |
| <b>Total Cash</b>  | <b>\$ 12,829,848</b> |

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

## SER-NINOS, INC.

### Notes to Financial Statements

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#### Note 1. Organization

SER-Ninos, Inc. (the 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 Corporation 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 Corporation operates as part of the state public school system subject to all federal and state laws and rules governing public schools. The Corporation is also subject to all laws and rules pertaining to open-enrollment charter schools in section 12 of the Texas Education Code.

The Corporation provides elementary education to approximately 1,060 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 Corporation'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.

#### Note 2. 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. the Corporation reports its financial information based on the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 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.

##### **Classification of Net Assets**

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Classification of Net Assets (Continued)**

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

**Support and Revenue**

Support and revenue are recorded based on the accrual method.

**Cash Donations and Donated Services**

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

**Contributions**

In accordance with FASB ASC 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 the Corporation 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.



**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Pledges and Accounts Receivable**

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

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

**Functional Expenses**

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

**Income Taxes**

The Corporation 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**

The Corporation 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 (FDIC) up to \$250,000. The bank accounts, at times, exceeded federally insured limits. Investments in debt securities have been pledged by a banking institution to mitigate the risk of loss for balances exceeding FDIC insurance thresholds. The Corporation has not experienced any losses on such accounts.

**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 the Corporation's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Leases**

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

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

**Note 3. Pension Plan Obligations**

*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 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.

## Notes to Financial Statements

## Note 3. Pension Plan Obligations (Continued)

*Plan Description (Continued)*

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](http://www.trs.state.tx.us), under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2024 provided the following information (ABO refers to the accumulated benefit obligation):

| Pension Fund | Total Plan Assets<br>2024 | Total Pension Liability<br>2024 | Percent<br>Funded |
|--------------|---------------------------|---------------------------------|-------------------|
| TRS          | \$ 243,089,146,000        | \$ 271,627,434,000              | 77.51%            |

*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; and (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 8.25% for fiscal year 2024, and a state contribution rate of 8.25% for fiscal year 2024. The charter school's employee contributions to the system for the year ended August 31, 2024 were \$560,515, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 8.25% totaling \$175,772 for the year ended August 31, 2024. 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 assessed a surcharge of \$6,194. Per Texas Education Agency's request, the charter school has recorded the amounts contributed by TRS on-behalf of each employee. The on-behalf contributions during fiscal year 2024 was \$389,299.

## SER-NINOS, INC.

### Notes to Financial Statements

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#### Note 4. Health Care Coverage

During the year ended August 31, 2024, employees of the Corporation were covered by a Health Insurance Plan (the Plan). The Corporation contributed \$431 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.

#### Note 5. 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.

#### Note 6. Restricted Cash

Restricted cash of \$243,781 at August 31, 2024 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.

#### Note 7. Liquidity and Availability of Financial Assets

The following reflects the Corporation'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 statement of financial position date:

|  |                             |
|--|-----------------------------|
| Cash and Cash Equivalents                            | \$ 12,586,067               |
| Certificate of Deposit                               | 279,110                     |
| Grants Receivable                                    | <u>4,941,062</u>            |
| <b>Total Financial Assets at Year-End</b>            | <u>17,809,313</u>           |
| Less Those Unavailable for General Expenditures      |                             |
| Within One Year, Due to:                             |                             |
| Donor-Restricted Imposed Restrictions as to          |                             |
| Use or Time:   | <u>-</u>                    |
| <b>Financial Assets Available to Meet Cash Needs</b> |                             |
| <b>For General Expenditure Within One Year</b>       | <u><u>\$ 17,809,313</u></u> |

The Corporation 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 Corporation.

## Notes to Financial Statements

**Note 8. Commitments and Contingencies**

The Corporation 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.

**Note 9. Operating Lease Commitment**

The Corporation is currently leasing its copy machines on a non-cancellable operating lease agreement. The Corporation's minimum annual lease commitment is as follows:

| <b>Year Ending<br/>August 31,</b>        | <b>Amount</b>           |
|--|-------------------------|
| 2025                                     | \$ 24,833               |
| 2026                                     | 24,833                  |
| 2027                                     | <u>12,417</u>           |
| Total Operating Lease Payments           | 62,083                  |
| Less: Present Value Discount             | <u>(2,415)</u>          |
| <b>Total Operating Lease Liabilities</b> | <b><u>\$ 59,668</u></b> |

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

|  |                         |
|--|-------------------------|
| <b>Operating Lease Right-of-Use Assets - Beginning Balance</b> | <b>\$ 82,120</b>        |
| Less Current Year Amortization                                 | <u>(22,452)</u>         |
| <b>Operating Lease Right-of-Use Assets - Ending Balance</b>    | <b><u>\$ 59,668</u></b> |

As of August 31, 2024, the weighted average remaining lease term for the Corporation's finance lease was 2.5 years. The weighted average discount rate associated with its finance lease was 3.41%. Operating lease costs were \$59,565 for the year ended August 31, 2024.

**SER-NINOS, INC.****Notes to Financial Statements****Note 10. Bonds Payable**

Bonds payable at August 31, 2024 consist of the following:

|  |                             |
|--|-----------------------------|
| 2012Q Bonds, 6.75% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; maturity dates range from 2013 to 2030.   | \$ 1,890,000                |
| 2020A Bonds, 4.00% interest; principle and interest due in semi-annual installments, commencing August 15, 2020; maturity dates range from 2022 to 2041.   | 6,260,000                   |
| 2021A Bonds, 2.38% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; maturity dates range from 2031 to 2041. | 29,440,000                  |
| 2021B Bonds, 1.45% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; maturity date is August 31, 2027.       | <u>355,000</u>              |
| <b>Total Bonds Payable</b>   | <b>37,945,000</b>           |
| Plus: Premium on Bond Payable  | 2,234,550                   |
| Less: Current Portion of Bonds Payable   | (620,000)                   |
| Less: Unamortized Cost of Issuance   | <u>\$ (1,922,709)</u>       |
| <b>Long-Term Portion of Bonds Payable, Net of Discount</b>   | <b><u>\$ 37,636,841</u></b> |

Future maturities of long-term debt at August 31, 2024 are as follows:

| <b>Year Ending<br/>August 31,</b> | <b>Principal</b>            | <b>Interest</b>             |
|-----------------------------------|-----------------------------|-----------------------------|
| 2025                              | \$ 620,000                  | \$ 1,250,410                |
| 2026                              | 625,000                     | 1,219,948                   |
| 2027                              | 785,000                     | 1,189,135                   |
| 2028                              | 835,000                     | 1,153,025                   |
| 2029                              | 865,000                     | 1,110,962                   |
| Thereafter                        | <u>34,215,000</u>           | <u>12,271,556</u>           |
| <b>Total</b>                      | <b><u>\$ 37,945,000</u></b> | <b><u>\$ 18,195,036</u></b> |

## SER-NINOS, INC.

### Notes to Financial Statements

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#### Note 10. Bonds Payable (Continued)

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

#### Note 11. Debt Covenant

The Corporation is required to maintain a debt service coverage ratio of not less than 1.10 to 1.00 for Series 2020A, 2021A & 2021B Bonds and 1.25 to 1.00 for Series 2012Q Bonds at the end of the fiscal year. At August 31, 2024, the Corporation was in compliance with debt covenants with a debt service coverage ratio of 3.85.

#### Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2024, are restricted as follows:

|                               |                             |
|-------------------------------|-----------------------------|
| State TEA Funds               | \$ 28,189,766               |
| Capital Campaign Funds        | <u>243,781</u>              |
| <b>Total Restricted Funds</b> | <b><u>\$ 28,433,547</u></b> |

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

|                                    |                             |
|------------------------------------|-----------------------------|
| State Funds                        | \$ 8,497,601                |
| Federal Funds                      | <u>6,913,453</u>            |
| <b>Total Restrictions Released</b> | <b><u>\$ 15,411,054</u></b> |

## SER-NINOS, INC.

### Notes to Financial Statements

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#### Note 13. SER-Ninos, Inc. Houston Special Education Cooperative

SER-Ninos, Inc. Houston Special Education Cooperative received \$433,914 in IDEA-B Formula funds for the year ended August 31, 2024. 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, 2024:

| Member/ Entity                    | Revenue           | Expense           |
|-----------------------------------|-------------------|-------------------|
| Alief Montessori                  | \$ 55,273         | \$ 55,273         |
| GIS Houston                       | 145,444           | 145,444           |
| Heights Charter                   | 40,227            | 40,227            |
| SER-Ninos                         | 105,994           | 105,994           |
| Two Dimensions Charter            | 86,976            | 86,976            |
| <b>Total IDEA-B Formula Funds</b> | <b>\$ 433,914</b> | <b>\$ 433,914</b> |

#### Note 14. Certificate of Deposits

The Corporation has renewed a \$279,110 six-month certificate of deposit with an interest rate of 4.88%. The certificate of deposit has a maturity date of December 14, 2024 and will automatically renew for a six month period.

#### Note 15. Prior Period Adjustment

During the year ended August 31, 2024, the Corporation recorded an adjustment resulting in a decrease to opening net assets as previously stated at August 31, 2023. The adjustment reflected a correction related to duplicate expenses for the amount of \$43,820 recorded by the Corporation during fiscal year ended August 31, 2023.

#### Note 16. Evaluation of Subsequent Events

The Corporation has evaluated subsequent events through January 20, 2025, the date which the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.





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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. (the Corporation) as of and for the year ended August 31, 2024, and our report thereon dated January 20, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. 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, 2024, and appearing on pages 20 to 25 and on pages 35 to 37, 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.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Houston, TX  
January 20, 2025

**SER-NINOS, INC.**  
**Statement of Activities**  
**For the Year Ended August 31, 2024**

|  |   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|---|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>                              |   |                               |                            |                      |
| <b>Local Support</b>                         |   |                               |                            |                      |
| 5740   | Other Revenues from Local Sources   | \$ 374,052                    |                            | \$ 374,052           |
| 5750   | Revenue from Concurrucular Activities                                       | 7,079                         |                            | 7,079                |
|  | <b>Total Local Support</b>  | <b>381,131</b>                |                            | <b>381,131</b>       |
| <b>State Program Revenues</b>                |   |                               |                            |                      |
| 5810   | Foundation School Program Act Revenues                                      |                               | 13,283,543                 | 13,283,543           |
| 5820   | State Program Revenues Distributed<br>by Texas Education Agency             |                               | 9,797                      | 9,797                |
| 5830   | State Revenues from State of<br>Texas Government Agencies                   |                               | 389,299                    | 389,299              |
|  | <b>Total State Program Revenues</b>   | <b>-</b>                      | <b>13,682,639</b>          | <b>13,682,639</b>    |
| <b>Federal Program Revenues</b>              |   |                               |                            |                      |
| 5920   | Federal Revenues Distributed by<br>Texas Education Agency                   |                               | 6,452,206                  | 6,452,206            |
| 5930   | Federal Revenues Distributed by<br>Other State of Texas Government Agencies |                               | 31,537                     | 31,537               |
| 5940   | Federal Revenues Distributed Directly<br>from the Federal Government        |                               | 429,710                    | 429,710              |
|  | <b>Total Federal Program Revenues</b>                                       | <b>-</b>                      | <b>6,913,453</b>           | <b>6,913,453</b>     |
| <b>Net Assets Released from Restrictions</b> |   |                               |                            |                      |
|  | Restrictions Satisfied by Payments  | 15,411,054                    | (15,411,054)               | -                    |
|  | <b>Total Revenues</b>   | <b>15,792,185</b>             | <b>5,185,038</b>           | <b>20,977,223</b>    |
| <b>Expenses</b>                              |   |                               |                            |                      |
| 11   | Instruction   | 8,693,445                     |                            | 8,693,445            |
| 12   | Instructional Resources and Media Services                                  | 74,051                        |                            | 74,051               |
| 13   | Curriculum Development and Instructional<br>Staff Development               | 3,950                         |                            | 3,950                |
| 23   | School Leadership   | 690,561                       |                            | 690,561              |
| 31   | Guidance, Counseling, and Evaluating Services                               | 54,291                        |                            | 54,291               |
| 33   | Health Services   | 157,458                       |                            | 157,458              |
| 35   | Food Services   | 1,045,649                     |                            | 1,045,649            |
| 36   | Cocurricular/Extracurricular Activities                                     | 54,386                        |                            | 54,386               |
| 41   | General Administration  | 629,476                       |                            | 629,476              |
| 51   | Plant Maintenance and Operations  | 2,654,772                     |                            | 2,654,772            |
| 52   | Security and Monitoring Services  | 280,722                       |                            | 280,722              |
| 53   | Data Processing Services  | 141,289                       |                            | 141,289              |
| 61   | Community Services  | 69,534                        |                            | 69,534               |
| 71   | Debt Service  | 1,227,752                     |                            | 1,227,752            |
| 81   | Fund Raising  | 14,849                        |                            | 14,849               |
|  | <b>Total Expenses</b>   | <b>15,792,185</b>             | <b>-</b>                   | <b>15,792,185</b>    |
|  | <b>Change in Net Assets</b>   | <b>-</b>                      | <b>5,185,038</b>           | <b>5,185,038</b>     |
|  | <b>Restatement</b>  | <b>-</b>                      | <b>43,820</b>              | <b>43,820</b>        |
|  | <b>Net Assets, Beginning of Year</b>  | <b>3,973,727</b>              | <b>23,204,689</b>          | <b>27,178,416</b>    |
|  | <b>Net Assets, End of Year</b>  | <b>\$ 3,973,727</b>           | <b>\$ 28,433,547</b>       | <b>\$ 32,407,274</b> |

**SER-NINOS, INC.**  
**Schedule of Expenses**  
**For the Year Ended August 31, 2024**

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|   |                             |
|---|-----------------------------|
| <b>Expenses</b>                           |                             |
| 6100 Payroll Costs                        | \$ 8,490,018                |
| 6200 Professional and Contracted Services | 3,399,772                   |
| 6300 Supplies and Materials               | 1,377,706                   |
| 6400 Other Operating Costs                | 1,296,937                   |
| 6500 Debt                                 | <u>1,227,752</u>            |
| <b>Total Expenses</b>                     | <b><u>\$ 15,792,185</u></b> |

**SER-NINOS, INC.**  
**Schedule of Assets**  
**For the Year Ended August 31, 2024**

|  | Ownership Interest |                      |                     |
|--|--------------------|----------------------|---------------------|
|  | Local              | State                | Federal             |
| 1110 Cash  | \$ 572,191         | \$ 12,536,767        | \$ -                |
| 1510 Land and Improvements                               | -                  | 9,840,182            | -                   |
| 1520 Building and Improvements                           | -                  | 50,907,705           | 2,000,000           |
| 1539 Furniture and Equipment                             | -                  | 2,072,245            | 15,987              |
| 1559 Right-of-Use Assets: Operating Leases for Equipment | -                  | 59,668               | -                   |
| 1580 Construction in Progress                            | -                  | -                    | -                   |
| <b>Total Capital Assets</b>                              | <b>\$ 572,191</b>  | <b>\$ 75,416,567</b> | <b>\$ 2,015,987</b> |

**SER-NINOS, INC.**  
**Budgetary Comparison Schedule**  
**For the Year Ended August 31, 2024**

|                                    |  | Budgeted Amounts |               | Actual<br>Amounts | Variance from<br>Final Budget |
|------------------------------------|--|------------------|---------------|-------------------|-------------------------------|
|                                    |  | Original         | Final         |                   |                               |
| Revenues, Gains, and Other Support |  |                  |               |                   |                               |
| Local Support                      |  |                  |               |                   |                               |
| 5740                               | Other Revenues from Local Sources                                    | \$ 181,605       | \$ 458,366    | \$ 374,052        | \$ (84,314)                   |
| 5750                               | Revenue from Concurricular Activities                                | 5,300            | 966           | 7,079             | 6,113                         |
| Total Local Support                |  | 186,905          | 459,332       | 381,131           | (78,201)                      |
| State Program Revenues             |  |                  |               |                   |                               |
| 5810                               | Foundation School Program Act Revenues                               | 13,477,145       | 12,820,452    | 13,283,543        | 463,091                       |
| 5820                               | State Program Revenues Distributed<br>by Texas Education Agency      | 3,525            | 5,714         | 9,797             | 4,083                         |
| 5830                               | State Revenues from State of<br>Texas Government Agencies            | -                | -             | 389,299           | 389,299                       |
| Total State Program Revenues       |  | 13,480,670       | 12,826,166    | 13,682,639        | 856,473                       |
| Federal Program Revenues           |  |                  |               |                   |                               |
| 5920                               | Federal Revenues Distributed by<br>Texas Education Agency            | 6,223,031        | 6,148,678     | 6,452,206         | 303,528                       |
| 5930                               | Federal Revenues Distributed by<br>Other Government Agencies         | -                | -             | 31,537            | 31,537                        |
| 5940                               | Federal Revenues Distributed Directly<br>from the Federal Government | 118,491          | 118,491       | 429,710           | 311,219                       |
| Total Federal Program Revenues     |  | 6,341,522        | 6,267,169     | 6,913,453         | 646,284                       |
| Total Revenues                     |  | 20,009,097       | 19,552,667    | 20,977,223        | 1,424,556                     |
| Expenses                           |  |                  |               |                   |                               |
| 11                                 | Instruction  | 11,752,245       | 10,423,962    | 8,693,445         | 1,730,517                     |
| 12                                 | Instructional Resources and Media Services                           | 104,957          | 69,244        | 74,051            | (4,807)                       |
| 13                                 | Curriculum Development and Instructional<br>Staff Development        | 19,382           | 905           | 3,950             | (3,045)                       |
| 23                                 | School Leadership  | 669,386          | 601,417       | 690,561           | (89,144)                      |
| 31                                 | Guidance, Counseling, and Evaluating Services                        | 49,725           | 54,291        | 54,291            | -                             |
| 33                                 | Health Services  | 44,568           | 139,282       | 157,458           | (18,176)                      |
| 35                                 | Food Services  | 987,868          | 1,039,651     | 1,045,649         | (5,998)                       |
| 36                                 | Cocurricular/Extracurricular Activities                              | 47,794           | 47,894        | 54,386            | (6,492)                       |
| 41                                 | General Administration   | 831,463          | 660,121       | 629,476           | 30,645                        |
| 51                                 | Plant Maintenance and Operations                                     | 2,219,739        | 1,638,803     | 2,654,772         | (1,015,969)                   |
| 52                                 | Security and Monitoring Services                                     | 311,919          | 279,073       | 280,722           | (1,649)                       |
| 53                                 | Data Processing Services   | 143,406          | 161,898       | 141,289           | 20,609                        |
| 61                                 | Community Services   | 73,465           | 64,169        | 69,534            | (5,365)                       |
| 71                                 | Debt Service   | 1,409,537        | 1,472,272     | 1,227,752         | 244,520                       |
| 81                                 | Fund Raising   | 7,000            | 14,151        | 14,849            | (698)                         |
| Total Expenses                     |  | 18,672,454       | 16,667,133    | 15,792,185        | 874,948                       |
| Change in Net Assets               |  | 1,336,643        | 2,885,534     | 5,185,038         | 2,299,504                     |
| Restatement                        |  |                  |               | 43,820            |                               |
| Net Assets, Beginning of Year      |  | 27,178,416       | 27,178,416    | 27,178,416        |                               |
| Net Assets, End of Year            |  | \$ 28,515,059    | \$ 30,063,950 | \$ 32,407,274     | \$ 2,299,504                  |

**SER-NINOS, INC.**  
**Budgetary Variance Explanation**  
**For the Year Ended August 31, 2024**

**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, 2024.

Object 5740 The amount of variance was due to an anticipated increase in revenue due the Bond interest.

Object 5750 The amount of variance was due to an anticipated decrease in revenue due to the reduction in school activities.

Object 5820 The amount of the variance was due to an anticipated increase in funding due to student enrollment.

- (2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ending August 31, 2024.

Object 5740 The amount of the variance was due to the over calculation of the anticipated revenue on Bond interest.

Object 5750 The amount of the variance in revenue was attributed to an increase in donations for student activities.

Object 5820 The amount of variance is due to funding increase.

Object 5830 The amount of variance is due to funding increase.

Object 5930 The amount of the variance is due to funding increase in Supply Chain assistance.

Object 5940 The amount of variance was due to fundind increase due to IRS Interest Subsidy.

**SER-NINOS, INC.**  
**Budgetary Variance Explanation**  
**For the Year Ended August 31, 2024**

**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, 2024.

Function 11 The amount of variance is due to not being able to fill instructional positions.

Function 12 The amount of variance of expenses was due to an anticipated decrease in funding due the staffing.

Function 13 The amount of the variance is due to the an anticipated decrease in cost of professional development activities.

Function 23 The amount of variance of expenses was due to an anticipated decrease due the staffing positions.

Function 33 The amount of variance is due to an anticipated need to fill a staff position during the year.

Function 41 The variance is due to not being able to fill staff positions.

Function 51 The amount of variance is due to not being able to fill the Facilities Manager position.

Function 52 The amount of the budgeted variance is due to an anticipated decrease of security service at the construction site.

Function 53 The amount of variance is due to an anticipated cost increase to add staff.

Function 61 The amount of variance is due to an anticipated decrease in vendor services.

Function 81 The amount of variance is due to an anticipated increase in revenue raised by the school fundraising committes.

(2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ending August 31, 2024.

Function 11 The amount of variance is due to use of ESSER funding..

Function 13 The amount of variance is due to the increase in professional development activities for new programs .

Function 23 The amount of variance is due to being able to fill position during the latter part of the school year.

Function 33 The amount of variance is due to an increase in evaluations and services for students.

Function 36 The amount of variance is due to an increase in transportation cost for extra - curricular activities.

Function 51 The amount of variance is due to the increase in maintenance due to adding of the new High School.

Function 53 The amount of variance is due to not being able to fill an IT staff position.

Function 71 The amount of the variance is due to a decrease in debt services funds.

**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. (the Corporation) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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



**Report Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 financial statements. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Professional Accounting Corporation

Houston, TX  
January 20, 2025

**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**

**Opinion on Each Major Federal Program**

We have audited SER-Ninos, Inc.'s (the Corporation) (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended August 31, 2024. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation 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, 2024.

**Basis for Opinion on Each Major Federal Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the Corporation's compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit Compliance section above 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Houston, TX  
January 20, 2025

SER-NINOS, INC.  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2024

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**Section I. Summary of Auditor's Results**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditor's report  | Unmodified    |
| 2. Internal control over financial reporting                                     |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| c. Noncompliance material to the financial statements noted?                     | No            |

**Federal Awards**

- |  |   |
|--|---|
| 3. Internal control over major programs  |   |
| a. Material weaknesses identified?   | No                                      |
| b. Significant deficiencies identified not considered to be material weaknesses?           | None Reported                           |
| 4. Type of auditor's report issued on compliance for each major program                    | Unmodified                              |
| 5. Audit findings disclosed that are required in accordance with Section 2 CFR 200.516(a)  | None                                    |
| 6. Identification of major programs  |   |
| <b><u>Program Name</u></b>   | <b><u>Assistance Listing Number</u></b> |
| Education Stabilization Fund   | 84.425U                                 |
| Title I, Part A – Improving Basic Programs   | 84.010A                                 |
| 7. The threshold used for distinguishing between Type A and Type B programs was \$750,000. |   |
| 8. SER-NINOS, Inc. qualifies as a low-risk auditee.  |   |

**Section II.- Findings - Financial Statement Audit**

None.

**Section III. Findings And Questioned Costs - Major Federal Award Programs Audit**

None.

**SER-NINOS, INC.**  
**Schedule of Prior Year Findings**  
**For the Year Ended August 31, 2024**

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**Financial Statement Findings**

None.

**Federal Award Findings and Questioned Costs**

None.

**SER-NINOS, INC.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2024**

| <b>Federal Grantor/<br/>Pass - Through<br/>Grantor/ Program Title</b> | <b>Federal<br/>Assistance<br/>Listing Number</b> | <b>Pass - Through<br/>Entity Identifying<br/>Number</b> | <b>Federal<br/>Expenditure</b> | <b>Amount<br/>Relating to<br/>Subrecipients</b> |
|---|--|---|--------------------------------|---|
| <b>U.S. Department of Education</b>                                   |  |   |                                |   |
| <b>Passed - Through Texas Education Agency:</b>                       |  |   |                                |   |
| Title I, Part A - Improving Basic Programs                            | 84.010A  | 24610101101802  | \$ 791,198                     |   |
| Title II, Part A - Supporting Effective Instruction                   | 84.367A  | 24694501101802  | 24,565                         |   |
| Title III, Part A - English Language Acquisition                      | 84.365A  | 24671001101802  | 70,294                         |   |
| Title IV, Part A - Student Support and Academic Enrichment Program    | 84.424A  | 24680101101802  | 75,733                         |   |
| LEP Summer School   | 84.369A  | 69552302  | 7,347                          |   |
| <b>Special Education Cluster</b>                                      |  |   |                                |   |
| IDEA, Part B - Formula  | 84.027   | 226600011018026000                                      | (7,360)                        |   |
| IDEA, Part B - Formula  | 84.027A  | 246600011018026000                                      | 441,274                        | 327,920   |
| <b>Total Special Education Cluster</b>                                |  |   | <b>433,914</b>                 | <b>327,920</b>                                  |
| <b>Total U.S. Department of Education, Non-COVID-19 Assistance</b>    |  |   | <b>1,403,051</b>               | <b>327,920</b>                                  |
| <b>Passed - Through Texas Education Agency</b>                        |  |   |                                |   |
| COVID-19 - Education Stabilization Fund (ARP ESSER III)               | 84.425U  | 21528001101802  | 4,186,465                      |   |
| <b>Total U.S. Department of Education, COVID-19 Assistance</b>        |  |   | <b>4,186,465</b>               | <b>-</b>  |
| <b>Total U.S. Department of Education</b>                             |  |   | <b>5,589,516</b>               | <b>327,920</b>                                  |
| <b>U.S. Department of Agriculture</b>                                 |  |   |                                |   |
| <b>Child Nutrition Cluster</b>  |  |   |                                |   |
| <b>Passed - Through Texas Education Agency</b>                        |  |   |                                |   |
| Federal Food Service Reimbursement                                    |  |   |                                |   |
| School Breakfast Program  | 10.553   | 71402301  | 10,210                         |   |
| School Breakfast Program  | 10.553   | 71402401  | 115,614                        |   |
| National School Lunch Program   | 10.555   | 71302301  | 45,884                         |   |
| National School Lunch Program   | 10.555   | 71302401  | 640,684                        |   |
| <b>Passed - Through Texas Department of Agriculture</b>               |  |   |                                |   |
| Supply Chain Assistance Grant   | 10.555   | 236TX400N8903   | 31,537                         |   |
| USDA Commodity Food Distribution                                      | 10.555   | 246TX877Y8005   | 50,298                         |   |
| <b>Total Child Nutrition Cluster</b>                                  |  |   | <b>894,227</b>                 | <b>-</b>  |
| <b>Total Expenditures of Federal Awards</b>                           |  |   | <b>\$ 6,483,743</b>            | <b>\$ 327,920</b>                               |

See independent auditor's report on supplementary information.

**SER-NINOS, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2024**

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**Note 1. 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, 2024. 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.

**Note 2. 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.

**Note 3. De Minimis 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 4. Subrecipients**

The Corporation provided \$327,920 of federal awards to subrecipients.

**Note 5. Other Sources of Federal Revenue**

Other sources of federal revenues are \$429,710 in tax credits for qualifying bonds, which are not includible in the current Schedule of Expenditures of Federal Awards (SEFA).

Reconciliation of Federal Revenues and (SEFA):

|  |                     |
|--|---------------------|
| Total Expenditure of Federal Awards Per The SEFA       | \$ 6,483,743        |
| Q-Series Bond Subsidy Revenue / Expenditure            | <u>429,710</u>      |
| Total Federal Revenues Per The Statement of Activities | <u>\$ 6,913,453</u> |



**SER-NINOS, INC.**  
**Schedule of Real Property Ownership Interest**  
**For the Year Ended August 31, 2024**

| Description                               | Property Address                  | Total<br>Assessed | Ownership<br>Interest - Local |            | Ownership<br>Interest - State |         | Ownership<br>Interest - Federal |         |
|---|-----------------------------------|-------------------|-------------------------------|------------|-------------------------------|---------|---------------------------------|---------|
|   |                                   |                   | Interest                      | Local      | Interest                      | State   | Interest                        | Federal |
| RES A BLK 1 SER NINOS CHARTER PLAZ        | 5919 DASHWOOD DR HOUSTON TX 77081 | \$ 5,306,070      | \$                            | 4,775,463  | \$                            | 53,061  | \$                              | 477,546 |
| RES A2 BLK 1 CHIMNEY ROCK CENTRAL SEC 2   | 5815 ALDER DRIVE HOUSTON TX 77081 | 5,859,515         |                               | 5,273,564  |                               | 58,595  |                                 | 527,356 |
| RES A BLK 1 SER NINOS CHARTER SCHOOL      | 5610 GULFTON ST HOUSTON TX 77081  | 10,322,756        |                               | 9,290,480  |                               | 103,228 |                                 | 929,048 |
| RES A BLK 1 SER-NINOS CHARTER HIGH SCHOOL | 5803 GLENMONT ST HOUSTON TX 77081 | 12,084,741        |                               | 12,084,741 |                               | -       |                                 | -       |

See independent auditor's report on supplementary information.

**SER-NINOS, INC.**  
**Schedule of Related Party Transactions**  
**For the Year Ended August 31, 2024**

| Related Party<br>Name | Name of<br>Related Party | Relation to the<br>Related Party | Relationship | Types of<br>Transactions | Description of<br>Terms and<br>Conditions | Source of Fund<br>Used | Payment<br>Frequency | Total Paid<br>During FY | Principal<br>Balance Due |
|-----------------------|--------------------------|----------------------------------|--------------|--------------------------|---|------------------------|----------------------|-------------------------|--------------------------|
|                       |                          |                                  |              |                          |   |                        |                      |                         |                          |

None

See independent auditor's report on supplementary information.

**SER-NINOS, INC.**  
**Special Program Compliance Schedule**  
**For the Year Ended August 31, 2024**

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**Data Codes**

**Responses**

**Section A: Compensatory Education Program**

|     |  |             |
|-----|--|-------------|
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?                                | Yes         |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program?  | Yes         |
| AP3 | List the total state allotment funds received for state compensatory education programs during the District's fiscal year.                           | \$1,832,292 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.<br>(PICs 24, 26, 28, 29, 30, 34) | \$1,126,938 |

**Section B: Bilingual Education Programs**

|     |  |           |
|-----|--|-----------|
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?                  | Yes       |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program?                                   | Yes       |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.             | \$843,271 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35) | \$637,252 |

See independent auditor's report on supplementary information.