

SER-NINOS, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2023




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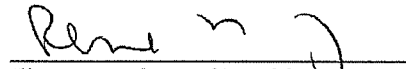
SER-NINOS, INC.
(Federal Employer Identification Number 76-0511534)
101-802

CERTIFICATION OF BOARD
August 31, 2023

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, 2023, at a meeting of the governing body of said charter school on the 18 day of January, 2024.



Signature of Board Secretary



Signature of Board President



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Houston, TX 77056
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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. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, 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 SER-Ninos, Inc. as of August 31, 2023 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 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 SER-Ninos, Inc. 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 SER-Ninos, Inc.'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 generally accepted auditing standards 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.

LOUISIANA • TEXAS

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each is separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

In performing an audit in accordance with generally accepted auditing standards 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 SER-Ninos, Inc.'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 SER-Ninos, Inc.'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.

Other Matters

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 18, 2024, on our consideration of SER-Ninos, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 SER-Ninos, Inc.'s internal control over financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SER-Ninos, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Houston, TX
January 18, 2024

SER-NINOS, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 18,169,821
Restricted Cash	61,055
Certificate of Deposit	263,777
Grants Receivable	1,227,227
Other Receivables	113,905
Prepaid Expenses	5,832
TOTAL CURRENT ASSETS	19,841,617
PROPERTY AND EQUIPMENT	
Land	9,900,029
Building and Improvements	22,895,155
Furniture and Equipment	677,934
Construction in Progress	26,188,416
	59,661,534
Less: Accumulated Depreciation	(9,729,708)
	49,931,826
OTHER ASSETS	
Operating Lease Right-of-Use Assets	82,120
	82,120
TOTAL ASSETS	\$ 69,855,563
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 3,144,532
Accrued Liabilities	19,402
Wages Payable	445,928
Interest Payable	56,912
Current Portion of Operating Lease Liabilities	24,833
Current Portion Bonds Payable	620,000
TOTAL CURRENT LIABILITIES	4,311,607
LONG-TERM LIABILITIES	
Operating Lease Liabilities- Net of Current Portion	57,287
Bonds Payable Net of Issuance Cost, Discount and Current Portion	38,308,253
TOTAL LONG-TERM LIABILITIES	38,365,540
TOTAL LIABILITIES	42,677,147
NET ASSETS	
Without Donor Restrictions	3,973,727
With Donor Restrictions	23,204,689
TOTAL NET ASSETS	27,178,416
TOTAL LIABILITIES NET ASSETS	\$ 69,855,563

See accompanying notes to financial statements.

SER-NINOS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Support:			
Other revenues from local sources	\$ 423,806	\$ -	\$ 423,806
Total Local Support	<u>423,806</u>	<u>-</u>	<u>423,806</u>
State Program Revenues	-	12,624,575	12,624,575
Total State Program Revenues	<u>-</u>	<u>12,624,575</u>	<u>12,624,575</u>
Federal Program Revenues	-	4,783,062	4,783,062
Total Federal Program Revenues	<u>-</u>	<u>4,783,062</u>	<u>4,783,062</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	14,267,931	(14,267,931)	-
Total Revenues	<u>14,691,737</u>	<u>3,139,706</u>	<u>17,831,443</u>
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	8,314,533	-	8,314,533
Instructional and School Leadership	633,396	-	633,396
Ancillary Services	65,649	-	65,649
Support Services- Student (Pupil)	1,133,076	-	1,133,076
Total Program Services	<u>10,146,654</u>	<u>-</u>	<u>10,146,654</u>
Support Services			
Administrative Support Services	644,043	-	644,043
Support Services- Non-Student Based	2,594,080	-	2,594,080
Debt Service	1,294,411	-	1,294,411
Fundraising	12,549	-	12,549
Total Support Services	<u>4,545,083</u>	<u>-</u>	<u>4,545,083</u>
Total Expenses	<u>14,691,737</u>	<u>-</u>	<u>14,691,737</u>
Change in Net Assets	-	3,139,706	3,139,706
Net Assets, beginning of year as restated	<u>3,973,727</u>	<u>20,064,983</u>	<u>24,038,710</u>
Net Assets, end of year	<u>\$ 3,973,727</u>	<u>\$ 23,204,689</u>	<u>\$ 27,178,416</u>

SER-NINOS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Supporting Services			Total
	Program Expense	Management and General	Fundraising	
EXPENSES				
Salaries	\$ 6,435,206	\$ 346,312	\$ -	\$ 346,312
Employee benefits	850,655	43,559	-	43,559
Payroll taxes	109,004	4,337	-	4,337
Professional fees	1,315,416	441,660	-	441,660
Utilities	-	582,940	-	582,940
Travel	102,588	1,330.00	-	1,330
Interest expense	-	1,214,269	-	1,214,269
Insurance	-	176,885	-	176,885
Depreciation	-	788,889	-	788,889
Amortization	-	80,142	-	80,142
Supplies	1,219,724	172,175	12,549	184,724
Rental and maintenance of equipment	-	47,508	-	47,508
Miscellaneous expenses	54,164	99,053	-	99,053
Food	59,897	-	-	-
Repairs and Maintenance	-	533,475	-	533,475
TOTAL EXPENSES	\$ 10,146,654	\$ 4,532,534	\$ 12,549	\$ 4,545,083
				\$ 14,691,737

See accompanying notes to financial statements.

SER-NINOS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 3,139,706
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	788,889
Amortization of bond issuance costs	80,142
Amortization of bond premium	(131,555)
(Increase) decrease in Grants Receivable	580,154
(Increase) decrease in Other Receivable	(107,565)
(Increase) decrease in Prepaid	(5,832)
(Increase) decrease in Other Assets	7,870
(Increase) decrease in Right-of-Use Assets for Operating Leases	(67,028)
Increase (decrease) in Accounts Payable	643,927
Increase (decrease) in Interest Payable	36,238
Increase (decrease) in Accrued Liabilities	(161,131)
Increase (decrease) in Wages Payable	121,129
Increase (decrease) in Operating Lease Liabilities	67,028
Total Adjustments	<u>1,852,266</u>
Net Cash Provided (Used) by Operating Activities	<u>4,991,972</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(20,028,478)
Interest Reinvestment on Certificate of Deposit	(369)
Net Cash Provided (Used) by Investing Activities	<u>(20,028,847)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on bonds payable	(510,000)
Net Cash Provided (Used) by Financing Activities	<u>(510,000)</u>
 NET INCREASE (DECREASE) IN CASH	 (15,546,875)
 CASH AT BEGINNING OF YEAR	 <u>33,777,751</u>
 CASH AT END OF YEAR	 <u>\$ 18,230,876</u>
 <u>CASH PAID DURING THE YEAR FOR:</u>	
INTEREST	<u>\$ 1,214,269</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>	
RIGHT OF USE ASSETS OBTAINED IN EXCHANGE FOR NEW OPERATING LEASE LIABILITIES	(93,063)
 <u>CASH RECONCILIATION</u>	
CASH AND CASH EQUIVALENTS	\$ 18,169,821
RESTRICTED CASH	61,055
TOTAL CASH	<u>\$ 18,230,876</u>

See accompanying notes to financial statements.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

A. Organization:

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

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

The organization provides elementary education to approximately 1,060 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 organization's activities.

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

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

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

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

B. Summary of Significant Accounting Policies: (Continued)

CLASSIFICATION OF NET ASSETS—

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

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

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

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

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

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

CONTRIBUTIONS

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

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT

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

PLEDGES AND ACCOUNTS RECEIVABLE

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

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

FUNCTIONAL EXPENSES

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

INCOME TAXES

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

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

SER-Ninos, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at a bank. The accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. Investments in debt securities have been pledged by a banking institution to mitigate the risk of loss for balances exceeding FDIC insurance thresholds. The organization 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 SER-Ninos, Inc. management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW ACCOUNTING STANDARD AFFECTING LEASE ACCOUNTING

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

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

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

C. Pension Plan:

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2023 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2023	Total Pension Liability 2023	Percent Funded
TRS	\$ 213,472,526,000	\$ 255,860,886,500	73.15%

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

C. Pension Plan: (Continued)

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 8.0% for fiscal year 2023, and a state contribution rate of 8.0% for fiscal year 2023. The charter school's employee contributions to the system for the year ended August 31, 2023 were \$531,854, 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 8.0% totaling \$319,504 for the year ended August 31, 2023. 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 \$5,801.

D. Budget:

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

E. Liquidity and Availability of Financial Assets:

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

Financial assets at year-end		
Cash and Cash Equivalents	\$	18,494,653
Grants Receivable		1,227,227
Other Receivables		113,905
Total Financial assets at year-end		<u>19,835,785</u>
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted imposed restrictions as to use:		61,055
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>19,774,730</u>

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

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

F. Operating Lease Commitment:

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

<u>Year ending August 31,</u>	<u>Amount</u>
2024	\$ 24,833
2025	24,833
2026	24,833
2027	<u>12,417</u>
Total operating lease payments	86,916
Less: present value discount	<u>(4,796)</u>
Total operating lease liabilities	<u>\$ 82,120</u>

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

Operating Lease Right-of-Use Assets – Beginning Balance	\$ 15,092
New Operating Lease Right-of-Use Assets	<u>93,063</u>
Less current year amortization	<u>(26,035)</u>
Operating Lease Right-of-Use Assets – Ending Balance	<u>\$ 82,120</u>

As of August 31, 2023, the weighted average remaining lease term for the Organization's finance lease was 3.5 years. The weighted average discount rate associated with its finance lease was 3.41%. Operating lease costs were \$47,508 for the year ended August 31, 2023.

G. Health Care Coverage:

During the year ended August 31, 2023, employees of the Organization were covered by a Health Insurance Plan (the Plan). The Organization contributed \$369 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

H. Commitments and Contingencies:

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency, and it is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The school is economically dependent on these charter school funds.

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

I. Restricted Cash:

Restricted cash of \$61,055 at August 31, 2023 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.

J. Bonds Payable:

Bonds payable at August 31, 2023 consist of the following:

2012Q Bonds, 6.75% interest; principle and interest due in semi-annual installments, commencing August 15, 2012; Maturity dates range from 2013 to 2030.	\$ 2,205,000
2020A Bonds, 4.00% interest; principle and interest due in semi-annual installments, commencing August 15, 2020; Maturity dates range from 2022 to 2041.	6,465,000
2021A Bonds, 2.38% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; Maturity dates range from 2031 to 2041.	29,440,000
2021B Bonds, 1.45% interest; principle and interest due in semi-annual installments, commencing February 15, 2022; Maturity date is August 31, 2027	<u>455,000</u>
Total	<u>38,565,000</u>
Plus Premium on bond payable	2,366,104
Less current portion of bonds payable	(620,000)
Less unamortized cost of issuance	<u>(2,002,851)</u>
Long-term portion of bonds payable net of discount	<u>\$ 38,308,253</u>

Future maturities of long-term debt at August 31, 2023 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 620,000	\$ 1,280,522	\$ 1,900,523
2025	620,000	1,250,410	1,870,410
2026	625,000	1,219,948	1,844,947
2027	785,000	1,189,135	1,974,135
2028	835,000	1,153,025	1,988,025
Thereafter	<u>35,080,000</u>	<u>13,382,519</u>	<u>48,462,519</u>
Total	<u>\$ 38,565,000</u>	<u>\$ 19,475,559</u>	<u>\$ 58,040,559</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

J. Bonds Payable: (Continued)

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

K. Debt Covenants:

SER-Ninos, Inc. is required to maintain a debt service coverage Ratio of not less than 1.10 to 1.00 for Series 2020A, 2021A & 2021B Bonds and 1.25 to 1.00 for Series 2012Q Bonds at the end of the fiscal year. At August 31, 2023, the Organization was in compliance with debt covenants with a debt service coverage ratio of 3.03.

L. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2023, are available for the following periods:

Periods after August 31, 2023	
State TEA funds	\$ 23,143,634
Capital Campaign funds	<u>61,055</u>
Total restricted funds	<u>\$ 23,204,689</u>

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

State Funds	\$ 9,484,869
Federal Funds	<u>4,783,062</u>
Total restrictions released	<u>\$ 14,267,931</u>

SER-NINOS, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

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

SER-Ninos, Inc. Houston Special Education Cooperative received \$454,029 in IDEA-B Formula funds for the year ended August 31, 2023. 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, 2023:

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
Alief Montessori	\$ 52,670	\$ 52,670
GIS Houston	128,036	128,036
Heights Charter	37,583	37,583
SER Ninos	166,628	166,628
Two Dimensions Charter	69,112	69,112
Total IDEA-B Formula Funds	<u>\$ 454,029</u>	<u>\$ 454,029</u>

N. Certificate of Deposits:

SER-Ninos, Inc. has renewed a \$263,777 six-month certificate of deposit with an interest rate of .035%. The certificate of deposit has a maturity date of December 14, 2023 and will automatically renew for a six month period.

O. Prior Period Adjustment:

During the year ended August 31, 2023, the Organization recorded an adjustment resulting in a decrease to opening net assets as previously stated at August 31, 2022. The adjustment reflected a correction related to duplicate expenses for the amount of \$117,691 recorded by the Organization during fiscal year ended August 31, 2022.

P. Evaluation of Subsequent Events:

SER-Ninos, Inc. has evaluated subsequent events through January 18, 2024 the date which the financial statements were available to be issued.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of SER-Ninos, Inc. as of and for the year ended August 31, 2023, and our report thereon dated January 18, 2024, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated August 31, 2023, and appearing on pages 18 to 23 and on pages 33 to 35, 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, Texas
January 18, 2024

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SER-NINOS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5740 Other Revenues from Local Sources	\$ 410,102	\$ -	\$ 410,102
5750 Revenue from Cocurricular Activities	13,704	-	13,704
Total Local Support	<u>423,806</u>	<u>-</u>	<u>423,806</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	12,595,002	12,595,002
5820 State Program Revenues Distributed by Texas Education Agency	-	29,573	29,573
Total State Program Revenues	<u>-</u>	<u>12,624,575</u>	<u>12,624,575</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	4,592,948	4,592,948
5930 Federal Revenues Distributed by Other State of Texas Govt Agencies	-	74,283	74,283
5940 Federal Revenues Distributed Directly From the Federal Government	-	115,831	115,831
Total Federal Program Revenues	<u>-</u>	<u>4,783,062</u>	<u>4,783,062</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	14,267,931	(14,267,931)	-
Total Revenues	<u>14,691,737</u>	<u>3,139,706</u>	<u>17,831,443</u>
EXPENSES			
11 Instruction	8,223,631		8,223,631
12 Instructional Resources and Media Services	72,783		72,783
13 Curriculum Development and Instructional Staff Development	18,119		18,119
23 School Leadership	633,396		633,396
31 Guidance, Counseling and Evaluating Services	10,442		10,442
33 Health Services	49,143		49,143
35 Food Services	1,026,828		1,026,828
36 Cocurricular/Extracurricular Activities	46,663		46,663
41 General Administration	644,043		644,043
51 Plant Maintenance and Operations	2,267,509		2,267,509
52 Security and Monitoring Services	223,865		223,865
53 Data Processing Services	102,706		102,706
61 Community Services	65,649		65,649
71 Debt Service	1,294,411		1,294,411
81 Fund Raising	12,549		12,549
Total Expenses	<u>14,691,737</u>	<u>-</u>	<u>14,691,737</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>3,139,706</u>	<u>3,139,706</u>
NET ASSETS, beginning of year as restated	<u>3,973,727</u>	<u>20,064,983</u>	<u>24,038,710</u>
NET ASSETS, end of year	<u>\$ 3,973,727</u>	<u>\$ 23,204,689</u>	<u>\$ 27,178,416</u>

See independent auditor's report on supplementary information.

SER-NINOS, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

EXPENSES	
6100 Payroll Costs	\$ 7,789,073
6200 Professional and Contracted Services	2,920,999
6300 Supplies and Materials	1,464,345
6400 Other Operating Costs	1,222,909
6500 Debt	1,294,411
Total Expenses	<u>\$ 14,691,737</u>

SER-NINOS, INC.
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2023

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 494,474	\$ 18,000,179	\$
1510 Land and Improvements	1,522,192	8,377,837	
1520 Building and Improvements	20,623,072	272,083	2,000,000
1539 Furniture and Equipment	31,953	645,981	
1559 Right of Use Assets: Operating Leases for Equipment		82,120	
1580 Construction in Progress		26,188,416	
Total Capital Assets	\$ 22,671,691	\$ 53,566,616	\$ 2,000,000

SER-NINOS, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES, GAINS AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 101,805	\$ 557,008	\$ 410,102	\$ (146,906)
5750 Revenue from Cocurricular Activities	26,500	2,654	13,704	11,050
Total Local Support	<u>128,305</u>	<u>559,662</u>	<u>423,806</u>	<u>(135,856)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	14,106,507	13,506,511	12,595,002	(911,509)
5820 State Program Revenues Distributed by Texas Education Agency	4,826	3,523	29,573	26,050
Total State Program Revenues	<u>14,111,333</u>	<u>13,510,034</u>	<u>12,624,575</u>	<u>(885,459)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	4,432,389	4,601,816	4,592,948	(8,868)
5930 Federal Revenues Distributed by Other State of Texas Govt Agencies	42,234	42,234	74,283	32,049
5940 Federal Revenues Distributed Directly From the Federal Government	64,696	118,491	115,831	(2,660)
Total Federal Program Revenues	<u>4,539,319</u>	<u>4,762,541</u>	<u>4,783,062</u>	<u>20,521</u>
Total Revenues	<u>18,778,957</u>	<u>18,832,237</u>	<u>17,831,443</u>	<u>(1,000,794)</u>
EXPENSES				
11 Instruction	9,790,024	10,551,785	8,223,631	2,328,154
12 Instructional Resources and Media Services	96,740	103,640	72,783	30,857
13 Curriculum Development and Instructional Staff Development	20,835	26,235	18,119	8,116
23 School Leadership	839,851	889,851	633,396	256,455
31 Guidance, Counseling and Evaluating Services	8,500	8,500	10,442	(1,942)
33 Health Services	109,841	45,112	49,143	(4,031)
35 Food Services	801,082	987,310	1,026,828	(39,518)
36 Cocurricular/Extracurricular Activities	25,000	44,254	46,663	(2,409)
41 General Administration	898,532	973,532	644,043	329,489
51 Plant Maintenance and Operations	2,227,234	2,197,321	2,267,509	(70,188)
52 Security and Monitoring Services	234,974	288,814	223,865	64,949
53 Data Processing Services	123,618	139,796	102,706	37,090
61 Community Services	75,717	74,416	65,649	8,767
71 Debt Service	766,884	1,498,423	1,294,411	204,012
81 Fund Raising	6,500	6,149	12,549	(6,400)
Total Expenses	<u>16,025,332</u>	<u>17,835,137</u>	<u>14,691,737</u>	<u>3,143,400</u>
TOTAL CHANGE IN NET ASSETS AFTER LOSS	<u>2,753,625</u>	<u>997,100</u>	<u>3,139,706</u>	<u>2,142,606</u>
NET ASSETS, beginning of year as restated	<u>24,038,710</u>	<u>24,038,710</u>	<u>24,038,710</u>	
NET ASSETS, end of year	<u>\$ 26,792,335</u>	<u>\$ 25,035,810</u>	<u>\$ 27,178,416</u>	<u>\$ 2,142,606</u>

See independent auditor's report on supplementary information.

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023.

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

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

Object 5820 - The amount of the variance was due to an anticipated decrease in funding due to a reduction in student enrollment

Object 5940 - The amount of the variance was due to an anticipated decrease in revenue.

(2) The following is an explanation for the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ending August 31, 2023.

Object 5740 - The amount of the variance was due to the over calculation of the anticipated revenue due 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 the variance is due to funding increase.

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

SER-NINOS, INC.

BUDGETARY VARIANCE EXPLANATION

FOR THE YEAR ENDED AUGUST 31, 2023

MATERIAL BUDGET VARIANCE EXPENDITURES

(1) The following is an explanation of the 10% variance from the original budget to final budget reported by the Budgetary Comparison Schedule for the year ending August 31, 2023.

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

Function 33 - The amount of the variance is due to not being to fill staff position when staff left during the school year.

Function 35 - The amount of the variance is due to increase of food catering cost.

Function 36 - The amount of the variance is due to increase of co-curricular and extra-curricular activities participated in by the students.

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

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

Function 71 - The amount of the variance is due to an anticipated increase in debt service funds.

(2) The following is an explanation of the 10% variances from final budget to actual reported on the Budgetary Comparison Schedule for the year ending August 31, 2023.

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

Function 12 - The amount of variance is due to not being able to fill library positions.

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

Function 23 - The amount of variance is due to not being able to fill staff positions when staff left during the school year.

Function 31 - The amount of variance is due to an increase in evaluation services for students.

Function 41 - The amount of variance is due to not being able to fill staff positions when staff left during the school year.

Function 52 - The amount of variance is due to a decrease in the need for the additional security at the construction site.

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

Function 61 - The amount of variance is due to a decrease in the cost of vendor services and re-distribution of community liaison salary.

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

Function 81 - The amount of variance is due to an increase in fundraising activities.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SER-Ninos, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, 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 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SER-Ninos, Inc.'s internal control over financial reporting (internal control) 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 SER-Ninos, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 SER-Ninos, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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Purpose of this Report

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

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

A Professional Accounting Corporation

Houston, TX
January 18, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SER-Ninos, Inc. (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 SER-Ninos, Inc.'s major federal programs for the year ended August 31, 2023. SER-Ninos, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SER-Ninos, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

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 SER-Ninos, Inc. 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 SER-Ninos, Inc.'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 SER-Ninos, Inc.'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 SER-Ninos, Inc.'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.

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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 SER-Ninos, Inc.'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 SER-Ninos, Inc.'s compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of SER-Ninos, Inc.'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 SER-Ninos, Inc.'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 that reads "LaForte".

A Professional Accounting Corporation

Houston, TX
January 18, 2024

SER-NINOS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2023

Summary of Audit Results

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

7. Major programs:

U.S. Department of Education	
Passed – Through Texas Education Agency	
Child Nutrition Cluster	
National School Lunch Program*	ALN 10.555
School Breakfast Program*	ALN 10.533
Education Stabilization Fund	ALN 84.425 D/U

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

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

* Denotes cluster

SER-NINOS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

No findings were noted as per *governmental auditing standards* and 2 CFR section 200.516 (a) for the year ended August 31, 2022. \$ -0-

SER NINOS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Federal Expenditures	Amount Relating to Subrecipients
<u>U.S. Department of Education</u>				
Passed - Through Texas Education Agency:				
Title I, Part A - Improving Basic Program	84.010A	23610101101802	\$ 555,972	\$ -
Title II, Part A Supporting Effective Instruction	84.367A	23694501101802	24,717	
Title III, Part A - English Language Acquisition	84.365A	23671001101802	79,526	
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	23680101101802	43,926	
LEP Summer School	84.369A	69552102	7,194	
LEP Summer School	84.369A	69552202	4,438	
Special Education Cluster				
IDEA-B, Formula	84.027A	236600011018026000	454,029	287,401
Total Special Education Cluster			454,029	
Total U.S. Department of Education, non-COVID-19 Assistance			1,169,802	287,401
COVID-19 - Education Stabilization Fund (ESSER)	84.425D	20521001101802	24,109	
COVID-19 - Education Stabilization Fund (CRRSA ESSER II)	84.425D	21521001101802	2,139,326	
COVID-19 - Education Stabilization Fund (ARP ESSER III)	84.425U	21528001101802	361,111	
Total U.S. Department of Education, COVID-19 Assistance			2,524,546	
Total U.S. Department of Education			3,694,349	287,401
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster				
Passed - Through Texas Education Agency				
Federal Food Service Reimbursement				
School Breakfast Program	10.553	71402201	23,846	
School Breakfast Program	10.553	71402301	115,337	
National School Lunch Program	10.555	71302201	104,623	
National School Lunch Program	10.555	71302301	604,039	
			847,845	
Passed - Through Texas Department of Agriculture				
Supply Chain Assistance Grant	10.555	226TX400N8903	30,329	
USDA Commodity Food Distribution	10.555		50,755	
USDA Commodity Reimbursement	10.555		1,720	
Total Child Nutrition Cluster			930,649	
Total U.S. Department of Agriculture			930,649	
<u>U.S. Department of Health and Human Services</u>				
Passed - Through Texas Education Agency				
COVID-19 School Health Support Grant (ELC)	93.323	22393503101802	42,234	
Total U.S. Department of Health and Human Services, COVID-19 Assistance			42,234	
Total U.S. Department of Health and Human Services			42,234	
Total Expenditures of Federal Awards			\$ 4,667,231	\$ 287,401

SER-NINOS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of SER-Ninos, Inc. under programs of the federal government for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of SER-Ninos, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of SER-Ninos, Inc.

Summary of Significant Accounting Policies

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

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

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

NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES

Other sources of federal revenues are \$129,394 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	\$ 4,667,231
Q-Series Bond Subsidy Revenue / Expenditure	<u>115,831</u>
Total federal revenues per the Statement of Activities	<u>\$ 4,783,062</u>

SER-NINOS, INC
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2023

Description (List each parcel separately)	Property Address	Total Assessed	Ownership Interest-Local	Ownership Interest-State	Ownership Interest-Federal
RES A BLK 1 SER NINOS CHARTER PLAZ	5919 DASHWOOD DR HOUSTON TX 77081	5,318,070	4,224,397	130,968	962,705
RES A2 BLK 1 CHIMNEY ROCK CENTRAL SEC 2	5815 ALDER DRIVE HOUSTON TX 77081	5,418,207	4,880,511	64,389	473,306
RES A BLK 1 SER NINOS CHARTER SCHOOL	5610 GULFTON ST HOUSTON TX 77081	9,661,619	7,954,202	229,636	1,477,781
RES A BLK 1 SER-NINOS CHARTER HIGH SCHOOL	5803 GLENMONT ST HOUSTON TX 77081	12,843,724	12,843,724		

See independent auditor's report on supplementary information.

SER-NINOS, INC
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2023

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

See independent auditor's report on supplementary information.

SER-NINOS, INC.
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

<u>Data Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Program</u>		
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.	\$ 1,821,089
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 1,012,202
<u>Section B: Bilingual Education Programs</u>		
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.	\$ 1,400,201
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 1,010,387

See independent auditor's report on supplementary information.